

Vol. 2

OFFICIAL REPORT OF PROCEEDINGS

BEFORE THE

UNITED STATES TARIFF COMMISSION

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In the Matter of:

ASBESTOS CEMENT PIPE

FROM JAPAN

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Investigation No. AA1921-91

PAGES 74 to 229

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Wednesday, March 22, 1972

Washington, D. C.

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WARD & PAUL, INC.

410 FIRST STREET, S. E.  
WASHINGTON, D. C. 20003

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(202) 544-0000

MATTINGLY:PP  
Tariff 1/22/72

C O N T E N T S

TESTIMONY OF:

Warren Max Deutsch,  
Counsel, on behalf of  
Johns-Manville Products Corporation and  
Johns-Manville Sales Corporation,  
Denver, Colorado;  
-- Accompanied by --  
S. Jack McDuff,  
Vice President and  
General Market Manager,  
Pipe Division

AFTERNOON SESSION -- Page 140

Arthur H. Voss,  
President,  
Voss International Corporation

John H. L. Miller,  
President,  
Pacific Water Works Supply Company, Inc.,  
Seattle, Washington,  
-- Accompanied by --  
Donald Bazelvy

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C O N T E N T S (Continued)

EXHIBITS

<u>NUMBER:</u>	<u>FOR IDENTIFICATION</u>
3 (Deutsch)	78
4 (Kennedy)	135
5 (Kennedy)	138

MATTINGLY:pp

74

BEFORE THE UNITED STATES TARIFF COMMISSION

Hearing on  
ESTOS CEMENT PIPE Investigation No. AA1921 91  
FROM JAPAN

Hearing Room  
Tariff Commission Building  
Eight and E Streets, Northwest  
Washington, D. C.

Wednesday, March 22, 1972

Met, pursuant to recess, at 10:00 o'clock a.m.

BEFORE:

COMMISSIONER JOSEPH O. PARKER, Acting Chairman

COMMISSIONER J. BANKS YOUNG

COMMISSIONER GEORGE M. MOORE

ALSO PRESENT:

KENNETH MASON, Secretary

MRS. HERTZ



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

COMMISSIONER PARKER (Presiding): The hearing will be in order.

Would you return to the Stand, Mr. Deutsch and Mr. McDuff.

TESTIMONY OF WARREN MAX DEUTSCH, COUNSEL,

ON BEHALF OF JOHNS-MANVILLE PRODUCTS

CORPORATION AND JOHNS-MANVILLE SALES CORPORATION,

DENVER, COLORADO; ACCOMPANIED BY S. JACK MC DUFF,

VICE PRESIDENT AND GENERAL MARKET MANAGER, PIPE

DIVISION -- RESUMED. (Having been first duly sworn.)

COMMISSIONER PARKER: Mr. Deutsch, before we resume your testimony, the Chair would like to make a statement concerning the events of yesterday. During the recess, the Commission did make inquiry concerning the investigation which the Staff conducted at the Offices of Johns-Manville Corporation at Denver, on March 14, 1972.

Based on this inquiry, it is the Commission's understanding that during the course of that investigation the question did arise concerning whether certain information which had been requested would be supplied by the Johns-Manville Corporation. This question, we understand, was satisfactorily resolved and the Johns-Manville Corporation did agree, and I believe voluntarily, to submit the information which had been requested.

During the course of those discussions, however, some reference was made by a staff member that the Commission did possess subpoena power. But we were informed that at no time was it stated or indicated that the Commission intended to use this power in this investigation. Neither was it stated or indicated that any official or employee of the Johns-Manville Corporation was being directed or demanded to appear at this hearing.

I have shown you a copy of the report which is a copy the staff furnished us, and I understand that you believe it to be substantially correct.

There may be some differences of view but substantially it is correct. As far as the Chair

is concerned, this will close this particular matter unless you desire to make some further statement.

MR. DEUTSCH: No, Your Honor.

COMMISSIONER PARKER: We will proceed with your further testimony, and you may either do it yourself or have Mr. McDuff join you on behalf of Johns-Manville Corporation.

MR. DEUTSCH: Thank you.

The plant closing that was referred to in the

1 testimony yesterday was at Mexrero, Louisiana, and it is the  
2 position of Johns-Manville that the depressed  
3 price level of asbestos cement pipe, in our opinion, caused  
4 by foreign dumping, of which Japanese pipe was a part, was a  
5 cause of this plant closing.

6 I did not mention the tonnage capacity of this plant  
7 yesterday, and the tonnage capacity I am informed is 83,000  
8 tons. In my statement yesterday, I also made reference to our  
9 two West Coast plants, at Stockton and Long Beach, and the  
10 fact that they were operating at 75-percent capacity, the  
11 unused -- this is on an average -- the unused capacity that  
12 is the average 25 percent of capacity that was unused, repre-  
13 sents a capacity of more than 60,000 tons, which is two to  
14 three times the tonnage of the Japanese pipe that has been  
15 imported yearly.

16 The unused capacity that I referred to is a figure  
17 that is an average for the previous five years. The signifi-  
18 cance of the unused capacity is that Johns-Manville would be  
19 able to, with the capacity of the two West Coast plants alone,  
20 to supply the pipe that has come from Japan at dumping prices,  
21 and this is without reference to the capacity of the third  
22 plant which I mentioned, which is not on the West Coast. The  
23 Mexrero plant, which had an 83,000-ton capacity, and going on  
24 to a further point, I would like to point out to the  
25 Commission how the dumping prices work, or have worked to the

1 injury of Johna Manville.

2 I wish at this point of time, if I may, to put into  
3 the record as an exhibit, Johna-Manville records of the public  
4 bidding of asbestos cement pipe awarded to the East Bay  
5 Municipal Utility District. These figures are a matter of  
6 public record. That is why I refer to them as public bid  
7 prices.

8 May I have this marked, and I have numerous copies  
9 for distribution.

10 COMMISSIONER PARKER: yes, do you want it  
11 marked to offer as an exhibit.

12 MR. DEUTSCH: I do, please.

13 SECRETARY MASON: It will be Exhibit No. 3.

14 COMMISSIONER PARKER: The document will be received  
15 as Exhibit No. 3, and you may proceed.

16 (The document above-referred to  
17 was marked for identification as  
18 Exhibit No. 3 (Deutsch).)

19 MR. DEUTSCH: Thank you.

20 Referring to the Exhibit, if the Commission will note  
21 in the beginning years shown on the Exhibit, the suppliers to  
22 the East Bay Municipal Utility District were American producers.  
23 Then, in 1965, the Commission will note that the awards on  
24 various occasions that year went to Voss, Voss being one of  
25 the participants present at this hearing today, and being one  
of the distributors for Japanese products asbestos cement pipe.

You will note, taking the 8-inch pipe, Class 150,

1 that is shown that in January of 1963, Voss gave a quote for  
2 Kubota pipe, 8-inch, 32,000 feet at \$1.74 less four percent.  
3 I have pencilled a figure, and by my rough computation, that  
4 is a \$1.64 a foot. You will note that the Johns-Manville  
5 price was \$1.89, and the Certain-Teed price was \$1.72 and the  
6 award went to the Japanese Pipe, so that you have an 80 cents  
7 a foot spread between the Voss quote and Certain-Teed quote,  
8 and a 24-cent spread between the Voss quote and the Johns-  
9 Manville quote.

10 You will then, later in the year of 1965, note that  
11 the price for the Japanese pipe was reduced to \$1.58 and then  
12 later on to \$1.54. In 1966, the Japanese price was lowered  
13 to \$1.33. The price for the Japanese pipe thereafter, we show  
14 at figures for 1967 of \$1.71 for Japanese pipe, 1968, \$1.73; and  
15 1971, \$1.98; their prices were steadily raised. And the point  
16 that we would make is that these figures are representative  
17 of the tactics that we face in the marketplace. Namely, that  
18 the Japanese pipe coming from the Japanese manufacturer to this  
19 in this case, the Distributor Voss came in at dumping prices  
20 to Voss, the dumping prices are from the Japanese manufacturer  
21 to Voss, the dumping prices are from the Japanese manufacturer  
22 to Voss, and this enables Voss then to go to a customer of an  
23 American producer and say, we hear that you are not getting  
24 a fair share from your American producer.

25 Here is the real price, and then a lower price is  
given initially. Then when the customer has been won over to



1 using the Japanese product asbestos cement pipe, then the  
2 price is, by the American distributor of the Japanese price is,  
3 raised so that the effect of the dumping price is from the  
4 Japanese manufacturer to its American distributor, and it is  
5 to enable that distributor to initiate the taking away of our  
6 customers.

7 And thereafter, once the customer has been taken  
8 away on the basis of price, then the American distributor  
9 begins, or the Japanese pipe can begin to realize a much  
10 higher profit margin. So the effect of the dumping price from  
11 Japan is to give its distributor in the United States the  
12 initial opportunity -- through low prices, to take away our  
13 customers.

14 In the case of asbestos -- in the case of East Bay  
15 Municipal Utility District, you will note that there are very  
16 sizeable footages of pipe.

17 My final point is to -- in my statement, is to point  
18 out to the Commission that the 75 percentage operating capacity  
19 over the past five years of our two West Coast plants, the one  
20 at Long Beach and the one at Stockton, represents operation at  
21 that level with a different product mix than we started out  
22 with in that plant.

23 If you went back ten years ago, to when we first  
24 began seeing the Japanese asbestos cement pipe on the American  
market at dumping prices, you would find that our plants were

1 not producing, for example, storm drain pipe. We were  
2 primarily producing pressure pipe.

3 We lost tonnage on water pressure pipe to the  
4 Japanese pipe, that was making it, the inroad at dumping  
5 prices. Then we had to substitute less profitable items in  
6 order to maintain capacity.

7 So that you would not find comparing ten years ago  
8 with today, the same product mix, and the reason is that as we  
9 lost tonnage to the Japanese pipe, using the competitiveness  
10 that is necessary to stay in the business, we did the one  
11 thing that was necessary and essential we found other avenues to  
12 stay in business.

13 The significance of what I am saying is that the  
14 mere fact that we were able to keep our plant operating, our  
15 two plants operating, at Long Beach and Stockton, in contrast  
16 to the closing that we had to make at Mexxero, does not mean  
17 that those plants continued their operation without effect from  
18 the bringing in of the Japanese asbestos cement pipe at dumping  
19 prices.

20 We, only in part --- the survival of these plants was  
21 accomplished notwithstanding that dumping by reason of a  
22 substitution in part of the use of the facilities to make storm  
23 drain pipe, I would at this point in time, like to call Mr.  
24 McDuff.

25 COMMISSIONER PARKER: Secretary, has he been sworn?

1 SECRETARY MASON: Mr. McDuff has been sworn.

2 Mr. McDuff, would you please state your full name  
3 for the record?

4 MR. MC DUFF: My name is Sidney J. McDuff.

5 MR. DEUTSCH: And what is your title, Mr. McDuff?

6 MR. MC DUFF: Vice President and General Marketing  
7 Manager of the Pipe Division, and a member of the Johns-  
8 Manville Sales Corporation.

9 MR. DEUTSCH: I have made a statement to the  
10 Commissioner, Mr. McDuff, outlining five points, the first  
11 being that we would like to see the industry defined as more  
12 than the two producers on the West Coast.

13 The second, with respect to the closing of our plant  
14 at Marrero, Louisiana. The third, with respect to the oper-  
15 ation of our two West Coast plants over the past five years  
16 at an average of 75 percent of capacity.

17 The fourth, using the East Bay Municipal Utility  
18 District as an illustration as to the tactics that have been  
19 used to take advantage of the dumping prices. The fifth is  
20 with respect to the subvention of products at the two West  
21 Coast plants.

22 Now, I am offering you at this time, as a witness,  
23 because you have knowledge in the areas that I do not have  
24 with respect to each one of these subjects. I want to call  
25 upon the Commission, if the Commission wishes at this time to



1 question Mr. McDuff on any one of the five points covered in  
2 my statement, he may do so.

3 COMMISSIONER PARKER: Does Mr. McDuff care to make  
4 any opening statement in Chief?

5 MR. DEUTSCH: My statement is that it is based upon  
6 information from Mr. McDuff and at this point, then, I wanted  
7 the Commission to have the opportunity to question him with  
8 respect to any of the points of that statement.

9 COMMISSIONER PARKER: Do you have any other witnesses?

10 MR. DEUTSCH: No, I do not, Your Honor, so then  
11 after questioning, any questions by the Commission, if any of  
12 the parties who are at the hearing have questions, if you  
13 might put them in order, they can ask any questions they like.

14 COMMISSIONER PARKER: Thank you, Mr. Deutsch.

15 The Chair will yield to Commissioner Moore.

16 COMMISSIONER MOORE: I have no questions.

17 COMMISSIONER PARKER: Commissioner Young?

18 COMMISSIONER YOUNG: Thank you, Mr. Chairman.

19 I would like to clarify very, very briefly some  
20 point on the table about the bidding of the East Bay Municipal  
21 Utility District. All that, I take it, is Class 250 pipe?

22 MR. DEUTSCH: That is correct.

23 COMMISSIONER YOUNG: The item under the Johns-  
24 Manville column for September '68, I can't read it on my copy --  
25 is that \$1.72, for 8-inch pipe?

1 MR. DEUTSCH: I cannot read my copy either.

2 COMMISSIONER YOUNG: It looks like \$1.72. If not,  
3 will you furnish the correct figure?

4  
5 MR. DEUTSCH: Yes, we will.

6 COMMISSIONER YOUNG: Thank you, sir.

7 From what plant would you ship to East Bay?

8 MR. MC DUFF: We would either ship from our plant at  
9 Los Angeles or the plant in Stockton.

10 COMMISSIONER YOUNG: Do you have any  
11 other West Coast plant?

12 MR. MC DUFF: We do not.

13 COMMISSIONER YOUNG: Turning to the Louisiana  
14 plant closing, I am not clear how the Japanese imports were  
15 related to the closing of that plant. Can you describe that  
16 for me?

17 MR. MC DUFF: Yes. We look upon the pipe market  
18 in the United States as being a national market in nature and  
19 we do not discourage shipping lines or shipping locations.  
20 Obviously, in areas where it is most economical, on occasions,  
21 we ship across line, and therefore we feel that one of the  
22 effects of the dumping of Japanese asbestos cement in this  
23 country has caused a depression of the general price level  
24 through the country, and it did considerable toward the  
25 closing of that plant.

1 COMMISSIONER YOUNG: Normally, how far west would  
2 you ship from the Louisiana plant?

3 MR. MC DUFF: We have shipped from the Louisiana  
4 plant to the West Coast.

5 COMMISSIONER YOUNG: During the course of the year,  
6 about what would be the normal, and what would be the maximum  
7 percentage of the production of the Louisiana plant which  
8 would be shipped to the West Coast?

9 MR. MC DUFF: That would be difficult to say without  
10 our records.

11 COMMISSIONER YOUNG: Just a rough approximation --  
12 did it ever amount to, say, 10 percent?

13 MR. MC DUFF: Yes, on occasion it did.

14 COMMISSIONER YOUNG: Over a period of a year, or two  
15 years?

16 MR. MC DUFF: In any given year, for example, at  
17 times our West Coast plants have been under strike conditions  
18 and during those periods of time, we drew products from all of  
19 our plants, including Manville in New Jersey plant.

20 COMMISSIONER YOUNG:  
21 I can understand about the strike; the difficulty I had was  
22 in connection with the testimony that two West Coast plants  
23 were operating at less than capacity. I do not understand why  
24 you would ship from Louisiana out there, and, therefore, I  
25 do not know how the Japanese dump imports would affect the

1 closing of the Louisiana plant.

2 You see, if you testify that you are operating at  
3 about three-fourths capacity due to dumped Japanese imports,  
4 I cannot relate that to the closing of the  
5 Louisiana plant unless you would ship West from the California  
6 plants, and I do not see that.

7 MR. MC DUFF: The reason that we feel that the  
8 closing of the Marrero plant is related has to do with the  
9 depressed prices that exist for asbestos cement pipe through  
0 the country.

1 COMMISSIONER YOUNG: How the Japanese ----

2 MR. MC DUFF: From ten years ago to today, asbestos  
3 cement pipe is selling at considerably a lesser price than it  
4 did ten years ago.

5 COMMISSIONER YOUNG: Let us assume for the moment  
6 that there was substantial dumping of Japanese pipe.  
7 that that depressed the price of the product on the West Coast.  
8 Now, with that assumption, I do not see how that affected the  
9 price of pipe in this country, in an area where the Japanese  
0 pipe was not sold.

21 MR. MC DUFF: Commissioner Young, this is why we  
22 believe the market is a national one in scope. We find in  
23 dealing with our customers that you cannot ask the contractor  
24 and owner to pay 25 percent more for pipe East of the  
25 Mississippi than you can West of the Mississippi, and,

1 therefore, the price structure throughout the country has to  
2 be generally at the same level because of the excessive low  
3 price of the Japanese pipe. We feel that that has an influence  
4 over the pricing structure throughout the country.

5 COMMISSIONER YOUNG: I do not want to belabor this  
6 point too much. I have a map here the location of  
7 plants producing asbestos cement pipe, and according to this  
8 map, there is no plant between a line in Texas, around  
9 Dallas or Fort Worth, and one fairly  
10 close to the Southern California coast.

11 You tell us, sir, that the pipe imported into  
12 the United States and used on the West Coast would have an  
13 effect on the price of pipe East of the  
14 Mississippi River?

15 MR. MC DUFF: Yes, we do.

16 COMMISSIONER YOUNG: Well, I would certainly like  
17 an elaboration on this. I do not understand this, but I do not  
18 want to take too  
19 much of the Commission's time.

20 MR. MC DUFF: I can offer two explanations. There  
21 are companies who are in the water works business, who have --  
22 and owned -- property through the United States, and they buy  
23 pipe, asbestos cement pipe, cast iron pipe, steel pipe, on an  
24 annual contract basis, and they find it difficult to under-  
25 stand how the pipe can sell for 25 percent more in one location



1 than in another.

2 The second, the contractor who bids on an installed  
3 basis for municipalities, pipe, material, they do not do  
4 business in just one location. There are many large contractors  
5 who bid on this pipe on an ever-expanding circle, and, for  
6 example, a contractor in St. Louis, Missouri, might be bidd  
7 on a job in San Francisco, or Seattle, and this is quite com-  
8 monly occurring, and he cannot understand why he would pay 25  
9 percent more for pipe East of the Mississippi as opposed to  
10 West of the Mississippi.

11 Those are two reasons why, Mr. Young, why it is  
12 difficult to maintain this tremendous difference in the spread.

13 COMMISSIONER YOUNG: Could you tell me approximately  
14 what percentage of the factory price would be the plant cost  
15 of shipping pipe from the Mississippi River to Southern  
16 California or vice versa, and if there is a difference in  
17 shipping from East to West and West to East.

18 MR. MC DUFF: There is a substantial difference in  
19 the freight rate East to West and to quote that, I cannot.

20 COMMISSIONER YOUNG: Can you tell me approximately  
21 what it would cost to send material West to East, in relation  
22 to the approximate factory price?

23 MR. MC DUFF: Between 10 and 12 percent.

24 COMMISSIONER YOUNG: Thank you, sir.

25 In connection with the first point, about the

definition of industry, I do not know who this question is for; I guess whoever wants to respond to it is fine. Do you ask us to consider the industry to include pipe of asbestos cement, and I understand you are asking industry to be defined nationally to --- did you ask us to include all PVC and cast iron pipe?

MR. MC DUFF: We feel that the industry for pressure pipe, such as being imported by the Japanese, includes more than the two producers of asbestos cement pipe on the West Coast. We would, in our class case of the industry include the various distributors that handle pipe. We would also include the manufacturers of cast iron pipe, and steel pipe as well.

COMMISSIONER YOUNG: Can you tell me just briefly how a distributor of yours would be adversely affected in a manner different from your being adversely affected? Both would lose business. If you lose business, the distributor would lose business.

MR. MC DUFF: Correct.

COMMISSIONER YOUNG: Your price is depressed and his prices are depressed.

MR. MC DUFF: Let me cite one example.

COMMISSIONER YOUNG: It seems to me that that would just be a mathematical figure.

MR. MC DUFF: Yes.

COMMISSIONER YOUNG: I am not suggesting how the

1 Commission might decide the question. I am trying to find out  
2 the difference, the effect of dumping on distributors versus  
3 manufacturers.

4 MR. MC DUFF: The distributor business from the  
5 manufacturer, at a certain price, less some discount which he  
6 utilizes to take care of his own cost of doing business and to  
7 cover his profit. At the prices we are able to sell to our  
8 distributors, those are at prices -- about the prices being  
9 offered by the distributor for the Japanese imported pipe,  
10 and in such a case these distributors have no opportunity to  
11 participate in any of the business that might be available to  
12 them.

13 For example, in the San Francisco Bay area of  
14 Censzar(?) there is a turf distributor of ours, Ewing Turf  
15 Supply Company that, eight to ten years ago, purchased over a  
16 quarter of a million dollars' worth of asbestos cement pipe,  
17 and they in turn offered that to turf and irrigation jobs,  
18 and they participated in a private manner. They are not any  
19 longer able to do that because of the prices being offered by  
20 the distributor of the Japanese pipe.

21 COMMISSIONER YOUNG: I understand that you lost the  
22 business also?

23 MR. MC DUFF: We lose the business also.

24 COMMISSIONER YOUNG: I can understand how distri-  
25 butors located at a particular point, where there is heavy



1 Japanese, pipe competition would suffer to a great degree,  
2 more than they would at some other point.

3 MR. MC DUFF: Yes.

4 COMMISSIONER YOUNG: But as a group, they  
5 would seem to be affected, roughly, the same as the  
6 domestic manufacturers would. One further point that I  
7 would like to make on this: you do not have to submit anything,  
8 but, I would ask you to submit a little memo elaborating on  
9 this particular point. I would appreciate it.

10 I did not understand the substitute products.  
11 Would you mind restating that, please, sir, either one of you.

12 MR. DEUTSCH: I think Mr. McDuff can state it.

13 MR. MC DUFF: The point Mr. Deutsch was making is  
14 this, that were we to freeze our products mix at the time that  
15 the Japanese pipe started to be imported into this country,  
16 and having done nothing, and today, looking at that same  
17 product mix, the utilization of our capacity on the West Coast  
18 could be considerably less than at the 75 percent.

19 The point that he was making is that we had to turn  
20 to other markets and to invest in research and sales to develop  
21 other products which we are selling at a considerably less  
22 profit than the product of class pressure pipe that we had  
23 enjoyed before.

24 So, being a businessman, we have attempted to make  
25 some compromise but it has been an important compromise for us.

1           COMMISSIONER YOUNG: What you are saying is, that  
2 in addition to the normal adjustment you have to make in your  
3 product line in your plant and sales efforts as a result of  
4 the normal changes which you had to make, you might have had  
5 these because of the Japanese imports?

6           MR. MC DUFF: You described it perfectly, Mr. Young.

7           COMMISSIONER YOUNG: Do you have any other examples,  
8 other than this East Bay Municipal Utility District on the  
9 prices. If not would you furnish the staff that information.

10          MR. MC DUFF: I believe we can do so, sir.

11          COMMISSIONER YOUNG: Thank you. You may do any of  
12 this on a confidential basis where this was not a public bid  
13 situation. If you want to submit some of the private bids, you  
14 may do so and I will assure you that your respective confidential  
15 information will be used only by the Tariff Commission  
16 and if we decide that we do not want to restrict it to confidential  
17 use we will not disclose it, but will return it to you.

18               We will not violate the business confidentiality of  
19 that.

20          MR. DEUTSCH: We have submitted, Mr. Young, all of  
21 our records to Mr. Garil.

22          COMMISSIONER YOUNG: Thank you, sir. I have no  
23 further questions, Mr. Chairman.

24          COMMISSIONER PARKER: Commissioner Leonard?

1 COMMISSIONER LEONARD: Thank you.

2 I understand that this question has been posed by  
3 the Vice Chairman, and alluded to by Commissioner Young. It  
4 would help me from this point, Mr. Deutsch or Mr. McNeill, if  
5 you can give us any information now or later for the legal  
6 justification as well as your factual explanation for what you  
7 consider to be the definition of "industry" in this particular  
8 case.

9 As I understood it yesterday, you said, and you have  
10 reiterated, that industry should be consisting of, not only of  
11 the producer, but the sellers of the asbestos cement pipe, and  
12 perhaps other pipes. I don't know, and if there is any legal  
13 justification for that, as well as what you feel the facts  
14 warrant in the situation, it might be of some help to us.

15 MR. DEUTSCH: May I reiterate that we wish to rest  
16 on the presentation made and go no further.

17 COMMISSIONER YOUNG: And you realize that if we  
18 discover anything else relative to this and even if you have  
19 not satisfied our burden, we cannot do that.

20 MR. DEUTSCH: We accept that.

21 I would only offer this: a manufacturer of any  
22 product does not exist alone. It takes the engineer, the  
23 contractor, and those associated in supplying accessory items  
24 to the distributor, as well as other competing manufacturers,  
25 to make an industry, and it just seems to us to define the

1 industry as only Certain-Fixed and ours, is rather narrow in  
2 scope because we do not exist in a vacuum on the West Coast.

3 COMMISSIONER LEONARD: As I understand it, your  
4 definition of "industry" is a national industry, and, therefore,  
5 I wonder if you have, or could you supply to us, some informa-  
6 tion on what the picture would be on a nationwide scope, and I  
7 have in mind particularly what the price situation is. You  
8 have alluded to it, and I don't know if we are going to get  
9 concrete or cement information that it is nationwide, and to  
10 that extent we would appreciate anything that you could give  
11 us so we can see what the situation is across the country and  
12 not on just the West Coast.

13 MR. DEUTSCH: Yes.

14 COMMISSIONER LEONARD: Have your average prices for  
15 asbestos cement pressure pipe been higher in Los Angeles than  
16 in San Francisco?

17 MR. MC DUFF: Our prices, our average prices, have  
18 not.

19 COMMISSIONER LEONARD: What percentage of your sales  
20 on the West Coast is made after competitive bidding against  
21 Japanese importers?

22 MR. MC DUFF: I can't answer that question.

23 COMMISSIONER LEONARD: Could you try to supply us  
24 with some information on that point?

25 MR. MC DUFF: When the Japanese are in a job against

1 us, we do not choose to meet the Japanese prices.

2 COMMISSIONER LEONARD: Well, how certain are you  
3 when you say that you will be meeting import competition for a  
4 bid or negotiation?

5 MR. MC DUFF: We go to the owner and ask the owner  
6 if he does or does not accept the foreign-imported product.  
7 If he says he accepts it, then we make our decision from there,  
8 as to if we are going to stay. If he says he does not, we  
9 make our decision on that, and that is it.

10 COMMISSIONER LEONARD: You make the decision not to  
11 bid against it?

12 MR. MC DUFF: We offer our product at the price that  
13 we would offer it on the basis that if he says he didn't  
14 accept it.

15 COMMISSIONER LEONARD: Are you saying that you  
16 never try to lower your price, if you know there is another  
17 pipe likely to be bought out?

18 MR. MC DUFF: I am saying we do not choose to lower  
19 our prices when the Japanese asbestos cement pipe is likely to  
20 be bought out.

21 COMMISSIONER LEONARD: That is all I have for the  
22 present.

23 COMMISSIONER YOUNG: I have a follow-up question.

24 COMMISSIONER PARKER: Commissioner Young?

25 COMMISSIONER YOUNG: I can understand how you lose



1 business to the Japanese by following this policy that you  
2 have just enumerated in answer to Commissioner Leonard. I  
3 do not know how this would defer your business if you do not  
4 meet the Japanese competition.

5 MR. MC DUFF: Very simply, Mr. Young. The tactics  
6 used by the Japanese, the importer of the Japanese pipe, where  
7 he has a price-dumping business of going to asbestos cement  
8 pipe customers and inducing them to accept the foreign pipe  
9 initial bid. He offers his considerably better price, as  
10 demonstrated by the bid to East Bay Municipal Utility District,  
11 then subsequently comes up, and we have to recognize a spread  
12 between the tactics used by him and the prices that we offer.

13 We could price ourselves competitively out of the  
14 market. We attempt to read the market so we are able to main-  
15 tain some share of that market by our own price structure.

16 COMMISSIONER YOUNG: One further question on another  
17 point. I think yesterday there was testimony that distributors  
18 normally cannot carry inventories. Do your distributors  
19 carry inventories?...

20 MR. MC DUFF: Our distributors carry inventories to  
21 service their customers.

22 COMMISSIONER YOUNG: Do the distributors who handle the  
23 Japanese imported pipe carry inventories? Do you know whether  
24 or not they do, and if they do to what extent they do?

25 MR. MC DUFF: Yes. We have observed those in general

1 terms, and it occurs that they are carrying a considerable  
2 inventory.

3 COMMISSIONER YOUNG: So you do not consider you have  
4 an advantage by virtue of inaccessibility of supplying the  
5 Japanese pipe on a timely basis?

6 MR. MC DUFF: No.

7 COMMISSIONER YOUNG: And you do not consider any  
8 normal price spread that is recognized in the industry between  
9 the imported pipe and the domestic pipe because of the addi-  
10 tional services that you are able to render that the imported  
11 distributors of imports are not able to render?

12 MR. MC DUFF: Based on our observations, Mr. Young,  
13 the distributor of the pipe have it in stock. They are able  
14 to offer almost equal service with us in terms of delivery.

15 COMMISSIONER YOUNG: Have you had any indication of  
16 any quality difference between imported and domestic?

17 MR. MC DUFF: We persist that there is.

18 COMMISSIONER YOUNG: Do your customers recognize  
19 that there is a difference?

20 MR. MC DUFF: Hopefully, that is, we still hope  
21 they recognize there is a difference.

22 COMMISSIONER YOUNG: That is all, Mr. Chairman.

23 MR. DEUTSCH: I would like to ask one clarifying  
24 question of Mr. McDuff. The last question, the class pressure  
25 pipe which is produced by American producers, or Japanese

products, is that produced under any specific specification, and, if so, what is the specification?

MR. MC DUFF: We produce our class pressure pipe to the American Water Works Association specifications. The Japanese state in their literature that they produce to those same specifications.

We have no knowledge of this, because we have not been in their plants and we have not observed their tests, whether or not that is the case or not, I do not know.

MR. DEUTSCH: But the Japanese asbestos pipe producers represent to the American buyers that they are buying their pipe to the same specifications as Johns-Manville?

MR. MC DUFF: As we understand it.

COMMISSIONER PARKER: Commissioner Leonard has another question or two, I believe.

COMMISSIONER LEONARD: Mr. McDuff, has Johns-Manville ever led in the price race, lowering the prices, or is it a price leader?

MR. MC DUFF: I don't know what you mean by that question, Mr. Leonard.

COMMISSIONER LEONARD: You know what the market is for pipe, I would gather, and do you ever make the decision yourself to be the price leaders, and offer a better price to try to increase your share of that market?

MR. MC DUFF: The approach that we use is based on



our need to generate a profit and the conditions that exist in the market, and whether or not we are first or second, we don't pay any attention.

COMMISSIONER LEONARD: So you could, in fact, be the price leader at the present time, whereas other times you might follow the other manufacturers?

MR. MC DUFF: You could draw that conclusion, I suppose.

COMMISSIONER LEONARD: Thank you, sir.

COMMISSIONER PARKER: Mr. McDuff, on Exhibit 3, I understood that you identified Voss, I believe, as being the distributor of Japanese pipe. Is Erickson a distributor of Japanese pipe also?

MR. MC DUFF: It is my understanding that at one time he was; yes.

COMMISSIONER PARKER: As I understand Johns-Manville, you sell pipe directly -- for example, like the one that you mentioned, East Bay Municipal Utility District -- Johns-Manville bid directly on this contract, or was this done through a distributor of Johns-Manville?

MR. MC DUFF: If we had an opportunity to secure this business from East Bay Municipal Utility District, we do ship the pipe from our plant to their yard location and bill the customer.

COMMISSIONER PARKER: And would you also submit the

1 bid, the original bid?

2 MR. MC DUFF: We would submit the original bid.

3 COMMISSIONER PARKER: And you also, I assume, in  
4 certain type of sales, sell through distributors; is that  
5 correct, or am I incorrect?

6 MR. MC DUFF: We sell pipe through our distributors  
7 for delivery to their stocking locations. What they do with  
8 the pipe after that, we do not influence them.

9 COMMISSIONER PARKER: So, in other words, you both  
10 sell to distributors, and directly to the municipalities?

11 MR. MC DUFF: I can only comment that we sell to the  
12 distributors for their use and we sell direct.

13 COMMISSIONER PARKER: Yes.

14 MR. MC DUFF: How the distributor sells, I can make  
15 no comment.

16 COMMISSIONER PARKER: Can you give us any idea,  
17 roughly, of the percentage that is sold directly as being sold  
18 to the distributor?

19 MR. MC DUFF: I would prefer not to.

20 COMMISSIONER PARKER: This exhibit 3 --- does this  
21 purport to list all of the sales or all of the purchases, I  
22 should say, by the East Bay Municipal Utility District of  
23 6-inch and 8-inch asbestos cement pipe during the period 1961  
24 through and to 1971?

25 MR. MC DUFF: I cannot honestly answer that, Mr.

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Parker. I don't honestly know. This was compiled for me by the Price Administration group whether that involves the whole history, I cannot say, honestly. I cannot honestly say if it does.

COMMISSIONER PARKER: What did you ask them for?

MR. MC DUFF: To recap the bids.

COMMISSIONER PARKER: All the bids?

MR. MC DUFF: I don't recall what I said.

COMMISSIONER PARKER: With reference to being a national market rather than a regional situation for the less-than-fair-value sales, at least, does your company attempt to sell the same quality and the grade of pipe at all destinations in the United States at approximately the same prices?

MR. MC DUFF: Yes, we do.

COMMISSIONER PARKER: And I take it from something you said, at times you do bid on some so-called national contracts with the people who operate nationally?

MR. MC DUFF: I don't understand the term "national contract." We do not use such a term. There are customers who ask us to bid on pipe for a number of their locations on an annual basis and we do bid on such requests. We do not refer to them as national contracts or any other term.

COMMISSIONER PARKER: During this period of time covered by Exhibit 3, I believe the record -- that there is some evidence in the record, at least, that the pipe was also

1 being imported from Mexico, Belgium, and maybe some other  
2 countries. Are you familiar with the imports from Mexico,  
3 Belgium, and the other countries?

4 MR. MC DUFF: Yes, we are.

5 COMMISSIONER PARKER: Were you competitive or was  
6 Johns-Manville competitive with pipe prices from Mexico?

7 MR. MC DUFF: No, we are not.

8 COMMISSIONER PARKER: And is pipe still being im-  
9 ported from Mexico during the last three or four years?

10 MR. MC DUFF: Yes, there is.

11 COMMISSIONER PARKER: And is any of that going to  
12 the West Coast, as far as you know?

13 MR. MC DUFF: As far as we know, very little goes to  
14 the West Coast.

15 COMMISSIONER PARKER: Will you tell us in your own  
16 terms, or general terms if you don't have the specific data  
17 before -- I am sure you don't -- what you contended that the  
18 margin of underselling of Japanese pipe versus the pipe of  
19 your product was?

20 MR. DEUTSCH: I can only answer that I have been  
21 provided by Certain-Tied Products that the average was 20  
22 percent below the prices in Mainland Japan and I don't honestly  
23 know, however, how that relates to our price structure,  
24 although, I believe that we have made the assumption that if  
25 the Japanese asbestos cement pipe prices were 20 percent higher



1 that the business that has gone to the Japanese asbestos cement  
2 pipe would have been the business of American asbestos cement  
3 pipe producers.

4 COMMISSIONER PARKER: Let me see if I understand  
5 you correctly. It is your information that the price of the  
6 Japanese pipe is 20 percent below the price of the same pipe in  
7 Japan?

8 MR. DEUTSCH: On an average, we were told.

9 COMMISSIONER PARKER: On an average basis. Now,  
10 what I am ascertaining: what is the difference between the  
11 price at which that Japanese pipe is sold competitive with you  
12 in the United States? Is it 20 percent under your price, 10  
13 percent, or 30 percent?

14 MR. DEUTSCH: It seems that sometimes it is two or  
15 three percent under our prices after they have raised one,  
16 they have cornered the business. But looking at the initial  
17 bid, in order to catch the customer it has ranged from 10  
18 to 20 percent at the figures I have looked at, but I have  
19 only looked at some examples. We could work it out mathe-  
20 matically if we went to, for example, East Bay Municipal  
21 Utility District.

22 I have some similar figures with the City  
23 of Arcata, and the City of Haywood, and we could go through  
24 those figures, but I would say if you want, we can work that  
25 out mathematically right now.

1 COMMISSIONER PARKER: I had in mind, primarily, the  
2 period covered by the Treasury investigation, the latter part  
3 of 1970, or the year 1970, to make a comparison of major  
4 underselling and fair-value sales, if you have any.

5 MR. DEUTSCH: If you have more questions of Mr.  
6 McDuff ---

7 COMMISSIONER PARKER: You can submit it later for  
8 the record, whatever way you prefer to do it.

9 MR. DEUTSCH: I prefer to make our submission  
10 through our presentation.

11 COMMISSIONER PARKER: If you care to submit, if you  
12 have it, you may do so.

13 MR. HEMMENDINGER: Our testimony will indicate that  
14 less-than-fair-value would have entered more in 1970 -- it  
15 would have entered more in 1971, and you may wish to consider  
16 that in connection with the request just made.

17 COMMISSIONER PARKER: It is not a request, Mr.  
18 Hemmendinger. This is entirely up to Counsel, if he desires  
19 to submit that information.

20 We will now turn to ---

21 COMMISSIONER YOUNG: May I ask a question?

22 COMMISSIONER PARKER: Yes.

23 COMMISSIONER YOUNG: Mr. Deutsch, in  
24 answer to Commissioner Parker's question about the average  
25 underselling of Japanese pipe on bids which you which you

1 participated depending on the nature of the transaction.

2 MR. DEUTSCH: I didn't understand about our parti-  
3 cipating.

4 COMMISSIONER YOUNG: Let  
5 me rephrase the question. I understood you to say that

6 if the distributor handling the Japanese pipe were  
7 out to "capture the customer", they might sell 10 to 20 percent  
8 below your price, and after they have  
9 captured the customer, they might undersell you by two or  
10 three percent. Is that what you said?

11 MR. DEUTSCH: That is what I said; yes.

12 COMMISSIONER YOUNG: What we need are  
13 specific illustrations of the prices and the nature of the  
14 transaction, as much information as we can get, of where the  
15 Japanese merchandising operations "capture the customer" from  
16 an area from Johns-Manville. If you have such examples  
17 that you have not submitted, please do submit them to the  
18 staff in response to this question.

19 MR. DEUTSCH: I ---

20 COMMISSIONER YOUNG: It will be on a confidential  
21 basis, whether public bids, private bids, or whatever.

22 MR. DEUTSCH: I would like to call on Mr. Garil to  
23 submit into evidence the list that we filed on the open bids  
24 in its entirety and I can continue to answer your question.

25 COMMISSIONER YOUNG: I don't want to go into all of

1 these at the moment. It would be too burdensome on the  
2 Commission's time and the time for the hearing. I would like  
3 to have from the Johns-Manville Company, from January 1, 1958,  
4 to date, the prices for pipe that you bid on, if you bid, or  
5 whatever offering price is, the prices of the Japanese  
6 pipe which you indicated frequently ran 10 to 20 percent below,  
7 and any other information that you could supply us in connect-  
8 ion with every transaction where you consider that the import  
9 pipe "captured the customer". I would like to have that at some  
10 later time, on a confidential basis if it needs to be, however  
11 you wish to submit it.

12 MR. DEUTSCH: We will submit that, Commissioner  
13 Young, on a confidential basis, and I have made a note of your  
14 request.

15 COMMISSIONER YOUNG: Thank you, sir.

16 MR. KENNEDY: Mr. Chairman, do I understand the  
17 request was directed for advertised bids? We would request  
18 that it not be submitted in confidence. This is a matter of  
19 public information.

20 COMMISSIONER YOUNG: I asked for all information;  
21 including the information considered business confidential;  
22 I do not believe he suggested the material be in confidence  
23 that had to do with public bidding.

24 MR. KENNEDY: Thank you very much. We understood  
25



1 that would be available to us?

2 COMMISSIONER YOUNG: The witness has submitted  
3 publicly information where the bidding was public, and I  
4 would assume he would submit it to you, after he decided what  
5 was public information and not submit it as business confi-  
6 dential, and the other I assume he would submit  
7 to you.

8 MR. DEUTSCH: Yes.

9 COMMISSIONER PARKER: And the public bidding infor-  
10 mation is also available from the public sources.

11 MR. KENNEDY: Oh, yes.

12 COMMISSIONER PARKER: And we do have a time situation  
13 and whether you get the public information might be submitted  
14 to us in time to help you is anybody's guess, I think.

15 MR. KENNEDY: Yes.

16 COMMISSIONER PARKER: We will take a five-minute  
17 recess.

18 (Whereupon, at 11:08 a.m., the Commission recessed;  
19 and reconvened at 11:15 a.m.)

20 COMMISSIONER PARKER: Would you return to the stand,  
21 Mr. McDuff, please?

22 Is there cross examination by Mr. Hamendinger or  
23 Mr. Kennedy?

24 MR. KENNEDY: Yes, there is. May I request that Mr.  
25 Deutsch return to the stand. It might be easier for my

1 cross examination.

2 COMMISSIONER PARKER: If you would join him at the  
3 stand.

4 MR. KENNEDY: The questioning will go back and forth.

5 MR. DEUTSCH: I might say to Mr. Kennedy that the  
6 person with knowledge is Mr. McDuff, so I may have to refer  
7 your questions to Mr. McDuff.

8 MR. KENNEDY: My question -- I may not be able to  
9 distinguish to whom I should address them.

10 MR. DEUTSCH: Fine.

11 MR. KENNEDY: I think you, Mr. Deutsch, you have this  
12 information: could you tell us your sales in tonnage, in  
13 asbestos cement pipe, what was it in 1971?

14 MR. DEUTSCH: I don't have that information.

15 MR. KENNEDY: Does Mr. McDuff have that information?

16 MR. DEUTSCH: That was information that we submitted  
17 to the Commission on a confidential basis and we do not choose  
18 to give that out at this time.

19 MR. KENNEDY: Would you accept \$115 million?

20 COMMISSIONER PARKER: May I repeat the statement that  
21 the Chair made earlier I believe, when the witness for one of the  
22 other companies was testifying, that if questions are asked  
23 that involve confidential information, that the Chair would  
24 not require you to answer those questions, and you can so  
25 indicate, and you could submit it to the Commission in

1 confidence.

2 MR. KENNEDY: Mr. Parker, I don't want to quarrel,  
3 but I have the Johns-Manville information from their New York  
4 office, and it is an annual report, and I was trying to get  
5 it in the record.

6 MR. DEUTSCH: I have a copy of our report, and if  
7 you wait a minute, I will get it, the annual report, and bring  
8 it to the table here and enter it in evidence, or read from  
9 it.

10 MR. KENNEDY: Very good.

11 MR. DEUTSCH: Could you excuse me a moment?

12 MR. KENNEDY: We were not able to get a copy of that  
13 in Washington, for '71.

14 MR. DEUTSCH: I have it in hand. The Johns-Manville  
15 Annual Report. If Mr. Kennedy wishes to place it in evidence  
16 I will give up this copy and he can place it into evidence,  
17 but in answer to his question as to the statement in the  
18 annual report, the 1971 sales for all types of pipe -- that  
19 includes PVC, as well as asbestos cement, throughout the world  
20 are shown at \$115,101,000. There is no breakdown of that  
21 figure for asbestos cement pipe in the annual report.

22 MR. KENNEDY: All right. I will accept that. If  
23 you would wish to keep the asbestos cement figure confidential.

24 MR. DEUTSCH: Yes; we do.

25 MR. KENNEDY: What percentage of the market for

1 asbestos cement pipe does Johns-Manville provide?

2 MR. MC DUFF: In class pressure pipe?

3 MR. KENNEDY: All asbestos cement pipe.

4 MR. MC DUFF: I do not choose to divulge that  
5 figure.

6 MR. KENNEDY: All right. Would you do it by class?

7 MR. MC DUFF: In class, class pressure pipe, 4-inch  
8 to 12-inch imported by the Japanese, on an annual basis, we  
9 enjoy something like less than 50 percent, and in the area  
10 served by Pacific Water Works Supply Company, we enjoy some-  
11 thing less than 35 percent, and it is because of the tactics  
12 used by the importers of the product in inducing previous  
13 domestic asbestos cement customers to come to them because of  
14 the low prices offered through their advantages. This is why  
15 we have that low figure.

16 MR. KENNEDY: Do you know --- do you compete with  
17 Certain-Ted and Pacific Water Works, also?

18 MR. MC DUFF: We compete with Certain-Ted; we do not  
19 compete with Pacific Water Supply Company.

20 MR. KENNEDY: In what sense do you mean you don't  
21 compete?

22 MR. MC DUFF: We do not offer our pipe for sale at  
23 the prices offered by Pacific Water Works.

24 MR. KENNEDY: All right. Now, as I understand it,  
25 Johns-Manville was not the party complaining of less-than-fair-

1 value prices in this case, and I am a little bit puzzled by  
2 the testimony given so far. Are you -- have you testified that  
3 you do not compete with Japanese pipe, as I understand it?

4 MR. MC DUFF: In the sense that we considered  
5 Japanese pipe from the customer point of view and equal value --  
6 by this, we do not compete. The fact that there is a dumped  
7 product here, the Japanese imports are distracting business  
8 from what could otherwise go to the domestic producers and, in  
9 that sense, the market is withdrawn from us that otherwise  
10 might be enjoyed by us.

11 MR. KENNEDY: Do you face the competition from  
12 Belgium?

13 MR. MC DUFF: Today, no.

14 MR. KENNEDY: From -- pipe from Italy?

15 MR. MC DUFF: Today, no.

16 MR. KENNEDY: Pipe from Mexico?

17 MR. MC DUFF: Today, yes.

18 MR. KENNEDY: Pipe from Canada?

19 MR. MC DUFF: No.

20 MR. KENNEDY: Does your company manufacture asbestos  
21 cement pipe in Mexico?

22 MR. MC DUFF: I am really not qualified to answer  
23 that question.

24 MR. KENNEDY: Can Mr. Deutsch answer that question?

25 MR. MC DUFF: In Canada, I believe that we



1 manufacture asbestos cement pipe.

2 MR. KENNEDY: In Mexico?

3 MR. DEUTSCH: In Mexico, this is a company in which  
4 we own some percentage of shares in that manufacturing of  
5 asbestos cement pipe. That is not -- I believe that is not the  
6 company that is dumping Mexican pipe in Texas.

7 MR. KENNEDY: Mr. Deutsch, when you say a company is  
8 dumping pipe in Texas, are you referring to the Anti-Dumping  
9 Act of 1921?

10 MR. DEUTSCH: No, I am merely characterizing it as  
11 our conclusion.

12 MR. KENNEDY: I see. In what sizes do you make  
13 pipe, asbestos cement pipe?

14 MR. MC DUFF: We manufacture asbestos cement pipe in  
15 sizes 2-inch through 42-inch.

16 MR. KENNEDY: What uses can the pipe be put to?

17 MR. MC DUFF: It can be put to a multiplicity of  
18 uses. It can be used for pressure services, non-pressure  
19 services. It can be used to convey hot and cold air. It can  
20 be used to convey various kinds of fumes and gases. It is  
21 also used to convey telephone and electrical cables.

22 MR. KENNEDY: Does your company make a pipe other  
23 than asbestos cement pipe?

24 MR. MC DUFF: Yes; we do.

25 MR. KENNEDY: What kinds?

113  
1 MR. MC DUFF: We make PVC plastic pipe. We manu-  
2 facture a reinforced glass plastic pipe, and we make several  
3 other exotic kinds of pipe on an experimental basis.

4 MR. KENNEDY: Have your sales and your production of  
5 plastic pipe increased within the past five years?

6 MR. MC DUFF: Yes, they have.

7 MR. KENNEDY: Have your glass fiber pipe, I believe  
8 you said?

9 MR. MC DUFF: I am sorry?

10 MR. KENNEDY: Have your sales of the glass fiber pipe  
11 increased in the last five years?

12 MR. MC DUFF: Yes, they have.

13 MR. KENNEDY: When you meet competition, do you meet  
14 competition from other kinds of pipe; for example, when you  
15 are selling pressure pipe, is there competition from plastic  
16 pipe?

17 MR. MC DUFF: It may or may not be

18 MR. KENNEDY: Well now, it may or may not be. I  
19 think the answer is yes or no. Isn't it?

20 MR. MC DUFF: No. You see, the markets in which we  
21 offer our products are so diverse and the job conditions on  
22 which products are specified are so different, there is no  
23 yes or no answer to your question.

24 MR. KENNEDY: You may get competition from plastic  
25 pipe in a particular market. Will you describe these

1 diversified markets?

2 MR. MC DUFF: We compete in the glass pressure pipe  
3 area. We compete in the segments of that market devoted to  
4 the rural water market, to the suburban water market, and to  
5 the city market. We do that in nonpressure pipe. We compete  
6 in the suburban market and in the city market.

7 In other pipes, such as our telephone and electrical  
8 duct, we compete with the public utilities and with various  
9 telephone companies, and then it goes on and on, and on. Is  
10 an item on which we offer our products ---

11 MR. KENNEDY: Do you sell directly as well as to  
12 distributors?

13 MR. MC DUFF: Yes; we sell directly to our con-  
14 tractors, and to distributors, and we offer our pipe to sale  
15 to certain distributors.

16 MR. KENNEDY: What is the percentage of your sales  
17 to distributors?

18 MR. MC DUFF: I am sorry; that is privileged infor-  
19 mation.

20 MR. KENNEDY: Why?

21 MR. MC DUFF: We choose not to tell you.

22 MR. KENNEDY: Now, you said that the capacity of  
23 your two plants working at 75 percent, do these plants manu-  
24 facture sewer pipe and irrigation pipe, and carrying pipe for  
25 hot and cold air?

1 MR. MC DUFF: Yes, they do.

2 MR. KENNEDY: Is this 75-percent figure an average  
3 figure for the productive output of all the plants?

4 MR. MC DUFF: That is correct; right.

5 MR. KENNEDY: That includes your productive  
6 capacity to make sewer pipe, irrigation pipe, the hot and cold air pipe

7 MR. MC DUFF: Yes, and I am glad you asked that  
8 question. It would allow me to make this point, that since  
9 the foreign asbestos cement pipe comes in sizes of 4-inch  
10 through 12-inch, has been imported, our proportionate share of  
11 pressure pipe made in those plants has depressed as a per-  
12 centage and of the tonnage; we had had to seek tonnage from the  
13 less profitable market to maintain our capacity. And, as we  
14 all know, the profit is in the class pressure pipe and,  
15 therefore, we feel that we have decidedly been injured as a  
16 result of the dumping of asbestos cement pressure pipe by the  
17 Japanese.

18 MR. KENNEDY: You gave us an average figure. Could  
19 you give us a figure from year to year?

20 MR. MC DUFF: It has varied.

21 MR. KENNEDY: Can you tell us how it varied?

22 MR. MC DUFF: One year it is up, the next year it is  
23 down.

24 MR. KENNEDY: 'Seventy-one was up?

25 MR. MC DUFF: 'Seventy-one was better than '70.



1 MR. KENNEDY: Was '69 better than '70?

2 MR. MC DUFF: 'Sixty-nine was better than '70.

3 MR. KENNEDY: 'Sixty-eight?

4 MR. MC DUFF: 'Sixty-eight was worse than '69.

5 MR. KENNEDY: What was your best year?

6 MR. MC DUFF: Nineteen, Sixty-nine.

7 MR. KENNEDY: Does the capacity utilization vary  
8 from time to time during the year?

9 MR. MC DUFF: Yes; but on the West Coast, the -- it  
10 varies -- it varies very little because of the construction  
11 season on the West Coast, because it is essentially a level  
12 basis.

13 MR. KENNEDY: Were your sales of asbestos cement  
14 pipe affected adversely when Certain-Teed brought its Riverside  
15 plant onstream, I believe in 1968? I believe that was the  
16 figure given yesterday.

17 PHILLIPS: No, 1965.

18 MR. MC DUFF: The rate at which the sales were in-  
19 creasing declined.

20 MR. KENNEDY: Let's turn to the Louisiana plant for  
21 a moment. How old is that plant?

22 MR. MC DUFF: I cannot honestly answer that question.

23 MR. KENNEDY: What products did it produce, only  
24 pressure pipe, or other products -- asbestos cement products?

25 MR. MC DUFF: It predominantly produced pressure pipe



MR. KENNEDY: What were all the reasons for closing it down?

MR. MC DUFF: The plant was losing money.

MR. KENNEDY: Why was it losing money?

MR. MC DUFF: Because of our inability to share in the tonnage sufficiently at prices that would generate a profit for the plant.

MR. KENNEDY: In what geographic area was the product of that plant principally sold?

MR. MC DUFF: In the States within a 1500-mile radius of that plant.

MR. KENNEDY: Were there any -- was there any imported asbestos cement pressure pipe sold in those States?

MR. MC DUFF: Yes.

MR. KENNEDY: Do you know the country of origin?

MR. MC DUFF: There was Belgium pipe, Mexican pipe, Italian pipe.

MR. KENNEDY: What was the last one?

MR. MC DUFF: Italian pipe. And there was the potential from the Japanese pipe through, for example, the Port of New Orleans. Though Japanese pipe was not sold there, the potential for its being brought in had a market effect.

MR. KENNEDY: Do you know who produced the pipe from Mexico?

MR. MC DUFF: No, I do not.

MR. KENNEDY: Do you know whether any of the pipe of Johns-Manville subsidiaries was coming into that port?

MR. DEUTSCH: No, I don't know.

MR. KENNEDY: Does Mr. McDuff?

MR. MC DUFF: I do not.

MR. KENNEDY: Do you agree that there is a high degree of competitiveness between Johns-Manville and Certain-Teed?

MR. MC DUFF: What do you mean "high degree of price competitiveness"?

MR. KENNEDY: You are fighting for a job, for an order?

MR. DEUTSCH: Yes.

MR. MC DUFF: Yes.

MR. KENNEDY: Do you lose sales to Certain-Teed?

MR. MC DUFF: Yes, we definitely do.

MR. DEUTSCH: Yes, we do.

MR. KENNEDY: How can you pin-point imports for the so-called injury when you face substantial competition from Certain-Teed?

MR. DEUTSCH: We might make this comment: based on the figures that Certain-Teed submitted, they are operating their plant somewhere in the 90-percent range of capacity and we are operating ours at substantially less and, therefore, if the Japanese pipe were not here, we would enjoy a substantial portion of that business and, therefore, we are

1 injured.

2 MR. KENNEDY: How do you know you would enjoy that  
3 business?

4 MR. DEUTSCH: Based on the economics that exist in  
5 the marketplace, the customers that have been taken from the  
6 domestic producers would run to domestic pipe.

7 MR. KENNEDY: Would they return to your company?

8 MR. DEUTSCH: It is unlikely that all of them would.  
9 We feel a substantial portion of them would.

10 MR. MC DUFF: In terms of capacity with the Certain-  
11 Tead, operating so close to capacity, our estimate is that a  
12 large majority would return to us.

13 MR. KENNEDY: Does your company sell asbestos world-  
14 wide?

15 MR. DEUTSCH: I am not qualified to answer that  
16 question.

17 MR. KENNEDY: Do you know whether it sells to Kubota,  
18 Limited?

19 MR. MC DUFF: I do not know, personally, whether we  
20 sell to Kubota, Limited, or not.

21 MR. KENNEDY: Do you know, Mr. Deutsch?

22 MR. DEUTSCH: Yes; I do.

23 MR. KENNEDY: You do sell to Kubota?

24 MR. DEUTSCH: Yes, I know a subsidiary of the parent  
25 corporation of the two corporations that are here today who

1 sells to Kubota. However, it is an entirely different legal  
2 entity, and it sells -- I believe that subsidiary is organized  
3 under the laws of Canada, so that it is a Canadian Company,  
4 and selling to Kubota.

5 MR. KENNEDY: I don't know much about your business,  
6 about your company's inter-operations. I also gathered that  
7 parent companies benefit from this. Do you sell to the  
8 Belgians?

9 MR. MC DUFF: I cannot answer that question.

10 MR. KENNEDY: I am asking Mr. Deutsch.

11 MR. DEUTSCH: I think we do. I do not have an  
12 exact knowledge that we do.

13 MR. KENNEDY: All right. To the -- do they produce  
14 asbestos cement pipe?

15 MR. DEUTSCH: I think we do, and I think I would  
16 want to clarify that the sales of fiber, I would expect would  
17 be made which a Canadian Company that is owned by the same  
18 company that owns Johns-Manville Sales Corporation, and Johns-  
19 Manville Products Corporation, so that the common parent owns  
20 a company in Canada that sells fiber and owns two companies  
21 that are present here at this hearing. But neither the  
22 Canadian company nor the parent corporation are present at  
23 this hearing, or in any way participating in it.

24 MR. KENNEDY: You maintain an inventory in the  
25 Northwest Washington or Oregon?



1 MR. DEUTSCH: Inventory of what?

2 MR. KENNEDY: Of asbestos cement pipe?

3 MR. MC DUFF: No, we do not.

4 MR. KENNEDY: When you sell in the Northwest, where  
5 does the pipe come from?

6 MR. MC DUFF: Either our Stockton plant, located  
7 northeast of San Francisco, or our Long Beach plant, located in  
8 Los Angeles.

9 MR. KENNEDY: How is it transported there?

10 MR. MC DUFF: By truck.

11 MR. KENNEDY: Do you sometimes bid on contracts  
12 where there is a combination requirement of sewer pipe and  
13 pressure pipe?

14 MR. MC DUFF: It is possible.

15 MR. KENNEDY: Do you know how frequently that may  
16 occur?

17 MR. MC DUFF: I do not know.

18 MR. KENNEDY: Do you sometimes bid on contracts  
19 where the pipe requirements are for sizes other than of 8, 10, & 12?

20 MR. MC DUFF: Occasionally, yes.

21 MR. KENNEDY: Have you any -- can you estimate what  
22 percentage of your sales that would be?

23 MR. MC DUFF: No, I cannot.

24 MR. KENNEDY: How do you establish your selling  
25 prices?



1 MR. MC DUFF: We establish our selling prices by  
2 our needs to generate profit and by the prevailing conditions  
3 that we sense existing in the market.

4 MR. KENNEDY: Do you publish the list, or issue a  
5 published list?

6 MR. MC DUFF: Not per se.

7 MR. KENNEDY: Do you have a price list available?

8 MR. DEUTSCH: We have a list available that has a  
9 series of prices on it, ranging from line 1 to line 100.

10 MR. KENNEDY: Could you explain the meaning of the  
11 price list?

12 MR. DEUTSCH: The price list that has the list that  
13 we have is used so that we can notify our customers on any  
14 given day what the price is at which we are offering the  
15 products for sale.

16 MR. KENNEDY: I am going to show you a two-page --  
17 two pieces of paper, Johns-Manville Loop at the top; is that  
18 what you were describing?

19 MR. DEUTSCH: That is correct, yes.

20 MR. KENNEDY: Mr. Chairman, this is what I am  
21 referring to. It is a price list. It was submitted in  
22 evidence as part of an exhibit, so you have a copy in Exhibit 1  
23 and you will be able to follow this.

24 COMMISSIONER PARKER: I think for the record, Counsel  
25 has asked the witnesses to identify a document which was

1 introduced as Exhibit 1, and it is headed, "Transit Waterpipe  
2 Prices Per Foot."

3 MR. KENNEDY: Thank you.

4 How do you decide which prices you will use of the  
5 various prices listed on this?

6 MR. MC DUFF: Based on evidence which is supplied to  
7 us by our sales force, by our distributors, manufacturers,  
8 by the conditions existing in the marketplace, by our need for  
9 tonnage at the plants, by a multiplicity, we decide on which  
10 price to quote.

11 MR. KENNEDY: Then, to clarify, if you need a  
12 tonnage at the plant, you might offer that line 100 for 3-inch  
13 pipe, that is \$1.27, and if you did not need tonnage you might  
14 offer it at \$3.43?

15 MR. MC DUFF: That is not a correct supposition.

16 MR. KENNEDY: What do you mean by your need for  
17 tonnage?

18 MR. MC DUFF: If we would need a particular order, we  
19 might vary within two or three lines, not between 1 and 100 as  
20 you have indicated.

21 MR. KENNEDY: What grouping of lines would you  
22 choose?

23 MR. MC DUFF: At the present time, in the large  
24 majority of the country, we are quoting pipe at line 46.

25 MR. KENNEDY: As I understand it, according to the

1 notation at the top, this pipe is all sold FOB plant, or is sold

2  
3 MR. MC DUFF: The pipe is sold, delivered to the job  
4 site, FOB our plant, with full freight paid and allowed by  
5 Johns-Manville.

6 MR. DEUTSCH: So that, to clarify the answer to that  
7 question, Johns-Manville pays the freight -- the customer  
8 has the risk of any loss or damage in transit.

9 MR. KENNEDY: Is this pricing practice the same for  
10 sales and contractors and sales to distributors?

11 MR. That is correct.

12 MR. KENNEDY: Is your business in asbestos cement  
13 pipe affected by the volume of housing starts?

14 MR. MC DUFF: Our business is affected by the  
15 general economic conditions.

16 MR. KENNEDY: Higher interest rates would affect  
17 your business?

18 MR. MC DUFF: Higher interest rates does affect our  
19 business.

20 MR. KENNEDY: Success in business conditions would  
21 affect your business?

22 MR. MC DUFF: That would be correct.

23 MR. KENNEDY: And improving or a booming economic  
24 conditions would benefit your conditions?

25 MR. MC DUFF: Yes.

1 MR. KENNEDY: Are you aware of contractual specifi-  
2 cations in California to the effect that asbestos cement pipe  
3 must be tested within a certain number of miles of the job  
4 site?

5 MR. MC DUFF: No; I am not specifically aware of  
6 that.

7 MR. KENNEDY: Turning to your Exhibit 3, these repre-  
8 sent bids from 1961 through 1971. The majority of them appear  
9 to be between 1961 and 1968. Only one in 1971. Can you state  
10 as a matter of knowledge that the prices represented here for  
11 the period 1961 to 1968 are less-than-fair-value prices?

12 MR. MC DUFF: I don't know.

13 MR. KENNEDY: All right. Now, is Erickson present?

14 MR. DEUTSCH: I would like to just comment on that.  
15 As I understood the less-than-fair-value prices, they are the  
16 prices from the Japanese manufacturer to Pacific Water Works,  
17 Voss and Erickson, that is not at this hearing, so that the less-  
18 than-fair-value prices are the prices from the Japanese manu-  
19 facturer to those entities and not the prices at which the  
20 American distributors have resold. So that I think very clearly  
21 the answer to your question is that there has been a finding by  
22 the Treasury that there have been sales at less than fair value  
23 by the Japanese manufacturers to their distributors in the  
24 United States, and that those less-than-fair-value prices --  
25 only indirectly will be reflected in distributor prices because  
of the less-than-fair-value prices at which the distributors of

1 of the Japanese manufacturers are buying.

2 MR. KENNEDY: What areas do you supply from your  
3 California plants as a rule?

4 MR. MC DUFF: As a rule, we supply all of the 11  
5 Western States which would include New Mexico, Colorado,  
6 Wyoming, and half of Montana, including Alaska and Hawaii.

7 MR. KENNEDY: You formally sell in Texas as part of  
8 Louisiana?

9 MR. MC DUFF: We do ship pipe from our West Coast  
10 plant to Texas and Louisiana.

11 MR. KENNEDY: Do you make plastic pipe at your  
12 California plants?

13 MR. MC DUFF: We make plastic pipe at one of our  
14 California plants.

15 MR. KENNEDY: Which one?

16 MR. MC DUFF: At the Long Beach plant.

17 MR. KENNEDY: You have mentioned earlier that you  
18 found that you regarded -- I believe was the ductile pipe as  
19 competitive with your product. I think Mr. Deutsch could  
20 answer that.

21 MR. DEUTSCH: Cast iron.

22 MR. KENNEDY: Cast iron. Do you have ductile cast  
23 iron?

24 MR. MC DUFF: There is a class cast iron ductile  
25 iron, and we do regard that as a competitive product.



1 MR. KENNEDY: Do you regard steel pipe as a competi-  
2 tive product?

3 MR. MC DUFF: In certain sizes and certain pressure  
4 ratings, yes.

5 MR. KENNEDY: Mr. Hemmendinger has some questions to  
6 address to the witnesses, Mr. Chairman.

7 COMMISSIONER PARKER: All right. Proceed, Mr.  
8 Hemmendinger.

9 MR. HEMMENDINGER: Gentlemen, I'd like to come back  
10 to the subject of the closing of the Marrero, Louisiana, plant.  
11 What year was that, by the way?

12 MR. DEUTSCH: We started closing that in September of  
13 1970 and officially closed it in January and February of 1971.

14 MR. HEMMENDINGER: Mr. Deutsch, I was taking notes  
15 and I couldn't keep up. Did you say that the dumped imports  
16 were a cause or the cause of the closing of that plant?

17 MR. DEUTSCH: A cause.

18 MR. HEMMENDINGER: A cause. Would you please detail  
19 the Commission as to the other causes?

20 MR. DEUTSCH: I would refer that question, again, to  
21 Mr. McDuff. I believe he has answered it, but certainly it  
22 bears repetition.

23 MR. MC DUFF: Other causes related to the closing of  
24 the Marrero, Louisiana, plant are hinged on our inability to  
25 enjoy a profit out of that plant due to the fact of depressed

1 prices generally throughout the country, and the fact that  
2 we did not have enough tonnage volume on it.

3 MR. DEUTSCH: And you see, it is our contention here  
4 that those depressed prices are a result of foreign dumping  
5 which included the dumping of Japanese asbestos cement pipe --  
6 asbestos cement pressure pipe.

7 MR. HEMMENDINGER: Did you give that market up to  
8 your competitors, then?

9 MR. MC DUFF: The market for class pressure pipe in  
10 its broad category included cast iron asbestos cement is some-  
11 what inelastic in nature. It is not a market that is contin-  
12 ually bulging at the seams, that you can also go out and gather  
13 more. Therefore, when we gave up that tonnage, and we gave it  
14 up ---

15 MR. HEMMENDINGER: To whom?

16 MR. MC DUFF: It is not a question of to whom, sir.  
17 We gave our tonnage -- we gave it up because our tonnage con-  
18 tinued to drop.

19 MR. HEMMENDINGER: Did you continue to supply that  
20 market from other plants?

21 MR. MC DUFF: That will remain to us, yes.

22 MR. HEMMENDINGER: What plant?

23 MR. MC DUFF: Green Cover Springs, Florida, plant,  
24 and from our Texas plant.

25 MR. HEMMENDINGER: When did you build the Marrero

1 plant?

2 MR. MC DUFF: I cannot answer.

3 MR. HEMMENDINGER: Would you furnish that on the  
4 record at the earliest possible time?

5 MR. MC DUFF: I can get that date; yes.

6 MR. HEMMENDINGER: When did you build the other plant  
7 you just mentioned?

8 MR. MC DUFF: We built our Texas plant in the late  
9 fifties, and we built our Green Cove Spring plant in the early  
10 sixties.

11 MR. HEMMENDINGER: By the way, what did you do with  
12 the facility when you closed the Marrero plant?

13 MR. MC DUFF: It has been dismantled.

14 MR. HEMMENDINGER: Now, I am afraid that this point  
15 has eluded me. Are you suggesting that you have a larger sales  
16 at a higher price, a larger volume at a higher price? You  
17 said the imports depressed it from \$2.30 to \$2.00. If you had  
18 been able to maintain the price at \$2.30, would you have had  
19 a larger volume, or what?

20 MR. MC DUFF: Since the market is inelastic, we  
21 would have had a higher volume for the higher price we were  
22 able to get for it; in terms of physical units it would have  
23 been the same.

24 MR. HEMMENDINGER: You would have worked at the same  
25 capacity?

1 MR. DEUTSCH: The volume in the dollars and the  
2 dollars and cost, the possibility would have been different as  
3 against its loss picture. We think it would have been a  
4 profit picture.

5 MR. HEMMENDINGER: You represented to this Commission  
6 that the dumped imports were a cause, and in that, that was a  
7 very important cause for it. Would you explain just what the  
8 management decision was for that plant because if it was  
9 profitable at all, most managements would have continued it  
10 unless they had resources that they could make more money at.

11 MR. DEUTSCH: I believe the testimony of Mr. McDuff  
12 was that the plant was operating at a loss. Now, with Mr.  
13 McDuff speaking to that point.

14 MR. MC DUFF: The plant was a profitable operation  
15 prior to the importation of the foreign products from a number  
16 of countries in the early sixties.

17 MR. HEMMENDINGER: Well now, ---

18 MR. DEUTSCH: Then it became a loss. Then it became  
19 a loss.

20 MR. HEMMENDINGER: Why did it lose money when your  
21 other plants made money?

22 MR. MC DUFF: We feel they lost money largely because  
23 of the loss of tonnage and our ability to have a price  
24 structure across the country that was sufficiently high to be  
25 able to generate a profit difference between the cost of the



1 product and the selling price.

2 MR. HEMMENDINGER: There is something missing, isn't  
3 there, Mr. McDuff? Your volume was increasing over this five-  
4 year period.

5 MR. MC DUFF: Yes. The market for the product was  
6 growing.

7 MR. HEMMENDINGER: What was happening in the Gulf  
8 States?

9 MR. MC DUFF: That has been ---

10 MR. HEMMENDINGER: What was happening in the Gulf  
11 States to diminish, as against the rest of the country?

12 MR. MC DUFF: There has been some PVC pipe in the  
13 rural Federal Home Administration market.

14 MR. HEMMENDINGER: Let's see. Is Johns-Manville a  
15 leader in the development of PVC pipe?

16 MR. MC DUFF: I don't really know what you mean by  
17 the term "leader."

18 MR. HEMMENDINGER: If you were the sales leader, you  
19 were a leader in the development of sales of PVC pipe.

20 MR. MC DUFF: Based on the share of the market that  
21 we have for PVC, I doubt if you could classify us as a  
22 leader.

23 MR. HEMMENDINGER: Anyway, it has been a pretty large  
24 area of increase and development for your company; is that  
25 correct?



1 MR. MC DUFF: I don't think that is a correct  
2 statement, sir; based on our capital expenditure program, the  
3 amount of money we devote to PVC pipe is not significant.

4 MR. HEMMENDINGER: Can you tell the Commission when  
5 you started producing it and how your volume developed?

6 MR. MC DUFF: How would you -- would you -- how  
7 would you relate this to the asbestos cement pipe? I don't  
8 see how you could, because it is really a rather long history  
9 that you are asking me to go into.

10 MR. HEMMENDINGER: Perhaps a few other questions  
11 would clarify that. In what application and sizes is there  
12 an alternative use between PVC and asbestos cement pressure  
13 pipe?

14 MR. MC DUFF: At the present time, the predominant  
15 sales of PVC pipe are in sizes of 4-inch and smaller, and I  
16 would suggest that is at the present time. That is what we  
17 are questioning injury, in sizes of asbestos, 6-, 8-, 10-, and  
18 12-inch sizes.

19 MR. HEMMENDINGER: We are still trying to figure out  
20 what happened to the Marrero plant; at least, I am. Wasn't  
21 4-inch pipe produced at Marrero?

22 MR. MC DUFF: I assume it was.

23 MR. HEMMENDINGER: Was there pipe below that?

24 MR. MC DUFF: Nothing significant; no.

25 MR. HEMMENDINGER: Right there, at 4 inches, you are

1 getting considerable substitution from PVC?

2 MR. MC DUFF: In the 4-line size?

3 MR. HEMMENDINGER: Yes, and you are getting a fair  
4 share of the PVC sales volume?

5 MR. MC DUFF: I don't think we are. How would you  
6 define a fair share?

7 MR. HEMMENDINGER: I will let you define that, Mr.  
8 McDuff.

9 MR. MC DUFF: All right.

10 MR. HEMMENDINGER: Thank you very much.

11 COMMISSIONER PARKER: Mr. Phillips, do you have any  
12 questions of this witness?

13 MR. PHILLIPS: No, sir.

14 COMMISSIONER PARKER: I neglected to ask the staff,  
15 do you have any questions of this witness?

16 (No response.)

17 COMMISSIONER PARKER: I have one question, Mr.  
18 Deutsch: I am not really clear, and I am not sure the record  
19 is clear, but you have indicated that your appearance here is  
20 for Johns-Manville Products Corporation and Johns-Manville Sales  
21 Corporation, but not the Johns-Manville Corporation; is that  
22 correct?

23 MR. DEUTSCH: That is correct, Mr. Chairman.

24 COMMISSIONER PARKER: And those two, the Product and  
25 the Sales Corporations, I understand are wholly owned

1 subsidiaries of the Johns-Manville Corporation?

2 MR. DEUTSCH: They are, sir.

3 COMMISSIONER PARKER: And you made some reference to  
4 a Canada plant. I wasn't quite certain. Is that a subsidiary  
5 of Johns-Manville Corporation or is it related to the Product  
6 or the Sales Corporation?

7 MR. DEUTSCH: It is a subsidiary of the Johns-Manville  
8 Corporation, and not Johns-Manville Sales or Products  
9 Corporations, who are my clients at this hearing.

10 COMMISSIONER PARKER: The annual report to which  
11 reference was made is the Johns-Manville Corporation?

12 MR. DEUTSCH: It is the annual report of the Johns-  
13 Manville Corporation for 1971.

14 COMMISSIONER PARKER: And I assume that neither the  
15 Products Corporation nor the Sales Corporation, as such,  
16 issue an annual report?

17 MR. DEUTSCH: They do not, sir.

18 COMMISSIONER PARKER: Would you care to have that  
19 annual report made an exhibit in this proceeding?

20 MR. DEUTSCH: I have asked if Mr. Kennedy wanted  
21 that. I am prepared, as I was previously, to give this to Mr.  
22 Kennedy if he wishes to put it in as an exhibit into evidence.

23 MR. KENNEDY: I do.

24 COMMISSIONER PARKER: Let's introduce it

25 SECRETARY MASON: It will be No. 4.

(The document above-mentioned was marked for identification as Exhibit 4 (Kennedy).)

COMMISSIONER PARKER: No. 4.

Commissioner Young?

COMMISSIONER YOUNG: Are the offices of the Sales Corporation, the Products Corporation and the parent Corporation the same?

MR. DEUTSCH: No, they are not, Mr. Young.

COMMISSIONER YOUNG: Approximately so?

MR. DEUTSCH: No, they are not, Mr. Young. There are some that are the same, but I believe the majority are different.

COMMISSIONER PARKER: Thank you very much, Mr. Duff and Mr. Deutsch.

MR. DEUTSCH: Thank you, Mr. Chairman.

MR. MC DUFF: Thank you.

COMMISSIONER PARKER: We will take a five-minute recess, and could I speak to you, Mr. Hammendgier, just a moment?

(Whereupon, at 12:00 noon, a short recess was taken, and the Commission reconvened at 12:05 p.m.)

COMMISSIONER YOUNG: Mr. Kennedy, would you take the stand, please.

MR. KENNEDY: Yes, sir; thank you.

1 If it please the Commission, I am going to make a  
2 few brief opening remarks about our position.

3 The asbestos cement pipe from Japan is entirely too small to  
4 injure the United States industry. The testimony from the  
5 witnesses have indicated that the company may have suffered in  
6 '68 and '69, but has been doing progressively better from, --  
7 particularly at its Northern California plant. According to  
8 the official statistics, imports have been dropping steadily  
9 in Northern California. They went from 11,823 tons in 1969  
10 to 3,670 tons in 1971, 5,400 tons in '71.

11 As for Johns-Manville, of course, it is a very large  
12 corporation and we estimate overall that the Japanese percent-  
13 age is less than two percent.

14 Now, at this point I would like to read into the  
15 record some statistics of imports to the Gulf States: 1971,  
16 the only import through which Mexico shipped, 12 million tons;  
17 1970, the only imports from Mexico, 6 million -- excuse me,  
18 that was pounds, 6 million pounds; 1969, the only imports were  
19 Mexican, and there were 14 million pounds.

20 I think that bears on the Mexxero, Louisiana,  
21 plant closing.

22 Next, I want to point out that Nipponits, one of the  
23 companies involved in this investigation, has retired from the  
24 market. This was a withdrawal that was communicated in  
25 September of '71, communicated to the Treasury Department in



1 '71, and I believe it is on file in the Treasury file which  
2 you have.

3 Finally, with respect to Kubota's potential develop-  
4 ment in the market, I would like to point out I am going to  
5 present to you a letter signed by Mr. Tsutomu Hashimoto,  
6 Manager, Kubota, Limited, Los Angeles office, and Mr.  
7 Hashimoto is in the room here. We are submitting this in  
8 letter form. Mr. Hashimoto's English makes it easier to  
9 present it in this letter form.

10 COMMISSIONER PARKER: He will be available for  
11 cross examination?

12 MR. KENNEDY: Yes, he will be available for cross  
13 examination. He will be available.

14 In the summer of 1971, Kubota, Limited, reduced its  
15 capacity for making asbestos cement pipe from 6,500 metric  
16 tons per month to 4,000 metric tons per month. This was  
17 accomplished by removing machinery for making asbestos cement  
18 pipe and substituting machinery for extruding asbestos cement  
19 structurals. This is a new product, attractive product, so  
20 they lost 2,500 metric tons of capacity. Of this remaining  
21 4,000-ton capacity, 3,000 tons is scheduled for sale in Japan,  
22 1,000 tons are scheduled for export; and of this 1,000 tons,  
23 800 tons are scheduled for sale to the United States.

24 That means a total of 960,000 tons. We -- that is  
25 well below -- it is about half of the 1971 sales, in fact.

1           Nineteen, Seventy-one is about 4,000 less than '70;  
2   '69 was about 6,000 more than '70. This is a very sharp and  
3   important reduction in the availability of Japanese pipe for  
4   this market. I am going to have -- I have an original and  
5   several copies here. This is the letter, and I would like to  
6   submit that as an exhibit.

7           SECRETARY MASON: Exhibit No. 5.

8           COMMISSIONER PARKER: Exhibit No. 5 will be received.  
9   It is a letter and it has been identified by Counsel.

10          MR. KENNEDY: To reiterate our position, it is that  
11   sales of Japanese sales market are too small to have caused  
12   injury in the past, to cause injury now, or within the fore-  
13   seeable future.

14          Our position is that the Commission cannot and  
15   should not confine itself to what happened in 1958 and '69, but  
16   as to what has happened since the investigation of the price  
17   in question.

18          Mr. Hemmendinger, at the close of our presentation,  
19   will go into the legal and economic issues in more detail. In  
20   order to simplify and speed things up, I will explain our  
21   order of presentation.

22          Our first witness is Mr. Voss, President of Voss  
23   International Corporation, who will read a statement, he will  
24   be followed by Mr. John Miller, Pacific Water Works Supply  
25   Company, Incorporated, and he will be followed by Donald  
Barclay, Pacific Water Works

1 Supply Company, Incorporated, and I will ask some questions  
2 and they will give answers to them, and any questions the  
3 Commission would like to ask.

4 This finishes my statement.

5 COMMISSIONER PARKER: Commissioner Young, do you  
6 have any questions of Mr. Kennedy at this time?

7 COMMISSIONER YOUNG: Not at this time.

8 COMMISSIONER PARKER: Commissioner Leonard?

9 COMMISSIONER LEONARD: No, sir.

10 COMMISSIONER PARKER: I just have one question: you  
11 indicated that at some point, probably Mr. Hemmendinger would  
12 address himself to the period of time which should be consid-  
13 ered by this Commission for the less-than-fair-value sales;  
14 is that correct?

15 MR. KENNEDY: Yes, sir.

16 COMMISSIONER PARKER: Thank you very much, and do  
17 you care to cross examine at this time or would you rather  
18 hear other witnesses?

19 MR. PHILLIPS: We would rather hear other witnesses.

20 COMMISSIONER PARKER: Thank you very much, Mr.  
21 Kennedy.

22 We will recess at this time, until 2:00 o'clock.

23 (Whereupon, 12:15 p.m., the hearing in the above-  
24 entitled matter was adjourned, to reconvene at 2:00 p.m., this  
25 same day.)

AFTERNOON SESSION

COMMISSIONER PARKER: This hearing will resume.

Mr. Kennedy, would you please take the stand again.

Mr. KENNEDY: Mr. Chairman, I would like to introduce Mr. Arthur H. Voss, President, Voss International Corporation, Long Beach, California.

After Mr. Voss testifies, I would like to ask a few questions of him with your permission.

ACOMMISSIONER PARKER: Does Mr. Voss have a prepared statement?

MR. KENNEDY: Yes, he does, but we don't have copies of it.

MR. VOSS: I am semi-prepared.

TESTIMONY OF ARTHUR H. VOSS, PRESIDENT

VOSS INTERNATIONAL CORPORATION

(Having first been duly sworn by Secretary Mason.)

MR. VOSS: Mr. Chairman, gentleman, I am Arthur H. Voss, I am the President of A.H. Voss Company, a Corporation, doing business as Voss International Corporation, Long Beach, California.

I consider myself among the group of 100 or more small businessmen trying to make a living in the area of selling asbestos cement pipe and other products that are related. I am also happy that I was well informed about this meeting and was given the opportunity to appear here.



1 My firm is an importer of principally steel pipe, valve  
2 fittings and asbestos cement pipe. Approximately 33 percent of  
3 my sales are represented by all AC pipe which is marketed in  
4 California, Arizona, Nevada, and I am the only one marketing  
5 this product, and now, apparently, it seems the terminal stage  
6 of this business is upon us. Japanese asbestos cement pipe,  
7 I have been selling for the past 11 years is manufactured by  
8 Kubota, Ltd., whose corporation is in Osaka, Japan.

9 Asbestos cement pipe, A/C pipe as it is commonly known,  
10 is a mixture of asbestos fibers cement and silica, made through  
11 a lamination processess. It has many uses as water transmission,  
12 sewage, irrigation, for carrying electrical cables, conduits,  
13 and so forth, depending on the its intended purpose. It is  
14 made to various specifications. However, it is all made from  
15 the same basic material. Kubota pipe which I sell, is manufac-  
16 tured in Japan to the existing standards of the American Water  
17 Works Association the American Society for Testing Materials,  
18 and is Underwriters' laboratory labelled.

19 All the pipe which I sell is tested at one of my  
20 yards before being delivered on the job site. This testing  
21 requirement is a basic peculiarity of the California market,  
22 notwithstanding the rigorous specifications which I mentioned  
23 before. We have additional requirements promulgated by the  
24 specific engineers of various water districts. These addition-  
25 al requirements I



1 have attributed to Johns-Manville and Certain-Teed Sales  
2 engineers. This is one gimmick that they use for us, to  
3 make us go beyond the applicable specifications of say  
4 600 pounds instead of the normal 525 pounds. Another is that  
5 the pipe be inspected at the point of manufacture, and with  
6 our plant being California, this puts us to an additional  
7 expense, and we can only bid on those jobs -- the size of the  
8 job where there would be substantial sale to warrant is to  
9 cover the expense involved. It is interesting to note that in  
10 Washington and Arizona that AC pressure pipe be tested  
11 within a definite number of miles from the point of manufacture  
12 by two different methods.

13 We have two plants, one is in Long Beach, and the  
14 other is about 30 miles North of Oakland. Our Northern  
15 California yard is the smaller of the two, and all sales are  
16 made from inventory. No orders can be filled from stock because  
17 our source of supply is 7,000 miles away, and further we cannot  
18 depend on regular vessel schedules. Because of this, we  
19 maintain a large inventory for sales, it is about two to one.

20 We certainly are at a disadvantage in our ability  
21 to compete with American Manufacturers. First, they have an  
22 overwhelming financial strength; second, their inventories are  
23 replenished daily and ours takes months to be resupplied; third,  
24 they manufacture and have available all sizes and classes of  
25 pipe. Additionally, they are able to sell the plastic pressure  
pipe

and sewer pipe in different combinations against us.

1 Since we cannot offer such pipe -- plastic pipe in  
2 combinations, we cannot successfully compete against these  
3 tactics. This can be borne out by Gladding McBean of Interpace,  
4 and Pacific Clay Products Company manufacturers of vitrified  
5 clay sewer pipe. We can essentially offer only class 150 pipe,  
6 and we can only stock limited quantities of class 200. In  
7 smaller sizes AC pipe where we could compete fairly well, the  
8 two, three and four inch, the domestic plastic pipe is much  
9 cheaper and easier to handle, and at the other end of the ladder,  
10 the 10 and 12 inch, we are disadvantaged by the high freight  
11 rate.

12 The large sizes of pipe occupy so much space, the  
13 ship owners don't like to carry it. I have no means of estim-  
14 ating how large the market for AC pipe in general, since it  
15 compels us to maintain a specialized inventory. Beside the  
16 principal competition of J-M and Certain-Teed, we share competi-  
17 tion from other competitive materials. Plastic pipe -- which I  
18 mentioned before, is produced by J-M and Certain-Teed -- fiber-  
19 glass pipe, cast iron pipe are which also manufactured by J-M.

20 The type of material may depend on the area specifying  
21 engineers' experience or feelings in the matter as to whichever  
22 is cheapest or just plain economics. For many years Kubota  
23 was unable to sell in the State of California because of the Buy  
24 American Act. The Courts have declared this unconstitutional.  
25 We cannot sell it to the Federal Government, and there are still  
many users who will not use Japanese pipe.

1 In addition to J-M and Certain-Teed formerly had competi-  
2 tion from Nipponite, also Japanese. The company which I just  
3 mentioned, Nipponite, has retired from the market, and I under-  
4 stand they don't plan to return. I recently bought the remain-  
5 ing inventories of their Southern distributor California and I  
6 feel quite confident that they would not be able to surmount the  
7 difficulties of resuming sale of asbestos cement pipe.

8 Compared to our domestic competition we are a very small  
9 company. In our marketing area we have three outside salesmen,  
10 and I estimate that Johns-Manville and Center-Teed have more  
11 than 20. We only have the manpower to go after a fraction of  
12 the business. Presently, we have two classes of customers,  
13 those who advertise and publish bid results, such as municipali-  
14 ties and water district and the private contractors or developers  
15 who do not publish bidding results. 20 to 30 percent of our  
16 business is public and the remainder is private. These percents  
17 vary from year to year and quarter to quarter. Johns-Manville  
18 and Center-Teed price their pipe only on a delivered destination  
19 basis. We can't afford this luxury because the farther from our  
20 yard we deliver the greater the loss margin. Our customers  
21 require delivered prices. If they want to pick it up in their  
22 own trucks at our yard, they may do so. Internally we use a price  
23 schedule which is based FOB our yard. We may discount from it,  
24 depending on the size of the job, the mix of the pipe sizes and  
25 final delivery point.

The final point, we take our ex-yard price and add the

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must be competitive. Since we only bid those jobs where we are confident we can maintain delivery and service and meet the specifications of the job, price determines our ability to compete. We quote on the recent price history of our competitors and internal cost. Kubota prices to us have constantly been on the increase. Our ocean freight charges to our yards have gone up. By back haul charges we mean the hauling from dock to our yard testing.

Additionally we share with our domestic competitors higher wages and overhead. The most important single increase in our cost has been 16.89 percent reevaluation of the yen. Our contracts with Kubota provide that revaluation is for our account. We were billed additionally the difference between our contract price based on 360 yen and the then prevailing yen at the rate at the time of shipment.

As an example, the pipe that was due to be shipped to me in June, July and August, which was held up by the dock strikes we not only had to pay the then existing yen difference which was around 330 yen and fluctuated down to 308 yen. It is now down to 302 and we had to pay that difference. We also had to bear the additional 10 percent surtax imposed. These are real cost which have extrapolated into our ex-yard cost before we are able to sell and compete with these two giants.

Since we have constantly had to raise our prices I expect sales of Kubota pipe to diminish and we will certainly be forced out of the market entirely due to further monetary



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1 adjustments. In fact Kubota has already removed one pipe ma-  
2 chine in favor for making  
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1 of extruding equipment to make asbestos-cement structurals.  
2 Further, plastic is more competitive, since it is cheaper, it  
3 is more economical to ship and install. It comes in longer  
4 lengths, it is a good product.

5 Finally, the dock strike and the business recession  
6 have added to our normal business problems and will further  
7 increase our costs. Every foot of asbestos cement pipe that I  
8 received after the two dock strikes, was ordered more than a  
9 year ago, in January of 1971. We are only finishing our con-  
10 tracts with the mill because of our long time business relations.  
11 To put our market position in a proper perspective, I must tell  
12 you that we have no new orders placed with the mill no based  
13 on the present cost together with the monetary situation we do  
14 expect to be able to do so because of the constant harassment  
15 of these two mills, it makes good business sense to clear out  
16 of this business in the best business fashion.

17 You might ask in view of these dim prospects, why I  
18 am here. Simply stated it is because the imposition of the  
19 dumping duties would create a considerable hardship on me. The  
20 on-coming shipments delayed by dock strikes represent a ful-  
21 fillment of my contractual agreement with the mill and with my  
22 customers. In essence then I am winding down the business for  
23 good real business reasons. I would like to make some addition-  
24 al comments in connection with the statements by prior witnesses.

25 Yesterday it was mentioned on the part of the Certain-

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1 Teed salesman in connection with the City of Modesto bid,  
2 1971, that we were the low bidder. We were happy to get that  
3 job, and I think the

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1 city was happy to enjoy the competitive price that we priced  
2 the material at. Interesting enough, both these mills the year  
3 before did not to bid at all. We were the only people in the  
4 market place to bid. This was because the requirements that  
5 were on the pipe that year did not suit the manufacturing sch-  
6 edule of the other existing plants, J-M and Certain-Teed.

7       Regarding Federal Government bids, the Bureau of Reclam-  
8 ation which is a very "cushiony" business, I can't bid at all.  
9 In connection with the Bureau of Indian affairs, they get pre-  
10 ferential treatment, because this rich giant is considered to  
11 be located in a depressed area. It all adds up to an addition-  
12 al 5 percent that I must beat them by in order to get a job. I  
13 feel very sorry for them. Their bidding practices -- we feel  
14 it leaves something to be desired. They promote non competi-  
15 tive bidding. I think it might be interesting to invite their  
16 customers to make comments on the history of the bidding practices  
17 of these two mills during the past 20 years, and I think the  
18 cities were very pleased that someone else came into the picture,  
19 and furnished them with a quality material at a competitive price.  
20 We didn't bomb the job in order to get into the market and leave  
21 it. We have conducted our business in a business-like manner  
22 for more than 10 years, and we are going to retire in the same  
23 way.

24       You can investigate the City of Modesto, the City of Long  
25 Beach last Bay Municipal Utility District and Contra Costa  
County Water District regarding this business of price leader-

1 ship. The staff might be interested to check into how this  
2 bidding is handled. I think one of the prior witnesses wasn't  
3 aware of the fact that you publish a price a competitor follows



1 and I understand that the schools of theoretical economics  
2 say this makes good sense. I also know a year ago when the price  
3 leader published its price sheets it had a mistake on it, and  
4 about 10 days later the price follower came out with his  
5 price sheets, and the follower had the same mistake on his  
6 sheet that the leader had on his price sheet, and I don't  
7 know how long it took their salesman to get those price sheets  
8 back into the main office.

9 Now, regarding PVC pipe, plastic pipe in general, I  
10 think this is tearing the hell -- excuse me, this what is  
11 defeating a lot of their production capabilities. They made  
12 considerable investments in manufacturing of PVC, and plastic  
13 pipe in general, and it makes good economic sense; and they are  
14 producing the smaller sizes, and they are reducing their  
15 tonnage, they are producing two and a half, three inch, and due  
16 to this fact, this market is disappearing in relation to our  
17 market.

18 These are the sizes that you would be using on a golf  
19 course, recreation park, and so forth. That is where they have  
20 lost their tonnage. Regarding the comment that 100 distributors,  
21 and I think the Commission would be interested in asking these  
22 100 distributors how the laws are applied, they are only allowed  
23 to buy it in car-load quantities and distributors, most of them,  
24 if you ask them if they are satisfied with this arrangement,  
25 they would tell you that they are unhappy with it.



1 In view of the foregoing, the questions of imports  
2 being injurious to Certain-Teed or Johns-Manville, it seems to  
3 be quite ludicrous. I listened to the testimony of Johns-  
4 Manville and Certain-Teed, they say they were injured in the  
5 West, and Johns-Manville said that we caused prices to be  
6 depressed all over.

7 I can't see how any of them suffered. I would like  
8 to ask, did we take all the business away from Certain-Teed that  
9 we bid, or did they lose any of it to Johns-Manville. Did  
10 they lose to other materials such as their own plastic pipe or  
11 Johns-Manville new fiber wound pipe, or finally was it truly  
12 Japanese pipe that they suffered from.

13 I appreciate the time that you gentlemen have given  
14 me and I am more than pleased to have been here, and I will  
15 answer any questions that you might have.

16 COMMISSIONER PARKER: Thank you Mr. Voss.

17 Commissioner Moore, do you have any questions.

18 COMMISSIONER MOORE: No questions.

19 COMMISSIONER PARKER: Commissioner --

20 MR. KENNEDY: Commissioner Parker, may I ask a few  
21 questions.

22 COMMISSIONER PARKER: I am sorry, you indicated that  
23 you wanted to ask some questions. Please proceed, Mr. Kennedy.

24 MR. KENNEDY: Mr. Voss, what are the chances of Nipponite  
25 coming into the market again?

1 MR. VOSS: They have disbanded their testing equipment,  
2 and economically, to bring the pipe back into the market, doesn't  
3 make any sense now. Furthermore, even if the economics did  
4 make sense, it is a difficult in this kind of business to with-  
5 draw from the market and return with the credibility and  
6 responsibility that is in this market.

7 MR. KENNEDY: Do you have any customers who only  
8 use imported Japanese asbestos cement pipe?

9 MR. VOSS: All of our customers, if they are buying  
10 from us, also use the domestic price and I would say the largest  
11 majority is purchased from the domestic producers.

12 MR. KENNEDY: Do you sell to distributors and dealers?

13 MR. VOSS: Yes, we do.

14 MR. KENNEDY: Now, the period of investigation here  
15 Mr. Voss, where the less than fair value determinations were  
16 made, involved the latter part of 1970. Now, assuming there  
17 were exports from Japan in the latter part of 1970, at what  
18 time would those exports have actually sold in this market?

19 MR. VOSS: They wouldn't arrive basically in our  
20 yard -- with the shipping time, the time when it enters our  
21 yard, we must tear apart the packages, we must segregate the  
22 pipe, test it, put it back in stock as tested pipe, so it  
23 would probably be a time lag of at least 90 to 100 days,  
24 realistically speaking.

25 MR. KENNEDY: Have you seen Johns-Manville and

1 Center-Teed price list?

2 MR. VOSS: Yes, I have.

3 MR. KENNEDY: In your business, is it important to  
4 know what their prices are?

5 MR. VOSS: Very definitely.

6 MR. KENNEDY: How do their prices affect you?

7 MR. VOSS: Well, they give us a basis to know what  
8 they are doing. We wish they would mail us their price list  
9 like they do their other competitors. They have never seen  
10 fit to do so, but we find out from customers and the salesman.  
11 Their discounting policy is usually X number of lines, and less  
12 one, two, three or five percent depending on the desirability  
13 or mix of the job.

14 MR. KENNEDY: In your opinion, do you think  
15 your prices affect their price levels?

16 MR. VOSS: Not a bit, I think they testified to that  
17 effect.

18 MR. KENNEDY: I have no further questions.

19 COMMISSIONER PARKER: Thank you, Mr. Kennedy.

20 Commissioner Young, do you have any questions?

21 COMMISSIONER YOUNG: Why do you think your prices  
22 don't affect theirs?

23 MR. VOSS: We represent such a small part of the  
24 asbestos cement pipe market that they would be foolish from a  
25 business point of view to disrupt their pricing schedule to the

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1 amount of business that we would or could possibly furnish with  
2 the handicaps that we have. The distance that it has to come,  
3 our inability to keep a good mix in our inventory. It doesn't  
4 make economic sense and I wouldn't if I were their management.

5 COMMISSIONER YOUNG: What percentage of the business  
6 do you estimate you have in California?

7 MR. VOSS: In just the state of California or do you  
8 mean in the marketing area that we serve?

9 COMMISSIONER YOUNG: Either one you care to answer?

10 MR. VOSS: I estimate that my marketing share at our  
11 selling prices is probably about two percent.

12 COMMISSIONER YOUNG: You mean by your selling price?

13 MR. VOSS: Well, my selling varies, depending on the  
14 size of the job, but if you could extrapolate the number of tons  
15 I sell, the number of years, calculate what my selling price  
16 has been, based on their sales, I am probably getting about  
17 two percent of the market.

18 COMMISSIONER YOUNG: What percentage of the imports  
19 from Japan do you merchandise?

20 MR. VOSS: Well, it depends.

21 MR. KENNEDY: I would -- excuse me.

22 MR. VOSS: I am happy to answer the question.

23 COMMISSIONER YOUNG: If there is anything that you  
24 would like to keep off the record, do not hesitate to do so.

25 MR. VOSS: I think I have done my best to compete, and



1 I think the hand-writing is on the wall, but from Japan I have  
2 imported the majority of pipe that was shipped.

3 COMMISSIONER YOUNG: In the early part  
4 of your testimony you referred to the plant in Japan as your  
5 plant.

6 MR. VOSS: Beg your pardon?

7 COMMISSIONER YOUNG: Early in your testimony you  
8 referred to our plant in Japan, do you have an interest in the  
9 supplying plants in Japan or vice versa?

10 MR. VOSS: They have no interest in my company and I  
11 have no interest in their company.

12 It has simply been a very long time relationship.

13 COMMISSIONER YOUNG: I understand.

14 MR. VOSS: That is the reason that I refer to it that  
15 way.

16 COMMISSIONER YOUNG: I think that is all I have,  
17 Mr. Chairman.

18 COMMISSIONER PARKER: Commissioner Leonard?

19 COMMISSIONER LEONARD: Mr. Voss, as I understand it,  
20 you feel that your asbestos cement pipe business is in its  
21 terminal stage and that you are not going to sell any imported  
22 asbestos pipe pipe other than what is already ordered?

23 MR. VOSS: Essentially that is correct.

24 COMMISSIONER LEONARD: The reason that you are here  
25 is if lumping duties were assessed, you have enough in



1 transit right now, that it would mean a severe financial  
2 handicap to you, is that correct?

3 MR. VOSS: Yes, sir, that is correct.

4 COMMISSIONER LEONARD: Were you detailing to us certain  
5 I gather you feel unnecessary specifications for asbestos  
6 cement pipe, which are required in California and, are not  
7 required elsewhere -- that you feel are in effect trade barriers,  
8 and discriminatory against imported pipe?

9 MR. VOSS: Yes, I feel that way.

10 MR. KENNEDY: Could we clarify --

11 MR. VOSS: That is my feeling.

12 MR. KENNEDY: Were you referring to the testing  
13 arrangements or the standard AWWA and ASTM requirements?

14 COMMISSIONER LEONARD: I don't know what I was  
15 referring to, what is the difference?

16 MR. KENNEDY: The difference is this American Water  
17 Works Association has certain specifications, certain require-  
18 ments that have to be met, and they are similar to the specifi-  
19 cations in Japan. The question is could Kawabata pipe meet the  
20 domestic specifications, and in addition to that it is very  
21 often specified that tested -- it must be tested within a  
22 couple of hundred miles of the job site.

23 MR. VOSS: That is correct.

24 COMMISSIONER LEONARD: I thought he also talked about  
25 inspections at the plant?

1 MR. VOSS: This is an added requirement in many  
2 instances.

3 MR. KENNEDY: I seem to be testifying for Mr. Voss,  
4 Mr. Voss has to have testing facilities at his yards in Long  
5 Beach in order to meet specifications. We point out that no  
6 specifications are required in Oregon State.

7 COMMISSIONER LEONARD: I am asking this not so much  
8 for this investigation, but for the one we have on tariff  
9 and non tariff trade barriers.

10 MR. KENNEDY: We could put that in a brief.

11 COMMISSIONER LEONARD: What percentage of your sales  
12 was made after competitive bidding against domestic producers?

13 MR. VOSS: All of our sales are competitively bid. We  
14 have two types, where the municipalities or the water district  
15 publishes a notice to the effect that they want us to bid on  
16 a certain date for quantities of pipe which they are going to  
17 need. We bid it and the result comes out and we know what  
18 everyone else has bid. The other is a situation where the  
19 developer --like the Boise cascade people, Johns-Manville has  
20 national contracts with, and going on into the market place and  
21 ask for a bid on X quantity of pipe in the area, an area like  
22 Los Angeles, and practically all the pipe we sell goes on a bid  
23 basis. It is not a type of product where someone comes in and  
24 picks it up and installs it. It is not like steel pipe for  
25 example.

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1           COMMISSIONER LEONARD: And if you are successful  
2 against the domestic producers in supplying this pipe, it is  
3 because of your price?

4           MR. VOSS: Usually, it is a basic commodity. It is  
5 very difficult --

6           COMMISSIONER LEONARD: In what instances have there  
7 you reduced your price because you knew that  
8 a certain other party was going to submit bids lower than yours,  
9 and then you reduced your price to come up with a successful  
10 bid?

11          MR. VOSS: Well, it is practically a fact of life that  
12 on the requirements of asbestos pipe and most other basic  
13 commodities, if a customer is going to be induced by a foreign  
14 product, he must realize some satisfaction from a business  
15 point of view, and we try to give them as little possible,  
16 naturally, and naturally, the name of the game is to under bid  
17 your competitor by as little as possible which we say in the  
18 trade is to leave on the table as little as you can. Those are the  
19 facts of life.

20          COMMISSIONER LEONARD: Thank you sir.

21          COMMISSIONER PARKER: Commissioner Moore?

22          COMMISSIONER MOORE: Could I interrupt you for one  
23 clarification. Mr. Voss, I am not sure --

24          MR. VOSS: Yes, sir.

25          COMMISSIONER MOORE: I am not sure I understand the

1 response to a question earlier. How much, percentage wise of  
2 the imports of pipe from Japan, do you handle through your  
3 operation?

4 MR. VOSS: I have no way of really knowing.

5 COMMISSIONER MOORE: I thought you said --

6 MR. VOSS: I think more than half, but I have that  
7 suspicion because I have had this long time relationship with  
8 what I consider to be the best mill, and the most professional,  
9 Nipponite also experienced some business for sometime,  
10 and I have probably what is considered to be the best marketing  
11 area, and the larger marketing area, California, Arizona and Nevada.

12 COMMISSIONER MOORE: Do you feel it is safe to say that a  
13 major share of the imports of this pipe comes through your  
14 facilities?

15 MR. VOSS: Well, since the dock strike I am sure 100  
16 percent is going into California.

17 COMMISSIONER MOORE: Let's say over the last three  
18 years?

19 MR. VOSS: Over the last three years I would say at  
20 least half, yes, sir.

21 COMMISSIONER MOORE: Thank you Mr. Chairman.

22 COMMISSIONER PARKER: Mr. Voss would there -- are you  
23 the sole importer at the present time of the Japanese pipe, is  
24 that correct?

25 MR. VOSS: To my knowledge, that is correct.



1 MR. KENNEDY: In California.

2 MR. VOSS: In California, of course.

3 COMMISSIONER PARKER: In California.

4 MR. VOSS: Yes, that would be the ports of Northern  
5 California and Southern California.

6 COMMISSIONER PARKER: And do you know at what ports  
7 other Japanese pipe is imported?

8 MR. VOSS: Well, I am sure it is being imported into  
9 the Northwest, I have no relationship with that at all.

10 COMMISSIONER PARKER: Have you encountered any  
11 competition with pipe of Mexican origin or Belgium in your trade  
12 territory that you mentioned here?

13 MR. VOSS: In former years there was some competition  
14 from Belgium Entornita pipe, we are still experiencing  
15 competition in the Arizona market with the Mexican pipe and we  
16 are at a disadvantage in Arizona because the market is quite  
17 far from our yard. We do sell there but there is an impurity  
18 there,

19 COMMISSIONER PARKER: Do you offer to make sales for  
20 shipments outside of the region which you described as the  
21 territory you try to serve?

22 MR. VOSS: Well, I would offer because principle  
23 because I construct my price FOB my yard so if someone will say that  
24 they wanted to buy some pipe and make his own freight arrange-  
25 ments I would sell it to him as a practical matter, really

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1 it would be impossible for me to sell it there because the  
2 freight would eat up the profit, and our competitors -- our  
3 domestic competition would enjoy that business.

4 COMMISSIONER PARKER: I think Mr. Kennedy in some  
5 questions yesterday raised the questions about the so-called  
6 national type of contracts. Did you hear that expression  
7 here yesterday?

8 MR. VOSS: It is a common expression used in the  
9 trade business.

10 COMMISSIONER PARKER: And do you sell to the so-  
11 called national contractors?

12 MR. VOSS: I am not equipped to furnish national  
13 requirements. There was an instance that goes back some years  
14 ago when I did enjoy for a short period of time the business  
15 from Lake Havasu City which subsequently Johns-Manville took  
16 it over on a national deal, and I think Nipponite enjoyed it ,  
17 for also one year. It was not on a national basis, strictly a  
18 local bidding type deal.

19 COMMISSIONER PARKER: From your knowledge of the  
20 business, would you say it would be unusual then if the  
21 Japanese pipe was imported in California and it would go East,  
22 East of the Mississippi?

23 MR. VOSS: I must say that it would be very unusual.

24 COMMISSIONER PARKER: Do you handle any domestic  
25 produced pipe?

160 1 MR. VOSS: No, we do not handle any domestic asbestos  
2 cement pipe. No, sir.

3 COMMISSIONER PARKER: Never?

4 MR. VOSS: Never.

5 COMMISSIONER PARKER: Have you ever attempted to do  
6 so?

7 MR. VOSS: No, sir.

8 COMMISSIONER PARKER: With reference to the inspection  
9 requirements that require you to send investigators to Japan,  
10 did you indicate, and I am not certain that you did, I think you  
11 may have implied it, that those types of requirements which were  
12 required, as I understand it, by the purchaser, were  
13 in some manner induced by Johns-Manville or Certain-Teed?

14 MR. VOSS: I did infer that, yes.

15 COMMISSIONER PARKER: Could you elaborate?

777 16 MR. VOSS: I think it is outgrowth of the fact that before  
17 Johns-Manville and Certain-Teed had the competition of foreign  
18 pipe, from time time time inspectors wanted to see their  
19 plant facilities, and it would be a nominal expense to take them to  
20 Stockton or Santa Clara where the plants might be shown, and they  
21 would enjoy the facilities and a lunch, I am sure that some  
22 enterprising person that that might be a good requirement for  
23 foreign pipe to subject to these inspections because it would  
24 add another expense or other expenses of hotel and so forth.  
25 It would be a substantial burden on them.



1 COMMISSIONER PARKER: Have you discussed that with any  
2 of the purchasers, the public purchasers that weren't requiring  
3 or imposing these requirements?

4 MR. VOSS: I would prefer not to comment to that, sir.

5 COMMISSIONER PARKER: All right, sir, that is your  
6 privilege, of course.

7 Do you intend to supply the Commission with any  
8 price bid data from some of these public cities that you refer  
9 to, comparable to what was submitted with respect one  
10 municipality district in exhibit three?

11 MR. VOSS: I haven't been, but I certainly can. I think  
12 the accurate bid results would best be obtained from the source  
13 of the bidder, and I have noticed that in reviewing some of the  
14 documents, some companies are probably less reliable for what the  
15 real prices were. There are different ways of bidding, they  
16 will have requirements say for eight inch pipe, and six inch  
17 pipe, and the quantities might be substantial. Some of the  
18 customers might want to split the order into two sizes, and  
19 therefore what would happen in effect, if you want to get the  
20 order, eight inch would be bid at one price, and the six inch  
21 would be at another price. You would give them an additional  
22 discount if you are awarded all the pipe, so to get a meaningful  
23 price you would have to go to the buyer.

24 COMMISSIONER PARKER: Well, I --

25 MR. VOSS: Have I answered your question?



1 COMMISSIONER PARKER: I think you have. As I understand  
2 it, the domestic producers are here endeavoring to demonstrate  
3 that they have been injured by less than fair value sales, and  
4 I am assuming that your position is to show that there  
5 has been no injury resulting from such imports ... ..

6 I was wondering if you were going to give us any price  
7 data.

8 MR. VOSS: I will do so.

9 COMMISSIONER PARKER: Thank you, Mr. Voss. That is  
10 all I have.

11 Commissioner Young?

12 COMMISSIONER YOUNG: Mr. Voss, I think, in answer to  
13 a question asked you by Commissioner Leonard, you indicated  
14 that you would undersell in order to get the business to start  
15 to get the customers initially. Did I understand you correctly?

16 MR. VOSS: Yes.

17 COMMISSIONER YOUNG: About how much is it necessary  
18 to underbid to get the contract?

19 MR. VOSS: Oh, approximately three to five percent.

20 COMMISSIONER YOUNG: Now, does that run through the  
21 sales after you have gotten the customer? Is that a standard  
22 difference between importers and domestic prices?

23 MR. VOSS: Basically, on all the commodities I  
24 handle, sir.

25 COMMISSIONER YOUNG: It doesn't go to the question of

1 customers for that in a succeeding sale?

2 MR. VOSS: No. It is not prudent business to do  
3 that. These people are in the market every year and it is  
4 incredible that someone would believe when you have an  
5 educated buyer -- that is to say that he is going to buy, say,  
6 \$100,000 worth of material -- that he is going to mix in with  
7 a low ball and treat him badly later on.

8 COMMISSIONER YOUNG: I do not understand. I do not  
9 understand this meaning with a "low ball" expression.

10 MR. VOSS: Well, that is an expression of the trade.

11 COMMISSIONER YOUNG: Would you elaborate for me?

12 MR. VOSS: I think that the attorney ---

13 COMMISSIONER YOUNG: You have a customer that is going  
14 to buy \$100,000 or \$200,000 worth of pipe for example.

15 MR. VOSS: Yes, sir, and, say, that the pipe was  
16 introduced at a very great discount and that the history of the  
17 pricing of imported pipe shows a constant increase, I don't  
18 know that it would be denied that price in all pipes has been  
19 increased, but it wasn't true that a ridiculously low price  
20 was given them to enter the marketplace.

21 COMMISSIONER YOUNG: I was asking you, in  
22 reference to your testimony, in which you said you did discount  
23 in order to gain customers, as I understood you, sir.

24 MR. VOSS: That is true.

25 COMMISSIONER YOUNG: Then you told me it was

1 roughly three to five years?

2 MR. VOSS: Yes, sir.

3 COMMISSIONER YOUNG: I believe I understood, this  
4 low ball business or high ball business to mean three to five  
5 percent that was retained at all businesses; is that what you  
6 are saying?

7 MR. VOSS: Yes, sir.

8 COMMISSIONER YOUNG: Thank you, sir.

9 COMMISSIONER PARKER: Mr. Kennedy, I have one  
10 question. I am not sure if you should answer or if Mr. Voss  
11 should answer, but you did introduce in evidence the letter,  
12 Exhibit No. 5. Does this witness import  
13 his pipe from Kubota.

14 MR. KENNEDY: This witness does import it from  
15 Kubota.

16 COMMISSIONER PARKER: What I wanted to ask you is  
17 what you intend for the Commission to understand from this  
18 letter. Is this merely an indication of expectations, or is  
19 this a representation as to the amount of pipe that will be  
20 exported to the United States?

21 MR. KENNEDY: That is a representation, of avail-  
22 ability. Let me check with Mr. Hashimoto.

23 Mr. Hashimoto isn't sworn.

24 COMMISSIONER PARKER: I don't know whether we should  
25 refer this question to another witness.

1 MR. KENNEDY: I think he would have to answer that question.

2 COMMISSIONER PARKER: We will postpone the question  
3 since we are not dealing with this witness here at this time.

4 MR. KENNEDY: All right, sir.

5 MR. Chairman, may I ask one more question?

6 COMMISSIONER PARKER: Sure.

7 MR. KENNEDY: Mr. Voss, when you said in answer to  
8 my question that you sell to distributors, did you mean the  
9 type of distributors that Mr. Deutsch discussed?

10 MR. VOSS: Yes, I did.

11 MR. KENNEDY: Thank you.

12 COMMISSIONER PARKER: Mr. Phillips, do you have any  
13 questions?

14 MR. PHILLIPS: First, I would like to clear up one  
15 point. I read the questionnaires that -- the answers to the  
16 questionnaires that was filed by the customers Kubota and  
17 Nipponite, which was my recollection that Kubota and  
18 Nipponite represented they had no agreement with the importers  
19 whereby the importer would share any of the immunities; in  
20 other words, my recollection that dumping duties would be  
21 reflected on Kubota and not Nipponite.

22 MR. VOSS: No, that is not correct.

23 MR. KENNEDY: May I clarify his answer? The question  
24 Mr. Phillips presented, concerning Kubota and Nipponite, and the  
25 undertaking or the statement, as you are familiar with the



1 questionnaire, they would not reimburse Mr. Voss  
2 for any dumping duties.

3 MR. PHILLIPS: This is why I asked the question.

4 MR. KENNEDY: I wanted to make that clear.

5 MR. PHILLIPS: I was wrong. Mr. Voss, can you give  
6 us for the years '68, '69, '70, and '71, your dollar sales  
7 value in AC pipe and tonnage?

8 MR. VOSS: I know the Commission has the information  
9 and I don't remember it.

10 MR. KENNEDY: It was submitted in confidence in  
11 response to the questionnaire.

12 MR. PHILLIPS: I am asking for it here.

13 MR. VOSS: Well, I see no need to give it to them.  
14 They haven't divulged any to me.

15 MR. PHILLIPS: I did give you our dollar tonnage  
16 per plant. I am simply asking for that. If the Commission  
17 has it, I am satisfied.

18 Do you know what Kubota's total dollar sales, con-  
19 verted as a company, -- do you know what it is as a corporation?

20 MR. VOSS: No, I know they are listed in Fortune.  
21 They are one of the 500 largest companies, with Johns-Manville  
22 and Certain-Teed.

23 MR. PHILLIPS: Kubota?

24 MR. VOSS: Yes.

25 MR. PHILLIPS: I don't believe foreign corporations

1 are in there.

2 MR. VOSS: They have a listing.

3 MR. PHILLIPS: Fortune?

4 MR. KENNEDY: They have two listings.

5 MR. PHILLIPS: What percentage effect on your price  
6 in the marketprice, the price of AC pipe, would an increase --  
7 it has been found by Customs there was an average sales at  
8 less than fair value by Kubota approximately 20 percent across  
9 the production line. I do not know what their price was to  
10 the export or the export price to you. I presume you do.

11 What effect in percentage effect would this have on  
12 your price, if they are required to add to the price you have?  
13 That 20 percent -- what effect would this have if you passed  
14 this entire increase along in terms of your pricing.

15 MR. VOSS: It is hard to know exactly because there  
16 are so many other variables that, based on just the percentage,  
17 it has to be extreme.

18 MR. PHILLIPS: I don't think I have any further  
19 questions.

20 COMMISSIONER PARKER: Thank you, Mr. Phillips.

21 Mr. Deutsch?

22 MR. DEUTSCH: Yes, I do have a question.

23 I don't think the mike is working; I will use this  
24 one.

25 Mr. Voss, has it been your practice to sell pipe from

inventory or from the plant in Japan?

MR. VOSS: From inventory.

MR. DEUTSCH: So that the pipe that you are now bringing in from Japan has not been sold by you at this point?

MR. VOSS: That is a two-bladed question.

MR. DEUTSCH: Well, has it been sold by you, or not by you? Your testimony you sell from inventory.

MR. VOSS: That is true, but I think I mentioned quite clearly that we had two dock strikes to the West Coast and, therefore, I have commitments which are unfilled, and I have had to husband every foot of pipe I had during that strike.

The pipe was manufactured at the plant. It waiting for shipment until the strike was over.

MR. DEUTSCH: Are you asking the Tariff Commission to not find injury to the domestic producers so that you can sell Japanese pipe at less than fair value?

MR. VOSS: I am not asking the Commission anything. In fact, I consider it a privilege that they let me come here.

MR. DEUTSCH: I didn't get that answer. Would the reporter read that back.

(Whereupon, the Reporter read back the pending question and answer, as requested, as follows:



1 to not find injury to the domestic producers so that you  
2 can sell Japanese pipe at less than fair value?

3 "MR. VOSS: I am not asking the Commission anything.  
4 In fact, I consider it a privilege that they let me come  
5 here.")

6 MR. DEUTSCH: Now, Mr. Voss, did your company, on  
7 March 20, 1972, this Monday, bid a job at Henderson, Nevada?

8 MR. VOSS: It may have.

9 MR. DEUTSCH: And isn't it a fact you told  
10 Commissioner Young that you underbid three to five percent, but  
11 isn't it a fact that you underbid 13 percent on 6-inch and 10  
12 percent on 8-inch, and 10 percent on 10-inch?

13 MR. VOSS: I don't know that that is a fact, and it  
14 depends on under what -- I don't know what line Johns-Manville  
15 uses. If they use line one, yes, I am probably 50 percent  
16 below. If they use line 100, who knows what it might be? It  
17 might be high?

18 MR. DEUTSCH: So then the actual answer that you  
19 made ---

20 MR. VOSS: Please don't quote my actual answer. I  
21 think it is in the record.

22 MR. DEUTSCH: Are you correcting your answer to Mr.  
23 Young?

24 MR. VOSS: No.

25 At no time am I correcting my answer.



1 MR. DEUTSCH: -- that you know the prices of Johns-  
2 Manville?

3 MR. VOSS: Beg pardon?

4 MR. DEUTSCH: Are you correcting your answer on the  
5 basis that you do not know the prices of Johns-Manville or  
6 other competition?

7 MR. VOSS: I didn't indicate that I also know Johns-  
8 Manville prices.

9 MR. DEUTSCH: I have no further questions.

10 COMMISSIONER PARKER: Does the staff have any  
11 questions of this witness?

12 (No response.)

13 COMMISSIONER PARKER: Thank you, Mr. Voss.

14 Let me assure you, like all other witnesses who  
15 supplied the Commission with any relevant information, it is  
16 certainly welcomed in this proceeding.

17 MR. VOSS: Thank you again for your time.

18 COMMISSIONER PARKER: The witness is excused.

19 Call your next witness, Mr. Kennedy.

20 MR. KENNEDY: The next witness will be Mr. John  
21 Miller, and Mr. Donald Barclay, and Mr. Barclay was not sworn.

22 (Whereupon, Mr. Barclay was duly sworn by Secretary  
23 Mason.).  
24  
25

1 TESTIMONY OF JOHN H. L. MILLER, PRESIDENT,

2 PACIFIC WATER WORKS SUPPLY COMPANY, INC.,

3 SEATTLE, WASHINGTON; ACCOMPANIED BY DONALD BARCLAY

4 (Having been first duly sworn by Secretary Meyon.)

5 MR. KENNEDY: I would like to put some questions to  
6 the gentlemen and elicit some answers.

7 COMMISSIONER PARKER: Put them to the stand.

8 MR. KENNEDY: Could we sit around the table here. We  
9 do have some papers.

10 COMMISSIONER PARKER: Can you take one of the mikes  
11 off of there? Maybe we can get another mike.

12 MR. KENNEDY: Fine.

13 COMMISSIONER PARKER: Mr. Kennedy, identify the  
14 gentleman when you address the questions so the record will  
15 show to whom the question is being addressed.

16 MR. KENNEDY: In some cases it would be to both.

17 COMMISSIONER PARKER: If they answer, give their  
18 names to the record so the record will show who is giving  
19 the answer.

20 Mr. Miller, will you identify yourself?

21 MR. MILLER: John H. L. Miller, President, Pacific  
22 Water Works Supply Company, Incorporated, Seattle, Washington.

23 MR. KENNEDY: And Mr. Barclay, would you identify  
24 yourself?

25 MR. BARCLAY: Mr. Donald Barclay, Pacific Water

1 Works Supply Company. My main job is evaluating.

2 MR. KENNEDY: What is the nature of your business, Mr.  
3 Miller?

4 MR. MILLER: We are in the water works business as  
5 a water works distributor to municipalities, contractors,  
6 private developers, doing business primarily in the States of  
7 Oregon, Washington, a bit in Idaho, and a bit in Alaska.

8 MR. KENNEDY: Mr. Miller, in the business of being  
9 a water works distributor, do you handle supplies other than  
10 pipe?

11 MR. MILLER: Yes, sir. We handle plastic pipe, cast  
12 iron pipe, steel pipe, valves, fire hydrants, fittings, brass,  
13 water meters. We have the whole package that is needed by a  
14 municipality up to, say, to the water meter.

15 COMMISSIONER YOUNG: What do you mean by "distributor"?  
16 Are you a distributor of the water or a distributor of parts?

17 MR. MILLER: We are the distributors, to put it in  
18 the ground.

19 COMMISSIONER YOUNG: The pipe. You deal in pipe,  
20 valves, et cetera, not in distributing the water?

21 MR. MILLER: That is correct.

22 COMMISSIONER YOUNG: Thank you, sir.

23 MR. MILLER: Thank you. In addition, we furnish ---

24 MR. MC DUFF: Would you ask him to speak into the  
25 mike?

1 COMMISSIONER PARKER: Yes. If you can, try to  
2 direct your voice to that microphone so everyone can hear you.

3 MR. MC DUFF: Thank you.

4 MR. KENNEDY: Just speak into that.

5 MR. MILLER: Is that better now?

6 COMMISSIONER PARKER: Can you hear now?

7 MR. MILLER: In addition to the items that I mentioned,  
8 we furnish water and sewage treatment plants equipment, and  
9 other equipment. That is the principal list of our business.

10 MR. KENNEDY: How long have you been in this  
11 business, Mr. Miller?

12 MR. MILLER: Fifty-two or 53 years.

13 COMMISSIONER PARKER: Can you interrupt them for just  
14 a moment, and get those mikes set so we don't have the echo.

15 MR. KENNEDY: Mr. Miller, in the course of your  
16 company's history, have you ever handled pipe of domestic  
17 origin?

18 MR. MILLER: Asbestos cement pipe; yes, sir.

19 MR. KENNEDY: And what company manufactured that  
20 pipe?

21 MR. MILLER: Johns-Manville.

22 MR. KENNEDY: When did you stop handling that pipe?

23 MR. MILLER: I am going to say 25 to 30 years ago.

24 MR. KENNEDY: Why did you stop?

25 MR. MILLER: We had sales arrangements and then they



1 terminated it.

2 MR. KENNEDY: From what other countries have you  
3 handled pipe?

4 MR. MILLER: Other than Japan?

5 MR. KENNEDY: Other than Japan.

6 MR. MILLER: Italy and Belgium.

7 MR. KENNEDY: You do now import Japanese pipe; is  
8 that correct?

9 MR. MILLER: Yes, sir.

10 MR. KENNEDY: What is the manufacturer of that pipe?

11 MR. MILLER: Kubota.

12 MR. KENNEDY: Do you contract with Kubota on an  
13 annual basis?

14 MR. MILLER: Not really; no, sir, we contract -- yes,  
15 we contract on an annual basis, on the basis of what we are  
16 going to need for the coming year.

17 MR. KENNEDY: Now, Mr. Miller, when the time comes  
18 for someone to use pipe to transmit water, who decides what  
19 kind of pipe to use?

20 MR. MILLER: Whether cast iron or some other type of  
21 pipe?

22 MR. KENNEDY: Yes.

23 MR. MILLER: The owner of -- or the engineer.

24 MR. KENNEDY: And why does he decide to choose one  
25 type rather than another type?

1 MR. MILLER: It could be on the matter of competition  
2 a matter of working pressure. It could be a matter of  
3 standardization.

4 MR. KENNEDY: Would the price be a factor?

5 MR. MILLER: Certainly.

6 MR. KENNEDY: In the same water transmission system,  
7 is it possible to combine the pipes of different raw material  
8 made of different raw materials? Say, asbestos cement against  
9 plastic?

10 MR. MILLER: Would you repeat that?

11 MR. KENNEDY: In a given water system, could you use  
12 asbestos cement pipe along with pipe made of another material?

13 MR. MILLER: Yes, sir.

14 MR. KENNEDY: Mr. Miller, where do you enter and  
15 keep your pipe?

16 MR. MILLER: Our -- we are speaking of our imports?

17 MR. KENNEDY: Your imports.

18 MR. MILLER: Our entries are made primarily to  
19 Tacoma, in Washington, and they are stored in Tacoma,  
20 Washington.

21 MR. KENNEDY: What countries do you import pipe from?

22 MR. MILLER: Belgium and Japan.

23 MR. KENNEDY: Do you have Belgium and Japanese pipe  
24 in your inventory at the same time?

25 MR. MILLER: Yes, sir.