

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
POLYETHYLENE TEREPHTHALATE) Investigation Nos.:
FILM, SHEET, AND STRIP FROM) 731-TA-1131-1134
BRAZIL, CHINA, THAILAND, AND) (Preliminary)
THE UNITED ARAB EMIRATES)

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Friday,
 October 19, 2007

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

The preliminary conference commenced, pursuant to Notice, at 9:32 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:Staff:

ROBERT CARPENTER, DIRECTOR OF INVESTIGATIONS
 GEORGE DEYMAN, SUPERVISORY INVESTIGATOR
 JIM McCLURE, INVESTIGATOR
 RHONDA HUGHES, ATTORNEY/ADVISOR
 BILL GREENE, ECONOMIST
 JOHN ASCIENZO, AUDITOR
 RAY CANTRELL, INDUSTRY ANALYST

APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping Duties:

On behalf of DuPont Teijin Films, Mitsubishi Polyester Film, Inc., SKC, Inc. and Toray Plastics (America), Inc.:

TODD ECKLES, Director of Market Development, Toray Plastics (America), Inc.
 DENNIS TRICE, President and Chief Operating Officer, Mitsubishi Polyester Film, Inc.
 CARLTON WINN, Manager, Strategic Planning and Raw Materials, Mitsubishi Polyester Film, Inc.
 RONALD KASOFF, Sales and Operations Planning Manager, Dupont Teijin Films
 ELAINE M. OLSEN, International Trade Specialist, Dupont Teijin Films
 THOMAS GRAY, Sales Manager, SKC, Inc.
 DEIRDRE MALONEY, International Trade Consultant, WilmerHale

JOHN D. GREENWALD, Esquire
 RONALD MELTZER, Esquire
 WilmerHale
 Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

On behalf of Terphane, Ltda. and Terphane, Inc.:

DAN ROY, General Manager, Terphane, Inc.
 PETER KOENIG, Esquire
 JIM ALTMAN, Esquire
 Miller Chevalier
 Washington, D.C.

On behalf of Flex Middle East FZE and Flex America, Inc.:

SANJAY TIKU, General Manager, Flex Middle East FZE
 PANKAJ KASTURIA, Country Manager, Flex America, Inc.

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P R O C E E D I N G S

(9:32 a.m.)

1
2
3 MR. CARPENTER: Good morning. Welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping investigation Nos. 731-TA-1131-1134
7 concerning imports of PET film from Brazil, China,
8 Thailand and the United Arab Emirates.

9 My name is Robert Carpenter. I'm the
10 Commission's Director of Investigations, and I will
11 preside at this conference. Among those present from
12 the Commission staff are, from my far right, George
13 Deyman, the supervisory investigator; Jim McClure, the
14 investigator; on my left, Rhonda Hughes, the attorney/
15 advisor; shortly we'll be joined by Bill Greene, the
16 economist; then it's John Ascienzo, the auditor; and
17 Ray Cantrell, the industry analyst.

18 I understand the parties are aware of the
19 time allocations. I would remind speakers not to
20 refer in your remarks to business proprietary
21 information and to speak directly into the
22 microphones. We also ask you state your name and
23 affiliation for the record before beginning your
24 presentation.

25 Are there any questions?

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1 (No response.)

2 MR. CARPENTER: If not, welcome, Mr.
3 Greenwald. Please proceed.

4 MR. GREENWALD: Thank you very much, Mr.
5 Carpenter, ladies and gentlemen of the Commission.
6 Good morning.

7 This is the third PET film case that has
8 come before you. You are familiar with the industry.
9 Our effort this morning is going to be to keep things
10 as short and as sweet as we possibly can.

11 What happens every time the industry comes
12 has become a pattern; that is, antidumping orders or
13 countervailing duty orders go into effect, and they do
14 moderate. They have worked.

15 The data in that regard are unequivocal, but
16 after a year or so, maybe two years, there is a rise
17 in dumped imports, very low priced, from a new set of
18 countries. The most recent set are China, Brazil, the
19 UAE and Thailand.

20 The fundamental problem has been an
21 expansion of global capacity. It has exceeded the
22 growth in global demand and foreign producers,
23 particularly those in the countries at issue today,
24 market their excess supply in the United States.

25 As far as imports from UAE and Thailand are

1 concerned, they reflect an effort by Indian producers
2 to avoid the antidumping and countervailing duty
3 orders on PET film by India through production for the
4 U.S. market in offshore plants. At the same time, the
5 rise in dumped imports from China has been stunning,
6 and the imports from Brazil have also risen.

7 In all cases -- and I repeat this; in all
8 cases -- the imports are concentrated in the packaging
9 and industrial segments of the market. This is the
10 bulk commodity part of the market where they compete
11 with one another and they compete with the U.S.
12 industry, and I believe that the data will show that
13 in all cases the subject imports undercut U.S.
14 producer prices for the comparable types of film.

15 The impact of this new set of imports has
16 been much the same as the impact in prior cases. The
17 economics of the U.S. industry are unchanged. This is
18 a low margin industry. The capital costs are very
19 heavy, and in order to absorb them a producer needs
20 long runs of commodity grade product.

21 When the imports undercut U.S. producer
22 prices the first response is generally to try and meet
23 the price. That works in part, and in part it doesn't
24 work. You can't close the price gap, and as a result
25 the aggregate data here show both lower prices

1 relative to cost and a decline in market share.

2 The impact on the U.S. industry's bottom
3 line is significant and unavoidable. At present, the
4 return on PET film production has once again fallen
5 below the level needed to sustain investment in the
6 U.S. industry.

7 I know you don't really want to hear me say
8 that, and you're much more interested in talking to
9 the businessmen that are on the front lines producing
10 and selling PET film. They will discuss for you in
11 detail, but not at length, the issues that this case
12 presents.

13 They will also get into some technical
14 questions -- for example, what is the impact of
15 equivalent PET film, what is it, how does it affect
16 their operations -- that we know you're interested in.

17 I have a final set of introductory points,
18 and they are in a sense related. The first has to do
19 with what we expect here regarding cumulation. We
20 expect that some of the witnesses for Respondents
21 today will say that they fall below the 3 percent of
22 import threshold that you set for purposes of deciding
23 whether or not to cumulate.

24 The introductory point I want to make here
25 is the burden is on anybody claiming that the import

1 statistics don't accurately represent what's going on,
2 business classifications, et cetera, to prove it.

3 The numbers ultimately are what the numbers
4 are, and we recognize that as well as you, but it is
5 equally true that if a country wants to go behind the
6 imports to say we misclassified this segment of our
7 shipments to the United States you have to take care
8 to make sure that the same analysis of what the import
9 data represent and don't represent holds for other
10 countries.

11 For example, when you look at the import
12 data you will see very large imports from Canada. To
13 the best of our knowledge, there is no PET film
14 production in Canada and so what that does is increase
15 the denominator for purposes of assessing the ratio of
16 imports from a particular country to total imports.

17 There are other countries, nonsubject
18 countries, where we believe that the imports in fact
19 are not PET film, and if you do the math based on
20 import statistics the denominator is likely to be
21 overstated.

22 Finally with regard to nonsubject imports,
23 let me talk briefly about Korea. We are aware that
24 imports from Korea have increased very significantly.
25 We believe that is overwhelmingly the product of one

1 company, Kolan, which had been excluded from the
2 antidumping order against Korea, and you should know
3 that there is a changed circumstances review underway
4 at Commerce which preliminarily has brought Kolan back
5 into the discipline of the antidumping order on Korea.

6 Therefore, we believe that if you're
7 assessing whether or not postorder imports, a drop in
8 imports from the countries subject to this
9 investigation, will simply lead to a rise in unfairly
10 traded or rise in imports from other countries,
11 nonsubject countries, and you're looking at Korea,
12 please understand that we believe we have addressed
13 the Korean issue in another not quite parallel, but
14 certainly related proceeding.

15 Those are the introductory remarks. Now
16 we'd like to go very quickly through what we said in
17 the petition and then get to the industry witnesses.

18 MR. MELTZER: Thank you. Good morning. I'm
19 Ron Meltzer. Can you hear me? I'm Ron Meltzer from
20 WilmerHale representing Petitioners in this case.

21 What I'd like to do is quickly go through
22 why the U.S. industry filed this case, the key
23 elements of this case and the basic facts that you
24 will be taking into account.

25 One indisputable fact has to do with the

1 deterioration and the condition of the U.S. industry.
2 The key elements are a significant loss of market
3 share. During the period of investigation, you will
4 see that U.S. producers had a double digit loss of
5 market share and that this directly correlated with a
6 similar gain in market share that has been captured by
7 the subject imports.

8 Another key element of the deterioration is
9 the price/cost squeeze that the petitioning companies
10 have undergone. During this period there's been a
11 significant rise in raw material costs, and any price
12 adjustment to deal with those increases in raw
13 material costs have failed because of the aggressive
14 pricing on the part of the subject producers.

15 This price/cost squeeze really and directly
16 hits Petitioners' bottom line during this period, and
17 the bottom line has gotten worse and worse. As you'll
18 see from the petition and have heard already today,
19 the operating results of the U.S. producers have
20 declined by more than double digits, and it's gotten
21 to the point where this is an unsustainable position
22 for an industry that is a capital intensive one that
23 requires reinvestment economics to remain viable.

24 When you're at a point where you cannot put
25 money back into the business, you can't support R&D,

1 the future of the industry is in real peril.

2 On the import side, what we have seen and
3 what the data show is a very steep rise in subject
4 imports. It's gone from about 36 million pounds in
5 2004 to about 84 million pounds in 2006 and continued
6 increases in year-to-date 2007.

7 Within those numbers you have an explosive
8 growth of Chinese imports and shipments to the United
9 States. Thailand has become one of the largest
10 foreign sources of PET film in the U.S. market, and
11 UAE and Brazilian imports have gone from nominal
12 levels to millions of pounds per month in a very short
13 period of time.

14 Not only has there been a very steep rise in
15 the quantity of these shipments, but the pricing is
16 very, very low. This aggressive pricing has led to
17 extensive underselling. It has led to a suppression
18 of U.S. prices, and it has created, as the petition
19 shows, lots of lost revenues and lost sales, which
20 you'll hear about more today from our clients.

21 As John indicated, the bulk of the material
22 coming in from the subject countries is commodity
23 grade PET film concentrated in key segments of the
24 U.S. market. What this concentration means is that in
25 the key areas, which are vital to the production

1 economics of Petitioners, you have concentrated
2 amounts which accentuate the amount of harm that is
3 being done. We'll hear more about that today from our
4 client.

5 The industry, as you'll hear again, is one
6 that has significant requirements and significant
7 capital intensity, and the production economics of PET
8 film is one that requires an industry like the U.S.
9 PET film industry to defend itself against dumping.

10 With high fixed costs and high sunk costs
11 where every line costs \$50 to \$100 million to put
12 these lines in, industries have to continue to get
13 returns in order to cover these fixed costs.

14 One thing that's important for you to keep
15 in mind is that whether the production is done here,
16 whether it's done in Brazil, whether it's done in the
17 UAE, China, Thailand, PET film manufacturers around
18 the world have standardized production equipment,
19 standardized production facilities and processes.

20 That is what is so galling and so difficult
21 for the U.S. producers; that they have the same
22 production economics that other PET film producers
23 have around the world, and that's why these low-priced
24 subject imports are causing so much damage to the U.S.
25 producers and really defy economic rationality.

1 There has been global overcapacity, as John
2 has indicated. This has been a longstanding concern,
3 but the situation has gotten much, much worse in
4 recent years. You have significant expansions going
5 on by many, many Chinese companies. You have Terphane
6 doubling its capacity in Brazil.

7 You have the establishment of very large,
8 new production sites by Indian companies in the UAE
9 and in Thailand, and these facilities are not only
10 large, but they are primarily export platforms and
11 export platforms where lots of excess capacity is
12 coming to the U.S., is being targeted to the U.S.
13 market.

14 As John indicated, you've seen this before.
15 This is really déjà vu all over again, but now it's in
16 spades. One of the things that we wanted to do is
17 compare some of the key facts with the India and
18 Taiwan case on the one hand and what's going on now,
19 and you'll see how extreme the situation has become.

20 During the India and Taiwan case, the level
21 of imports went from 44 million pounds to 49 million
22 pounds, a 14 percent increase in volume. For the
23 2004-2006 period in this case it's gone 133 percent up
24 from 36 percent to 84 percent, so a much more steep
25 rise and a much greater amount of volume in this case

1 compared to the Indian and Taiwan case.

2 In terms of market share for the open
3 market, the merged market part of the U.S. market, the
4 ITC staff report from that case, from the Indian case,
5 shows that there was a rise from about 7 percent to 9
6 percent of subject import share. Here, as you've seen
7 from Table 7 of our petition, is a much higher market
8 share that has been captured by the subject imports in
9 this case.

10 There are other comparisons. For example,
11 during the Taiwan/India case U.S. producer commercial
12 shipments continued to rise. Here they have declined.
13 If you take a look at the data with respect to U.S.
14 producer share of the open market in the India and
15 Taiwan case it has gone up. Here again if you take a
16 look at Table 7 of our petition you will see that it
17 has declined.

18 There was extensive underselling in the
19 India and Taiwan case. There is extensive
20 underselling here. In terms of the financial
21 deterioration of the U.S. industry, during that period
22 of 1999 to 2001 you have a major decline ultimately
23 resulting in loss. Here in 2004 to 2006 you have a
24 major decline heading towards loss.

25 So again you've seen this story before, but

1 the story has gotten worse, and that's why the
2 industry is here before you today. There was
3 temporary relief after the India and Taiwan case. It
4 has gotten worse, and it's gotten to the point now
5 that the industry has had no choice but to come back
6 to you to see import relief in this case.

7 MR. KASOFF: Good morning. My name is Ron
8 Kasoff. I'm with Dupont Teijin Films. This is a
9 joint venture between Dupont Corporation in
10 Wilmington, Delaware, and Teijin Corporation in Japan.

11 I'm going to talk a little bit about some of
12 the technical aspects of this industry, and I'm
13 appearing here today not only to represent Dupont
14 Teijin Films and its employees, but also all of my
15 fellow U.S. producers -- SKC, Toray, Mitsubishi -- and
16 the 2,000 employees working at our domestic facilities
17 in Virginia, Rhode Island, Ohio, Georgia and South
18 Carolina.

19 Our facilities provide jobs for these
20 employees, pay U.S. taxes and contribute to the
21 economic well being of the United States. We've been
22 producing PET film for decades, and we're committed to
23 serving this industry in the U.S. markets from our
24 domestic plants.

25 First let me talk a little bit about the

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1 product. PET film or P-E-T is really an abbreviation
2 for the chemical name of this product, polyethylene
3 terephthalate. It's also widely referred to as PET
4 film, P-E-T film and polyester film. It's used in a
5 wide variety of applications, which I'll discuss in a
6 few minutes.

7 It's generally more expensive than other
8 plastic films such as polyethylene, polypropylene,
9 polyvinyl chloride. Some of the properties that give
10 polyester film unique value adds to customers are the
11 high tensile strength, durability, heat resistance,
12 gas barriers, electrical insulation properties,
13 dimensional stability, chemical inertness and the
14 optical effects that can be imparted.

15 The thickness range of polyester film is
16 from two gauge to 1,400 gauge. The most common,
17 however, is 48 gauge. The product is sold mostly in
18 rolls, so if you can envision in your kitchen a roll
19 of paper towels, that may be a very small roll in our
20 industry. The rolls can be from two inches wide to
21 10, 11 feet wide and can be in lengths of 500 feet to
22 200,000 feet. Just to put that in perspective, that's
23 almost 38 miles.

24 There's two raw materials that are the main
25 ingredients for polyester, ethylene glycol and either

1 PTA or DMT, purified terephthalic acid or dimethyl
2 terephthalade. All of these chemicals are petroleum
3 based chemicals and are subject to the global oil
4 price fluctuation, so as the oil prices in the world
5 rise so do these chemicals rise, and then the cost of
6 polyester film rises.

7 When that happens it's very difficult in
8 this industry to raise prices to recoup the losses for
9 the rising oil prices due to the oversupply and the
10 highly competitive nature of this market.

11 There's various different ways to change the
12 product. It's not just one product. There's
13 different ways of adding polymer additives, surface
14 treatments such as chemical coatings, which are
15 chemical solutions applied to the polymer in the
16 process of making the film, corona treatment and
17 co-extrusions, which are adding two layers of PET --
18 one layer is usually modified from the other --
19 manufactured in the same process to get a unique
20 product.

21 Typically all polyester products are sold to
22 some sort of downstream converter who does some other
23 value adds to this product. It could be putting
24 different treatments on like coatings or metalizing
25 it, laminating to other films and then moving it on

1 down the value chain. This applies to both commodity
2 grades and specialty grades.

3 I mentioned 48 gauge is the predominant
4 gauge. Forty-eight gauge corona treated film is
5 really the predominant product in this market. It's
6 used as the baseline of pricing, so as there's other
7 products with coatings and co-extrusions and different
8 polymer additives that usually command a higher value,
9 a higher price than corona treated, but as the price
10 of corona treated film goes down so do the prices of
11 the other films go down. The whole product portfolio
12 pretty much follows the 48 gauge corona.

13 There is a pretty widespread
14 interchangeability between products with the subject
15 countries and the domestic suppliers. There's a very
16 low cost of switching in most of the grades supplied.
17 It's very easy to qualify a different product into an
18 end use, so as a result it's become very price
19 dependent. There's much less differentiation based on
20 quality, tech service, delivery service and those
21 sorts of things now.

22 Let me move on to talk a little bit about
23 the market segments. There are five general markets.
24 The first one is industrial markets, and it's a big
25 cross section of various submarkets. It's very large.

1 There are some fast growing areas and some declining
2 areas.

3 Some of the end uses we'll talk about are
4 hot stamping foil, which is basically where coatings
5 are applied, so think of a shiny gold coating on a
6 clear piece of plastic, and think of a textbook that
7 has gold writing on the front. It's stamped onto the
8 front of the book, and you have gold letters. That's
9 what hot stamping is about.

10 Pressure sensitive labels. Tapes, I mean.
11 Also pressure sensitive labels, and there's a lot of
12 labels -- paper labels, polyethylene, et cetera.

13 Polyester is used where the physical
14 properties I mentioned before are important, so think
15 of under the hood of your car there's a lot of labels
16 there. Those have to be thermally resistant so they
17 don't melt. They have to be resistant to chemicals so
18 that when you spill oil or gas on it it doesn't
19 shrivel up or dissolve, et cetera, so there's certain
20 unique properties the polyester has that makes it good
21 for labels.

22 Release films. Think of the back of a label
23 where you pull it away and throw it out. That's a
24 release film. Laminating films, building products,
25 window films, medical test strips. In the industrial

1 markets segment we see a lot of participation from the
2 subject countries.

3 The next market segment is packaging,
4 another very large segment. It's growing and growing
5 in some areas very quickly due to technology and
6 changing customer tastes. This includes not only food
7 packaging, but medical packaging, pet food packaging,
8 even industrial packaging.

9 Flexible pouches are an example. Peelable
10 seals. Think of a microwave tray. There's a little
11 piece of plastic on top that peels away. That's a
12 peelable seal. Snack foods, such as chips and
13 pretzels, and barrier films to keep moisture out. We
14 also see the subject countries competing in the
15 packaging market very frequently as well.

16 Magnetic media is another market, and this
17 one has been in decline for a number of years. Think
18 of VCR tapes, audio tapes, floppy disks. All of those
19 are drying up pretty quickly. There is still some
20 business here, however. High density storage tapes
21 for computer back-ups is a very significant market.
22 It's not a very large market, however, and it's very
23 specialized.

24 Electrical is another market, and this has
25 again some segments that are growing and some that are

1 declining. In the growth area there are things such
2 as display films, so the computer monitors, widescreen
3 TVs. Those are display films. There's touch screens,
4 membrane touch switches such as on your microwave oven
5 you press the button. That's a membrane touch switch.

6 Some of the declining areas are wire and
7 cable wrap, motor films and some other ones that are
8 still hanging in there are capacitor films and
9 electrical laminates.

10 The last market segment which has been in
11 decline and continues to decline is the imaging area.
12 Some of the applications there are microfilm, which is
13 now computer storage; x-ray films, which is digital
14 imaging; instant photo, again digital photography; and
15 the printing process, the process used to print
16 magazine ads and other printed literature.
17 Substantial films have been used in that in the past.
18 That's moving towards digital imaging now.

19 Also drafting films, computer aided design,
20 and overhead transparencies where we use projectors
21 instead of transparencies. So the imaging sector,
22 that's another one in decline. That's really a brief
23 description of the markets that we participate in.

24 Let me move on to the manufacturing process
25 of polyester film. It's a very capital intensive

1 process. Each production line could cost anywhere
2 between \$50 and \$100 million to produce 10,000 to
3 20,000 tons per year. We call each production asset a
4 line, which goes from the polymer straight through to
5 the finished product. These are always run in a
6 continuous process 24/7, 365 days a year, high
7 capacity utilization.

8 The inputs I mentioned briefly, the two raw
9 materials used, and they are chemically reacted into
10 polymer. The polymer can be manufactured by a
11 producing company or purchased on the outside market,
12 and then specialized grades are required in that case.

13 The typical steps in the PET film process.
14 The polymer is melted as a liquid or molten either
15 through an extruder or directly from the reactor. It
16 goes through what's called a die. It's a big metal
17 apparatus which comes out with a very narrow slit so
18 the polymer kind of flows through that in a big sheet.

19 It goes down to a cold drum, a metal drum,
20 where as soon as it hits it it turns from molten or
21 liquid into a solid state. At that point it then goes
22 through the rest of the process where it gets
23 stretched sideways and then in the long direction so
24 that it gets some very unique physical properties, so
25 the strength of the film comes from the stretching of

1 the film.

2 It then gets heat set so it stays in that
3 form, gets wound up into rolls and then slit into the
4 dimensions that the customers desire. After that it
5 gets packaged on pallets and then shipped to wherever.

6 For best manufacturing costs, producers like
7 to see long production runs of standard width
8 commodity grades of film. This is not always the
9 case. There's a mixture of specialty and commodity
10 grade films typically.

11 However, production lines are run, as I
12 mentioned, 365 days a year. We like to keep them
13 full, and that's to help defray the fixed costs
14 associated with the line, the people and all the other
15 fixed costs. If a line is not filled, it can be
16 fairly catastrophic to the economic model for
17 producing that film.

18 Specialty film products are developed and
19 made using those unique properties I mentioned before
20 such as coatings, corona treatment, co-extrusion,
21 polymer additives, and usually they're used to get
22 higher margins. They sell for a higher price usually.
23 They cost more money to manufacture usually, but the
24 margins are usually higher there. There are smaller
25 volumes of those typically.

1 The industry has invested over the years in
2 asset capabilities to produce specialty products, as
3 well as the research and development to develop those.
4 The volumes are growing in some areas, but all in all
5 commodities seem to be growing more so. As the
6 pricing of commodities gets squeezed, so do the
7 pricing of the specialty products. As I mentioned
8 before, the entire range squeezes down.

9 Our customers want to buy commodity films,
10 specialty films. It depends on what their end uses
11 are. The subject producers have been targeting the
12 high volume markets at low prices, and when that's the
13 case we have to react with pricing adjustments to
14 maintain our volume or we lose the business.

15 I mentioned before having empty lines is not
16 a good proposition for the economic model. When the
17 pricing gets squeezed, as I mentioned, the raw
18 material prices are going up. The margins are
19 continually squeezed so it's a very difficult
20 situation.

21 Lastly, I want to just discuss equivalent
22 PET and describe what equivalent PET is. Basically
23 it's defined as PET film to start with that then has a
24 thick surface treatment of some sort added to it.
25 Typically this is a coating. It's typically done off-

1 line, not on the facilities used to manufacture
2 polyester film.

3 In some of our cases that is the case,
4 however. There are some facilities that do that, but
5 in general it's an off-line coating line which you
6 can't make polyester on.

7 Dupont Teijin Films manufactures equivalent
8 films. We sell this in the packaging markets. We
9 take our base polyester film and add thick coatings to
10 it for various properties.

11 Sealant properties. I mentioned before the
12 microwave sealants, the little lid plastic on that, as
13 well as barrier properties, keeping moisture out of
14 the food product that it's being packaged in.

15 These properties are unique. We can't get
16 those with base PET film, so something else has to be
17 done. We add these coatings to get that property and
18 sell those distinctly, so equivalent films are
19 different from PET film in that regard.

20 That's all for me. Thank you.

21 MR. TRICE: Good morning again. My name is
22 Dennis Trice. I'm president and COO representing
23 Mitsubishi Polyester Film. I represent our
24 manufacturing location in Greer, South Carolina, which
25 is near Greenville, South Carolina, and employs over

1 600 U.S. workers.

2 Our company has locations in Japan,
3 Indonesia and Germany, as well as our site here in the
4 U.S. These locations are significant as an indicator
5 of strategy, built in major regions of the world to
6 supply local markets.

7 We were here, several of the people at these
8 tables, in 2001, and we discussed a major investment
9 in South Carolina that was being questioned based on
10 low-priced imports from India. First let me thank you
11 for your help against the Indian producers at that
12 time. It helped us temporarily, and we believed we
13 would be successful in the future.

14 As a matter of fact, we went forward and
15 invested over \$100 million in our site in Greer and
16 created new jobs in South Carolina to supply the U.S.
17 market. We also invested in infrastructure to have an
18 additional investment in the future. Regretfully, the
19 investment hasn't paid for itself, and I cannot in
20 good faith ask for additional investment based on the
21 returns of this past investment.

22 Similarly, SKC invested over \$350 million in
23 Covington, Georgia, putting in three lines with
24 announced plans for as many as 10 lines over a 10-year
25 period, which would have been an investment of over \$1

1 billion and over 1,000 new U.S. jobs right outside of
2 Atlanta. Now, 10 years later, there are only three
3 lines, and employment is only 25 percent of what was
4 envisioned.

5 Why can't U.S. manufacturers with world
6 class technology continue to invest in the U.S.,
7 creating U.S. jobs and supply U.S. customers? It's
8 simple. Margins are being squeezed by low-priced
9 imports from the subject countries.

10 Let's compare our strategies with those of
11 companies in the subject countries -- China, Brazil,
12 Thailand and the UAE. As evidenced, after the duties
13 they invest with no regard to local demand and aim to
14 sell in export markets, primarily regretfully the U.S.

15 As evidenced, after the duties placed in
16 2001 on Indian producers, just as John mentioned
17 earlier, two of them elected to move operations to UAE
18 and Thailand where there is nowhere close to enough
19 local demand to support this kind of capacity.

20 Over 40 companies have invested in China,
21 which does have significant local demand, but again
22 nowhere close to enough to support the capacity that's
23 installed now in China. No risk. They'll just export
24 the excess capacity to the U.S. to fill it.

25 Let me now describe the market structure and

1 the products that will give you a better idea why
2 these events are taking place and why we're here to
3 ask for your help once again.

4 The total market for PET in North America is
5 about 600 million pounds and growing at about 3
6 percent annually. As Ron mentioned, the primary
7 markets are packaging, industrial, electrical and
8 imaging, and I won't go back through those kind of
9 details. All markets continue to grow here in the
10 U.S. with the exception of imaging, which is being
11 replaced by the digital technology that Ron described
12 to you.

13 PET film has some excellent properties --
14 high strength, durability, heat resistance, a lot of
15 very good characteristics, a very high tech film, or
16 should be. Regretfully, the technology to produce
17 these films is readily available and has now been
18 installed in subject countries who produce films which
19 are interchangeable with the products that we U.S.
20 producers produce.

21 As Ron mentioned, sometimes the market can
22 be described as comprising commodities and
23 specialties. The base product of commodities and the
24 base product for the industry pricing is 48 gauge.
25 Imports from the subject countries are impacting price

1 in both categories, commodities and specialties.

2 Let me give you an example of a customer's
3 situation where the commodity situation has been
4 impacted. Company A, where we have done business for
5 over 30 years, came to us and said they had offers
6 from multiple competitors from the subject countries
7 between 10 to 15 percent below our pricing. We had to
8 match it or lose the business.

9 In this particular case we held our pricing
10 and lost several million pounds of business. This
11 customer now easily switches their purchases between
12 several low-priced importers, including Chinese,
13 Indian, Thailand, Brazilian and Taiwanese. They go
14 back and forth with whoever offers them the lowest
15 quote in a particular quarter.

16 Other cases, all documented in your records,
17 where we lower the price to match or come close to the
18 importers and we lose margin to keep the volume. Both
19 situations we lose and ultimately the U.S. loses.

20 An example where specialty products are
21 being impacted. As Ron mentioned, we apply coatings,
22 very thin coatings a lot of times, in line in the
23 production process that can certainly enhance the
24 surface of the film. These products should offer
25 somewhat of a competitive advantage to the customer by

1 eliminating a process and saving money because we can
2 do it in our process.

3 Low priced imports from subject countries
4 allow the customer to go back to using older
5 technology, using off-line processes that should be
6 more costly. To compete we have to lower the pricing
7 on what should be a specialty product, but certainly
8 the price is no longer based on specialty type
9 margins, so low-priced imports are interchangeable
10 with our products and impact the total PET market.

11 Even with heavy investment in R&D, customer
12 service, logistics, regrettably it all comes down to
13 price. We either lower our pricing to keep the lines
14 running or walk away from the business and operate it
15 at higher cost. Both situations cause lower margins
16 and lead us to not being able to invest in long-term
17 to the loss of U.S jobs.

18 Why do we need this type of business for
19 operational efficiency? Why can't we just walk away
20 from it? As Ron mentioned, this industry is a very
21 large capital investment industry, heavy fixed cost.
22 We operate 24 hours a day, 365 days per year. We need
23 large runs of product to carry the fixed cost.

24 The U.S. producers are being forced towards
25 lower volumes of specialty products, which cause

1 higher changeover costs on these large lines, and of
2 course the changeovers produce even higher waste.

3 No producer can specialize their way to
4 profitability in this industry. We must have a base
5 load of volume to cover the heavy fixed cost. Low
6 priced imports are causing us to either lose the base
7 load or lower the price so far that there is no
8 margin.

9 So what do we do as a strategy to survive as
10 U.S. producers? We can reduce capacity. We can
11 restructure the business. We can reduce jobs, try to
12 lower the cost enough to be more profitable, or we can
13 invest in more capacity to try to spread the cost and
14 supply more of the local demand.

15 We have done both in the last five years,
16 and I know that my fellow competitors here in the U.S.
17 have tried to do both of those tactics as well.
18 Neither has or can work when we're competing with
19 companies from subject countries that have only one
20 strategy -- build lines and fill the excess capacity
21 with exports to the U.S. no matter what the price
22 needs to be. Our last resort is to ask for your help,
23 and that's why we're here today.

24 MR. GREENWALD: That concludes our
25 testimony. Thank you.

1 MR. CARPENTER: Thank you very much, panel,
2 for your presentation. We appreciate that. We'll
3 begin the staff questions with Mr. McClure.

4 MR. MCCLURE: Jim McClure, Office of
5 Investigations. First of all, I want to thank you for
6 your testimony and assure you I won't have any
7 technical questions. With a C- in high school
8 chemistry I gave up. Straight to liberal arts.

9 Mr. Greenwald, as you said, you've been here
10 before, and before and before. The subject product
11 has changed over time. Equivalent was in, then
12 equivalent was out, then we had the expedited review
13 from South Korea in 2005 and it was left in and now
14 we're back leaving equivalent out.

15 Could you just run through a brief history
16 of that and why things changed?

17 MR. GREENWALD: I could, but I probably
18 wouldn't do it as well as Mr. Meltzer.

19 MR. MELTZER: Thank you. I think John's
20 slightly older than I, but not much, but he may
21 remember back to the Korean case. I think what
22 happened in the Korean case was there was a product
23 that was made by DuPont that was the equivalent PET
24 film where the production of that product was
25 basically in line production, and that equivalent PET

1 film became part of the domestic like product.

2 When the Indian and Taiwan case came up in
3 1999 that process and those products were no longer
4 made. There was also another U.S. producer that made
5 ester and then had assets I believe that were similar
6 to what DuPont was doing, and that U.S. producer I
7 believe went out of business.

8 MR. MCCLURE: That producer would have been
9 who?

10 MR. MELTZER: Agfa I think. And so that in
11 the Indian and Taiwan case equivalent PET film was not
12 part of the scope of that case.

13 When the sunset review came up for Korea the
14 expedited review, because that was done on an
15 expedited basis questions were asked whether we should
16 leave the case as is with respect to the scope, and so
17 since that case related to the Korean case which had a
18 preexistent inclusion of equivalent PET film, even
19 though it was superseded by the Indian case, we left
20 the scope of the Korean case the way it was. So that
21 is why we had that sequence.

22 MR. MCCLURE: Okay. So that was done,
23 perish the thought, to save your clients money?

24 MR. MELTZER: We always think of that, yes.
25 Yes.

1 MR. MCCLURE: Okay. Mr. Trice, you talked
2 about the commodity price squeeze. I'm looking at an
3 August thing from Mitsubishi announcing a price
4 increase in all grades of, let's see, hostaphan and
5 diafoil polyester films to be effective August 24 at a
6 minimum of five cents a pound.

7 Have you been able to hold that price
8 increase, and also, did your fellow competitors follow
9 suit?

10 MR. TRICE: Jim, frankly we have not been
11 able to hold that price increase. Of course, we can
12 supply specific details of that later in the brief,
13 and that's regretful because as Ron mentioned earlier,
14 the raw materials for these products are oil based,
15 and we have had unprecedented rise in raw materials
16 and it's ironic. You would think that there was some
17 correlation, but obviously there's not.

18 Since about late 2004, we've seen the price
19 of oil and our corresponding raw materials go up
20 dramatically at the exact same time we've seen this
21 significant increase in imports. So we've had a
22 squeeze quite different than even the squeeze that
23 we've had when John, and Ron and the rest of us have
24 been here the last 20 years for different instances.

25 The situation we've got today is even worse

1 because we've had the increase in raw materials at the
2 same time we've had to lower pricing. It just
3 absolutely makes no sense from an economic standpoint
4 when oil and our corresponding raw materials are doing
5 this, and yet our pricing is doing this.

6 So, Jim, to summarize, no, we have not been
7 successful.

8 MR. MCCLURE: Did any of the other firms
9 represented at the table attempt a similar price
10 increase?

11 MR. GRAY: My name is Thomas Gray. I'm with
12 SKC Films out of Covington, Georgia. We did the same
13 and experienced the same thing that Mr. Trice
14 mentioned. On top of it, even our specialty grades
15 are decreasing in pricing because of this offshore
16 competition at a time when we should be pushing price
17 increases through.

18 Again, these price increases only reflect
19 what our internal raw material costs are. When you
20 mentioned, Mr. McClure, five cents, that was
21 representing resin pricing increase, just trying to
22 pass along what we're having to pay on resin. We were
23 unable to push that through, so we had to absorb those
24 increased costs.

25 MR. MCCLURE: DuPont or Toray, did you?

1 MR. ECKLES: Good morning. Todd Eckles from
2 Toray Plastics. Toray also announced a price
3 increase, and we were unsuccessful in getting that
4 increase for the same reasons as mentioned.

5 MR. MCCLURE: That was in August of this
6 year as well?

7 MR. ECKLES: It was the same timeframe. I
8 don't remember the exact date, but the same timeframe.

9 MR. KASOFF: Yes, DuPont Teijin Films tried
10 as well with no success.

11 MR. MCCLURE: All right. I'm going to leave
12 some things to my other colleagues who will ask better
13 questions than I. One thing regarding Canadian
14 production or lack thereof. I ask of these gentlemen,
15 from looking around on the internet it would suggest
16 that perhaps Klockner Pentaplast and Scott Office
17 Systems up in Canada, mainly producers of product and
18 significant exporters, I think Klockner's plant is in
19 Anjou, Quebec, what do you know about that?

20 If you don't know anything now, please study
21 it in the next five days and let me know what you find
22 out.

23 MR. TRICE: Jim, I'll try to answer that,
24 and then I'll have my colleagues help me if I stumble.
25 As far as we know, neither Klockner nor Scott Office

1 Products produces polyester film. Klockner does
2 produce shrink film, which is a PE PITG is what it's
3 called. It's a totally different polymer.

4 MR. MCCLURE: It would be a nonsubject?

5 MR. TRICE: Nonsubject. Absolutely, Jim.
6 That's the type of film that would go onto a full
7 label bottle. You'll see the new shrink. A lot of
8 the new bottles in grocery stores. The other company
9 that you mentioned, Scott Office Products, they're
10 actually a customer of Polyester Films, so I'm sure
11 that some of our colleagues and even ourselves over
12 the last years have supplied Scott in the past.

13 MR. MCCLURE: Okay. Apparently, Klockner
14 produces something called AMPET. Is that subject
15 product or have we got a case of -- I mean, there are
16 huge numbers for Canada in the 10 digit statistical
17 reporting number, and it's like the elephant in the
18 room. Is Customs making the mistake or what's
19 happening there?

20 MR. MELTZER: We went out of our way to
21 request that there be a statistical breakout for PET
22 film. I think that was about three years ago. We did
23 that primarily because we saw extensive amounts of
24 misclassification going on, not only with respect to
25 PET film and metallized PET film, but for products

1 like this.

2 I think as far as we know there is no PET
3 film production going on in Canada. There may be
4 other kinds of polymers being produced there or
5 processed there. Do you know?

6 MR. MCCLURE: I used the term AMPET. Is
7 that a subject product?

8 MR. KASOFF: AMPET stands for amorphous
9 polyester. It's a different product. It's not a
10 subject product. What I mention in the description of
11 our process how the film is cast on that cold roll and
12 then drawn, AMPET is not drawn, it's just cast, so
13 it's a different product.

14 MR. MCCLURE: Okay. And just to be clear
15 for anyone who is later reading the transcript of
16 this, they may not have a life if they're doing it,
17 but anyway, the term specialty was used and then we
18 talked about equivalent being a separate product. I
19 just want to be sure, when you say specialty, you
20 aren't using specialty and equivalent interchangeably?

21 Specialty is subject product of this
22 investigation?

23 MR. KASOFF: Yes. That is absolutely
24 correct.

25 MR. MCCLURE: Okay. For now, I'll pass it

1 on to my colleagues. Thank you.

2 MR. CARPENTER: Ms. Hughes?

3 MS. HUGHES: Rhonda Hughes, Office of
4 General Counsel. Starting with like product, I
5 understand beating the dead horse of the equivalent
6 shown, obviously you don't think it should be part of
7 the Commission's definition of the domestic like
8 product, so this is more for Mr. Greenwald and Mr.
9 Meltzer.

10 You can do this now or you can go through in
11 your postconference brief, explain why using the
12 Commission's six factor test that you believe the
13 equivalent film should not be a part of the domestic
14 like product here. We'd appreciate it.

15 MR. GREENWALD: Well, no, I think it's
16 better that we do it at length in written form, and we
17 will do so.

18 MS. HUGHES: Okay. That will be fine.
19 Okay. And I'm not clear exactly what specialty film
20 is compared to the other film that's in the market
21 segments.

22 MR. GREENWALD: Well, let me just take a
23 crack at that, and then I'll probably have to be
24 corrected. You have your base film, simply corona-
25 treated commodity grade films. You then can put

1 treatments on, I'll simply say a very thin coating.
2 It still is within the definition of PET film, but it
3 has characteristics and properties that are different
4 from the base.

5 MS. HUGHES: Such as?

6 MR. KASOFF: Well, for instance, the corona
7 treated film we're talking about, 48 gauge, is a
8 pretty clear film. There could be a white film or
9 there could be a matte finish film that has another
10 effect. Those are specialty. Most people don't want
11 those. There's specific applications that do want
12 those. So that's one example.

13 There could also be a coated product where a
14 very, very thin coating is applied in the polyester
15 making process which add unique properties. One of
16 the things I mentioned was chemical resistance.
17 That's good in that if you spill something on it, it's
18 not going to attack the film.

19 However, it's also bad in that when our
20 customers take the film it's difficult for them to
21 have their coatings adhere to it or to laminate to
22 some other film. So the coatings are there to provide
23 adhesion, and that provides some other value added
24 that takes a step out of our customer's process where
25 they would have to do some sort of coating.

1 So a coating is another example of one.
2 Coextrusion is the example where you can put together
3 a layer in polyester that's clear or a layer that's
4 somewhat hazy or matte so you have a different effect
5 on look of the film or you could put an amorphous
6 polyester layer on it, which is a slightly modified
7 polyester, so it has some heat sealed properties, that
8 sort of thing.

9 Those are definitely unique and command a
10 premium on price.

11 MS. HUGHES: So, again, for Mr. Greenwald
12 and Mr. Meltzer, would you view these products as a
13 continuum along the like products and just one
14 domestic like product --

15 MR. GREENWALD: Yes. These are variations
16 on the same.

17 MS. HUGHES: Okay. If you could explain
18 that as well in the postconference brief it would be
19 helpful.

20 MR. GREENWALD: Will do. Thank you, ma'am.

21 MS. HUGHES: Okay. We know that the
22 Terphane has an affiliate in Brazil, and of course,
23 that invokes the related parties' question because of
24 the affiliation. Do you believe that the Commission
25 should find circumstances appropriate to exclude it on

1 this basis from the domestic industry?

2 MR. GREENWALD: I don't have enough facts
3 yet to make that judgment. It depends, for example,
4 on the ratio of imports to domestic production,
5 whether the imports are the core business and the
6 domestic production is sort of the tail of the dog.
7 Until we have those facts, I can't give you an answer
8 one way or the other. It's one of those issues that
9 we're going to have to address in the postconference
10 brief based on the information we see from Terphane.

11 MS. HUGHES: Okay. If you could do the
12 same. I won't go into more specifics here, but there
13 are some other domestic producers that import subject
14 merchandise, so if you could go into that in your
15 postconference brief as well?

16 MR. GREENWALD: We will do that. Yes.

17 MS. HUGHES: Okay. I'm sure you know that
18 the Commission looked at the captive production
19 provision in the previous investigation. Do you
20 believe that it should apply it in these
21 investigations?

22 MR. GREENWALD: I think our belief is as in
23 the past the focus should be on the merchant market.
24 The rationale has not changed.

25 MS. HUGHES: Okay. If you could, again,

1 postconference brief.

2 MR. GREENWALD: We will give you chapter and
3 verse.

4 MS. HUGHES: Okay. You stated in the
5 presentation, I forget which gentleman at the moment,
6 I apologize, that there are two major inputs that are
7 linked -- was it Mr. Kasoff -- to the high price of
8 the investment of capital in terms of industry and
9 that sort of thing. What other raw materials or
10 reasons for these high costs are there besides being
11 linked to the petroleum industry, the two major inputs,
12 or is that it?

13 MR. KASOFF: That's far and away the most
14 significant. There's other typical wage increases and
15 other raw materials are going up as well. The amount,
16 the proportion of other raw materials in the product
17 are fairly small, so these are far and away the most
18 significant.

19 MS. HUGHES: Okay.

20 MR. TRICE: Maybe I could add one other
21 point to that is certainly those two raw materials are
22 the primary cost factor, but energy, whether it's
23 electricity or whether it's natural gas, is also a
24 very big component. As you can imagine these are
25 processes where it involves a lot of heat and a lot of

1 pressure in a lot of parts of it, but it still ends up
2 still going back to petroleum.

3 When oil goes up usually natural gas goes up
4 as well and our corresponding energy costs go up as
5 well, so we get hit both ways.

6 MS. HUGHES: Okay. Thank you. You speak of
7 continuing investment requirements. What exactly do
8 you mean when you use that term?

9 MR. TRICE: From continuing investments we
10 spend several million dollars a year just on
11 maintaining the equipment. This is heavy, capital
12 intensive equipment. The types of investment that I
13 mentioned in South Carolina four years ago was
14 actually a total new production line. That was not
15 the continuing type of investment.

16 The type of investment that I mentioned that
17 SKC made about 10 years ago was a totally new plant
18 with new lines as well. But because it is a capital
19 intensive business there are certain costs to maintain
20 the equipment and all three of our companies have RND
21 facilities and technical service.

22 We are full service suppliers because we do
23 supply to markets that are just the commodity
24 products, like Ron mentioned, but it does require
25 service to our customers as well, so that's part of

1 the investment that we talk about as well.

2 MS. HUGHES: Okay.

3 MR. ECKLES: At Toray we actually modified
4 our film lines in order to enter other markets mainly
5 because one of the markets that we served basically
6 was at its matured life and started declining, so we
7 really had to redefine the types of products that we
8 were making and enter other markets.

9 So our existing film lines were good at
10 making one product, so we had to go ahead and spend a
11 lot of money and time to try to find a way to produce
12 other products to enter these markets. We constantly
13 have to do that because we find ourselves having to be
14 excluded from these commodity markets because of the
15 low price.

16 So it's never finished. It's an ongoing
17 assessment of your film line and assessment of the
18 market to see what markets can you exist in and make a
19 healthy return.

20 MS. HUGHES: Okay. So these lines, do they
21 pretty much run 24/7 so you need specified periods of
22 down time throughout the year? About how much? Is
23 there a two week low at some point after so many
24 months or that sort of thing?

25 MR. TRICE: I'll try to answer that. We do

1 have scheduled maintenance, and it can vary based on
2 the film line from once a year to sometimes once in
3 maybe a year and a half. Those maintenance periods
4 are usually from two days to a maximum of say seven
5 days as far as the maintenance period according to
6 what has to be done to the line.

7 There does have to be maintenance at times
8 when we change products. As Todd mentioned, one of
9 the issues that we've got is because we're losing the
10 base load or commodity business with the long runs we
11 have shorter runs of products, and that actually
12 increases the cost but it also increases the wear and
13 tear on the equipment as well.

14 So it actually causes more investment
15 because of the shorter runs and changeovers that we
16 have to make.

17 MR. ECKLES: Previously at Toray we produced
18 one product, and we ran it for 12 days and we didn't
19 really change a lot. It was kind of a nice
20 manufacturing environment. Today we change the types
21 of products we produce almost every other day, every
22 three days, every two days. As a result, we have to
23 change the type of polymer sometimes that we're
24 extruding because of the fact that the film has to be
25 different for the functional application.

1 Oftentimes we have to change the
2 manufacturing parameters, we have to change the heat
3 set, we have to change the way that we extrude the
4 product. So all of this adds cost because we have
5 more frequent changeovers. So not having that base
6 load of commodity business means that we just have
7 more changeovers because we have more products, and we
8 have higher costs.

9 Our business is a function of both products,
10 specialty and commodity.

11 MS. HUGHES: Okay. So pursuing that a bit,
12 about what percentage of the market is specialty
13 versus the commodity products?

14 MR. TRICE: You can see us conversing
15 because it's a difficult question to answer. This
16 would be just a guess. We'll certainly try to do some
17 analysis if it's necessary. My guess would be
18 probably 65 percent commodity, 35 percent specialty,
19 and that would just be a guess without the exact
20 numbers.

21 Certainly, it's primarily commodity type
22 products, but again, as you can imagine based on that
23 type of significance the price of the commodities
24 impacts everything. It lowers the bar.

25 MS. HUGHES: So is that something that's

1 changed since the say Indian, Taiwan investigations
2 where the commodity product is the larger segment in
3 the market then? Are specialties becoming more
4 important because of the competition issues in the
5 commodity grid?

6 MR. TRICE: I don't think it's truly
7 changed. IN the 15 years that I've been in the
8 business the mode of competition has been practically
9 the same through that. The cost squeeze, as I
10 mentioned earlier, seems to be tougher in the
11 circumstances that we have today, but probably the
12 only thing that I would say that's changed is just the
13 number of companies that offer these commodity
14 products.

15 When you look at China particularly, the
16 number changes so rapidly. There's over 40 companies
17 now making these types of products, so you can imagine
18 the offerings to our customers of these. It's
19 sometimes even hard to keep up with who is doing the
20 offer because there's so many of them now that are
21 offering product.

22 That's probably the real change in the
23 competitive landscape since we were here in 2003 and
24 since we were back here all the way back in the early
25 1990s in the Korean situation.

1 MS. HUGHES: Okay.

2 MR. GRAY: I think, also, you have to take a
3 look at the capacity in the U.S. I mean, we've had
4 some new capacity and new assets go in. As Dennis
5 mentioned, we tried to make wider, faster, larger
6 assets to compete to try to lower costs, but they're
7 capital intense and that didn't work.

8 In the meantime, if you look at the number
9 lines that had been decommissioned over the past 10
10 years, I know it's beyond this timeframe, but that's
11 an indication of what's ahead of us, too, because
12 specialty market's only so big. We know we have to be
13 there because we can't compete in these commodity
14 prices.

15 When we put these assets in there was a
16 balance of commodity and specialty in mind to make the
17 economic outlook work for those assets and those
18 investments, and the balance has changed totally.

19 The costs have risen on the specialty
20 products plus the price has come down, so that's even
21 being squeezed even more as far as additional waste
22 and downtime adding to the cost of not having those
23 commodity products between these specialty runs is a
24 tremendous burden for all the large manufacturers.

25 MS. HUGHES: Can you give me an idea of what

1 percentage of the market is held by the various
2 segments? You know, the packaging and the industrial,
3 whatever. Just roughly.

4 MR. MELTZER: Why don't we provide that in
5 our postconference submission?

6 MS. HUGHES: Okay. Thank you. And if you
7 could also explain which segments are growing and
8 which are contracting, and any reasons you believe
9 that would be the case would be helpful.

10 MR. MELTZER: Will do.

11 MS. HUGHES: And also, if you think there's
12 future growth or contraction in any of the segments as
13 well. Okay. Certification or qualification was
14 important in the India, Taiwan investigations I know.
15 Is it equally important today? I know there was
16 mention that it's not necessarily that difficult to
17 become certified or qualified, so maybe whoever
18 responds could also give an example or some details as
19 to what's involved in certification and qualification?

20 MR. TRICE: Rhonda, I'll try to answer that.
21 I don't think it's changed dramatically since the
22 Indian or the Korean cases in the past. Qualification
23 from a customers' standpoint can range anywhere from
24 two months to six months.

25 Normally what that would entail would be

1 taking in one or two rolls, running it, seeing if it
2 works, and then they may take a truckload of material
3 as a final qualification and they're usually ready to
4 go according to the application, how lengthy that type
5 of qualification would be.

6 I would say, though, the thing that has
7 changed is more the psychology of the marketplace
8 during that time period. Early on back in the early
9 1990s and even in early 2000 customers were a little
10 skiddish about buying imported film. It was an
11 unknown.

12 Today, because there's just so many
13 producers offering these products at these kind of
14 pricing it's caused really even a different set of
15 customers to say I've got to look at it, and as
16 they've qualified them they have learned they're more
17 and more interchangeable. So the qualification
18 periods for these products has really been shortened
19 compared to what it was five years ago and certainly
20 much different than what it was 10 years ago.

21 MS. HUGHES: Okay. Thank you. There's been
22 some discussion of course of the commodity prices
23 affecting the specialty prices, and the cost price
24 squeeze and that kind of thing. Are the prices
25 published on a weekly basis somewhere or how does this

1 work?

2 MR. ECKLES: There is no published price
3 list per se for the products. It's really price
4 quotes, and contract negotiations and so forth, so it
5 would be your typical type of negotiation when
6 purchasing a product.

7 MS. HUGHES: Okay. Are spot prices then
8 important in this market?

9 MR. ECKLES: Definitely. There's different
10 types of price offers. There may be a strategic
11 contract in some cases, but in other products there
12 will be several spot offers that happen in a very
13 short period of time. The customers of course will
14 take advantage of the lowest price.

15 MS. HUGHES: Okay.

16 MR. MELTZER: I think you'll also find that
17 even in the contracted sales there are meet and
18 release clauses.

19 MS. HUGHES: Yes, okay. If you could
20 explain the pricing mechanism a little more in the
21 postconference brief as well that would be helpful.
22 Okay. You stated in the petition that demand is
23 generally cyclical, but it depends on the different
24 market segments with their underlying trends, so also
25 in the postconference brief if you could go into more

1 detail as to perhaps which segments of the exhibit,
2 which cycles, that would be helpful.

3 I think I know the answer to this, but I
4 need to get it on the record in light of the
5 discussion about the commodity, the specialty and the
6 continuum of the commodity products. Would you state
7 whether you think the Commission should apply the
8 Bratsk Aluminum Smelter case, the replacement benefit
9 test, in these investigations?

10 Postconference brief is fine. That's the
11 end of my questions. Thank you.

12 MR. CARPENTER: Mr. Green?

13 MR. GREENE: Bill Greene, Office of
14 Economics. I have a request first. There's been a
15 lot of talk about raw material costs rising and other
16 tied to natural gas and petroleum. I was wondering if
17 you could provide us with quarterly data for PTA and
18 DMT over the last say 2004 to present? Okay. Great.

19 And there's been a lot of talk about imports
20 being primarily commodity products for the industrial
21 and factory lines. I wonder if you could tell me a
22 little bit more about that?

23 MR. ECKLES: These film producers that
24 import low priced products have the capability to
25 produce those large volume products in their

1 facilities, and it's the easiest and the most widely
2 accepted film products in those commodity markets.
3 They also get benefit from running one product for a
4 long period of time.

5 So they would rather not make 15 products in
6 a time period when they can make one and sell it in
7 the U.S. to a market that accepts just one product,
8 although I do have to say that they are learning to
9 make other products and are starting to affect some of
10 our specialty products as well with their attempts to
11 enter other markets as well.

12 MR. GREENE: I guess I was meaning end uses.
13 The commodity products, what kind of end use product?

14 MR. ECKLES: I see. In the case of the
15 packaging market it has to do with metallized films
16 for food packaging is a big focus. In the industrial
17 markets there are many, many different areas, but the
18 most common would be hot stamping foil which uses a
19 generic film type across all customers for the whole
20 market.

21 Another would be thermal lamination which is
22 used for driver's license, and menus and so forth for
23 encapsulation. Again, very similar products across
24 all customers and all markets.

25 MR. GREENE: Okay. Good. Thank you. Have

1 any of your companies abandoned any of these product
2 lines to the importers?

3 MR. TRICE: Not on purpose. We certainly
4 had to abandon some of them I'd say temporarily, but
5 we'd get into a situation as to even walk away, but
6 then you're left with an open line at times. So we're
7 kind of in a Catch-22, and to keep the lines running
8 we have to have at least a number of these commodity
9 products.

10 MR. GRAY: In our case we did walk away from
11 the hot stamping market. Significant losses in volume
12 to our assets as SKC. We significantly reduced the 48
13 gauge corona treatment market to where now we're only
14 supporting maybe 25 percent of what we did originally,
15 and the reason we have to do it and operate at a loss
16 is because it's part of a total package for our
17 customers.

18 They may take commodity product and
19 specialty product in that total package where we have
20 to supply that even if it's at a loss to be considered
21 for a total package of a contract.

22 MR. GREENE: Thank you. Thank you both.

23 MR. CARPENTER: Mr. Ascienzo?

24 MR. ASCIENZO: Excuse me. John Ascienzo,
25 Office of Investigations. Thank you very much for

1 your time today. Excuse me. I guess this first
2 question is a technical question, but is Saran Wrap
3 PET film, that you wrap your sandwich up? No, it's
4 not?

5 MR. KASOFF: No, Saran Wrap is not PET film.
6 I think it's polyvinylidene chloride.

7 MR. ASCIENZO: Okay. My next question,
8 energy costs. Someone mentioned energy costs were
9 high. You don't have to answer here in a public
10 session, but if you could in the posthearing brief, if
11 the U.S. producers could tell us what their energy
12 costs are in dollars per pound for the product for
13 2006 and, let's see, the first half of 2007? Thank
14 you very much.

15 Raw materials. Does anyone produce their
16 own? I'm thinking not, but does anyone produce their
17 own raw materials or are they all purchased from oil
18 companies or some other specialty companies?

19 MR. TRICE: I'll try that one and let the
20 other producers add in, also. We produce our own
21 resin, which is what is the two components that Ron
22 mentioned, ethylene glycol and terephthalate acid.
23 You make a resin, and then you extrude it into the
24 film. In Greer, South Carolina, we do make our own
25 resin.

1 As far as the components terephthalate acid
2 and ethylene glycol, Mitsubishi Chemical, our parent
3 in Japan, does make those components, but not here in
4 the United States.

5 MR. ASCIENZO: Anyone else?

6 MR. KASOFF: Yes. I'll just say that DuPont
7 Teijin Films purchases both of those now on the open
8 market. In the past, DuPont did have a venture that
9 made DMT, but it no longer does.

10 MR. GREENWALD: Toray purchases PTA and EG
11 to make polymer here in the U.S.

12 MR. ASCIENZO: Purchases from unrelated
13 parties?

14 MR. GREENWALD: Yes.

15 MR. ASCIENZO: Okay. Thank you.

16 MR. GRAY: At SKC we purchase both
17 domestically in the open market and we produce our own
18 chip binders raw materials out of Korea as well. So
19 we import our resin from our sister company in Korea
20 as a portion of our total usage, but part of it is
21 bought here from domestic sources as well.

22 MR. ASCIENZO: Okay. Thank you. For those
23 producers that get inputs from related parties I just
24 want to remind them to review their questionnaire
25 responses to make sure that the inputs are valued at

1 the true cost and not some transfer price. Please
2 review your questionnaire response, and if you have
3 any questions or problems, give me a call. Thank you
4 very much.

5 Raw materials again. I'm sorry. I take it
6 there's absolutely no use of any scrap or remelt, this
7 is all virgin material, or tell me?

8 MR. ECKLES: Can you just clarify? You're
9 talking about the PTA and EG or you're talking about
10 polyester resin?

11 MR. ASCIENZO: Well, both or any. Like, for
12 instance, another question I'm going to have is you
13 combine the raw materials and you make resin and then
14 you're going to start to make the PET film, and I
15 presume there's some waste along the way, there's some
16 scrap loss. Does that get remelted?

17 MR. ECKLES: So when we make polyester resin
18 we use PTA and EG and the byproduct is water, so
19 there's very little recycle in that process. But when
20 we take the resin and make it into film we have edge
21 trim, we have extruder waste and so forth that
22 oftentimes we can regrind and use as recycle and put
23 back into the system.

24 MR. ASCIENZO: Does that sound about right
25 for all the other producers?

1 MR. TRICE: Yes, John. I can't imagine a
2 polyester film producer not having a regrind
3 operation. The edge trim is basically unusable as
4 first quality product. The edge trim is what a chain
5 pulls through this large tinder operation that Ron
6 describes. So every company has to have recycle
7 equipment to be able to put that product back in, and
8 remelt it and make it as film again.

9 In fact, that's part of the economic issue
10 that we've got. As Ron described, and as Todd
11 described and myself, a lot of these shorter runs that
12 we're having to make also lead to more waste which we
13 either have to reclaim or sometimes the polymers
14 aren't recyclable and we have to sell that as waste on
15 the outside, so that's part of the cost formula as
16 well.

17 MR. ASCIENZO: I'm sure you don't want to
18 respond here, but in your postconference brief could
19 you indicate for 2006, your last full fiscal year,
20 what your waste was that you couldn't regrind? I'm
21 assuming it's a very small percentage, but if you
22 could just tell? Thank you very much.

23 Specialty versus commodity products. This
24 is probably going to be a range, and once again, you
25 don't have to respond here, but what's the approximate

1 cost difference for a specialty product versus a
2 commodity product? If the overall cost is let's say
3 \$1.60 a pound just to pick a nice round number, is
4 commodity like \$1.30 and specialty \$2?

5 Once again, it might be a range I take it,
6 and you don't have to respond here publicly.

7 MR. ECKLES: Right. There's many
8 applications for specialty film, so we'd have to
9 address it by application almost to give you an idea
10 of what the range would be, and we can do that in a
11 posthearing brief.

12 MR. GREENWALD: What I propose to do in a
13 posthearing brief is give you some specific examples,
14 and from that I think you could calculate a typical
15 range.

16 MR. ASCIENZO: Thank you. The specialty
17 products, do they require any specific assets that are
18 only used to produce these specialty products or the
19 way I understand it you mix the chemicals, you get the
20 resin, and then you do these processes and then the
21 PET film comes out.

22 I understand there might be some coating
23 that's on a specialty film that's not on regular PET
24 film, but beyond that is there any special assets that
25 are only set aside to be used to produce specialty

1 films? And if so, are they a large portion of your
2 overall productive assets? Are they 5 percent, 10
3 percent, roughly?

4 MR. GRAY: I think to get to your point I
5 think most of us had to retool. Those assets designed
6 for commodity products that we can no longer support
7 we had to retool and invest capital money into
8 redesigning the asset. So we sunk significant money
9 into retooling for these specialty products, but the
10 assets still can run commodity products.

11 We've had to add capital investments. As
12 Dennis mentioned, we haven't got the return on that.
13 We haven't seen the return on those specialty products
14 with those capital investments. Did I answer your
15 question?

16 MR. ASCIENZO: Yes. Okay. Thank you. The
17 testimony today indicated that the levels of
18 profitability that the industry has are not
19 sufficient. Once again, you can answer post
20 conference. When is the last time, and it's going to
21 be beyond the POI, but has the industry operated at
22 the profit levels you'd like to see operating?

23 Ten percent? Whatever you feel is
24 reasonable? If so, when? Once again, you can answer
25 later.

1 MR. GREENWALD: That was actually a
2 conversation at dinner last night. We'll give you the
3 answer in the postconference brief.

4 MR. ASCIENZO: Thank you very much. Those
5 are the end of my questions. Thank you.

6 MR. CARPENTER: Mr. Cantrell?

7 MR. CANTRELL: Thank you for your
8 participation here today on behalf of the staff. My
9 colleagues have addressed a number of the questions
10 that I had proposed to ask, but I just wanted to go
11 over a few things about the technology starting with
12 the production process.

13 I believe Mr. Meltzer had said that the
14 technology was the same globally?

15 MR. MELTZER: Yes. I said that I think this
16 is standardized production equipment with standardized
17 production facilities. There may be some variation in
18 some element of the technology, but taken as a whole
19 these are standardized production processes.

20 MR. CANTRELL: The domestic producers
21 produce both from a batch polymerization and a
22 continuous melt polymerization process?

23 MR. ECKLES: Toray utilizes a batch system.

24 MR. TRICE: And Mitsubishi uses containers
25 polymerization system.

1 MR. KASOFF: DuPont Teijin Films uses both
2 batch and continuous on different assets.

3 MR. CANTRELL: Okay. It's my understanding
4 that all of the raw materials are purchased on the
5 merchant market, is that right, including ethylene
6 glycol? So everyone purchases from the outside
7 sources?

8 MR. KASOFF: That's true for DuPont Teijin
9 Films.

10 MR. CANTRELL: That's true for everyone?
11 Now, the additives, like titanium dioxide, barium
12 sulfate, agents to create a white film, I don't know
13 what you use for black but I know there are some black
14 films, are these additives incorporated during the
15 polymerization process?

16 MR. KASOFF: Yes, and there's basically two
17 ways to do that, that we do that anyway. One is
18 incorporating some of them in the polymerization
19 process, so as we make a batch of polymer to then make
20 chip that will feed through an extruder, it can be
21 done that way.

22 There's also cases where master batches are
23 used where you have a clean, clear polymer stream and
24 you have another highly loaded polymer stream that's
25 added into it, and that could be either manufactured

1 or purchased.

2 MR. CANTRELL: I know that DuPont advertises
3 one of their products an APET coextrusion. Is that
4 APET, I believe that's a solid stated pet material
5 having higher density?

6 MR. KASOFF: The APET is a polymer that we
7 manufacture in our polymer plant. It has an
8 ingredient in it that makes it more amorphous, so in
9 our case it's not solid stated, no, but it is
10 coextruded at the same time. So we make Polymer A and
11 Polymer B, mix them together as it goes through the
12 die.

13 MR. CANTRELL: But you come out, I mean,
14 that's still subject product?

15 MR. KASOFF: Yes.

16 MR. CANTRELL: It's a heat seal I think,
17 right?

18 MR. KASOFF: Yes, exactly. Yes.

19 MR. CANTRELL: In food applications and so
20 forth?

21 MR. KASOFF: Yes.

22 MR. CANTRELL: I know Mitsubishi advertises
23 a copolymer shrink film, and I know earlier when we
24 were discussing Canada, the Klockner Company, it was
25 said that well, they ship in PET-G for shrink film. I

1 mean, just looking around at the market it seems to me
2 that these multidimensional shrink films for bottles
3 and things have become very popular and appear to be
4 growing.

5 Is that the type of shrink film that
6 Mitsubishi is producing with their copolymer?

7 MR. TRICE: Yes, Ray. We do produce a
8 product that competes with Klockner's, but it is not
9 part of what we're talking about here today. The data
10 that has been shared with you from Mitsubishi would
11 not include that particular product.

12 MR. CANTRELL: It's not subject product?

13 MR. TRICE: No, it's not subject product.

14 MR. CANTRELL: Are there any shrink films
15 that are subject product?

16 MR. TRICE: Yes. It depends on the degree
17 of shrink. We do produce some products that we
18 consider shrink films. The only thing considered here
19 is regular polyethylene terephthalate, and the level
20 of shrink for those products is very small compared to
21 what a PET-G product would give.

22 MR. CANTRELL: Okay. So it sounds like a
23 PET-G or something similar to that. If you could
24 comment on that in posthearing we'd appreciate it. So
25 I take it that, is all of the PET in the PET

1 production process, is it all biaxial actual
2 orientation or is there some where you just pull it in
3 one direction?

4 MR. KASOFF: No. It's all biaxial. You
5 can't, at least we can't run our lines without
6 biaxial. That would be both.

7 MR. CANTRELL: Getting back to the coatings,
8 you can coat with PVDC, APET and so forth and still
9 wind up with subject product and not equivalent PET?

10 MR. KASOFF: Yes. It does depend on the
11 thickness and the type of the chemical, but yes,
12 there's many different types of chemical pretreatment
13 that are done and you'd have the same polyester film
14 process.

15 MR. CANTRELL: I notice DuPont is
16 advertising PEN now. I know that's not a subject
17 product, however, I was wondering, is there some
18 replacement of PET polymer by PEN?

19 MR. KASOFF: PEN is a very specialty product
20 of ours, and it's used in different markets, mostly
21 magnetic media, a few other markets as well. There is
22 very little replacement, there's almost no replacement
23 that I know of of PET with PEN. So it's unique, and
24 it's going into different areas.

25 MR. CANTRELL: And I believe Toray produces

1 oriented polypropylene. Is there an overlap in
2 applications between your polypropylene products and
3 your PET products?

4 MR. ECKLES: There's a small overlap. The
5 target markets for the polypropylene are different
6 than some of the products that we make in Rhode
7 Island, so we've made a conscious effort to try to
8 limit the competition between our own company.

9 MR. CANTRELL: Yes. Thanks. Let's see if I
10 have anything else before I go to this. I wanted to
11 cite the DuPont Teijin press release of July 15, 2007,
12 regarding the proposed price increase. I know that's
13 been discussed. Anyway, something that I'm having
14 difficulty understand, perhaps this could be done in
15 postconference, but the press release states that the
16 price increase will be for 48 to 92 gauge pet film.

17 I mean, it specifies a range of thicknesses
18 for the film, which I assume are the commodity grades
19 that have been discussed extensively here. However,
20 from the product literature that I read in the
21 industry, PET films are made, they go all the way from
22 one micron to 500 microns, and so I'm thinking that
23 maybe one to 15 microns or something like that must be
24 highly specialized type product that would bring
25 premium prices.

1 Then on the other end of the spectrum up
2 above the 92 gauge, I mean, I know there are a
3 tremendous number of products made from PET film and a
4 tremendous number of thicknesses of film, so I guess
5 this gets back to our questions about the difference
6 between specialty and commodity that have been asked.
7 I believe you all are going to provide information on
8 it. That's just something that I'm curious about
9 also.

10 In the press release it says that DuPont
11 Teijin is experiencing healthy growth for all their
12 products, especially demand for their thin films is
13 exceptionally strong and forecast to remain so for the
14 foreseeable future. What's the definition of thin
15 films? I mean, are you talking about something below
16 48 gauge?

17 MR. KASOFF: No. In this case it's 48 and
18 92, in that range.

19 MR. CANTRELL: Okay. I understand that
20 DuPont has plants in China and production there. Do
21 any of our other Petitioners have plants in China?

22 MR. ECKLES: Yes. Toray does.

23 MR. CANTRELL: Okay.

24 MR. TRICE: Mitsubishi does not.

25 MR. CANTRELL: Could you give us some of the

1 just very basic reasons for establishing production in
2 China?

3 MR. ECKLES: In Toray's case it's a joint
4 venture with another company, and we established
5 production in China to supply the Chinese market only.
6 We do not import export to the U.S.

7 MR. CANTRELL: I was just curious because it
8 was mentioned earlier that there is a lot of
9 overcapacity in China, and so is that what's driving
10 exports or shipments to the U.S.?

11 MR. ECKLES: In part, yes. One of the
12 reasons that Toray established a Chinese facility is
13 because of a joint venture with this company for not
14 only polyester film but other products as well as the
15 fact that we wanted to produce the film locally rather
16 than import it into China from other locations.

17 MR. CANTRELL: Is the same true for DuPont
18 Teijin?

19 MR. KASOFF: Yes, that is the case. The
20 intention is to supply the Chinese market there.

21 MR. CANTRELL: One question I had on the
22 UAE. They're sitting on a hot bed of petroleum and
23 natural gas, and of course the ethylene glycol I
24 believe is made from natural gas liquids primarily.
25 Do they have cost advantages in the raw materials

1 area?

2 MR. GREENWALD: We don't know. As is the
3 case Commerce will be able to answer that question,
4 but right now we don't have access to their --

5 MR. CANTRELL: In some of the other subject
6 countries, China, for example, would they have newer
7 plants that might be more efficient than some of the
8 U.S. plants? That's off the record.

9 MR. TRICE: Mr. Cantrell, I'll at least try
10 to answer that one, and certainly, the actual data we
11 can present privately. As mentioned, we've all been
12 in business a long time. We have different assets
13 with different ages of those assets, but certainly all
14 those assets had been upgraded over time.

15 As mentioned, we invested in the early 2000
16 and started up in 2003 with a brand new asset,
17 certainly world-class competitive on that type of
18 asset. SKC has mentioned earlier their whole plant is
19 less than 10 years old.

20 MR. GRAY: Yes. We started first production
21 in 1999 with three state of the art assets, size and
22 capacity very similar to what's going into the Chinese
23 market.

24 MR. CANTRELL: Thank you for that. One
25 other thing that I wanted to address, the Canadian

1 situation I think Mr. McClure has already talked to
2 you about. I'll be brief. I know sheet is also
3 included in this category as well as film. Are some
4 of the imports coming in as sheet? Would that be for
5 signage, or therma forming, or something of that
6 nature?

7 MR. GRAY: I think in reference to the
8 earlier statement, I'm not going to speak on Klockner,
9 we're going to have to do more details, but for Scott,
10 we sell to them from the U.S., they turn around and
11 bring it back into the States and sell in various
12 forms, sheet or roll form. An example would be office
13 supplies, index tabs, protectors for documents, that's
14 pretty much the product that they're bringing in.

15 As far as Klockner, the only thing I could
16 think of is shrink film of another type that wouldn't
17 fall into this category.

18 MR. CANTRELL: Well, is this a potential
19 misclassification for Scott, do you think?

20 MR. GRAY: We think so. If it's not
21 manufactured it would be a converting operation that
22 reconverts the product, adds value and then brings
23 back into the States.

24 MR. GREENWALD: In Scott's case as I
25 understand it it's a finished product that is coming

1 back in, and as our understanding of the category
2 based upon the polyester film tariff classification I
3 would assume that it's a misclassification. Certainly
4 those are not the products that we view as subject
5 merchandise.

6 MR. CANTRELL: I know regarding Klockner I
7 was reading a *Packaging Digest Magazine* yesterday, and
8 they advertise in *Packaging Digest* showing food films,
9 some clear, some printed, and so I don't know if --
10 they might ship some film to the U.S. and convert it.

11 MR. TRICE: As far as we know I'm not aware
12 of Klockner Pentaplast producing a product of like
13 we're talking about here today of polyester
14 terephthalate biaxial oriented. I'm not aware of them
15 producing a product like this.

16 MR. CANTRELL: Okay. Well, thank you very
17 much all of you.

18 MR. CARPENTER: Mr. Deyman?

19 MR. DEYMAN: Good morning. I'm George
20 Deyman, Office of Investigations. Between 2004 and
21 2006 imports of PET film from nonsubject countries
22 increased more in absolute amounts than the imports
23 from the subject countries.

24 Why did imports from the nonsubject
25 countries increase more than those from the subject

1 countries, especially when the unit values of the
2 imports from the nonsubject countries are
3 substantially higher than those from the subject
4 countries?

5 MR. MELTZER: I think one big source of the
6 increase was from Korea, and John has already talked
7 about a recent action that we've taken to include them
8 under the Korean order. Canada may have increased. I
9 don't know. Yes. There is another source which is
10 from Oman which jumped up tremendously in the last few
11 years.

12 We have actually talked with Customs about
13 that because we could not understand how that would
14 occur since we know of no PET film producers in Oman.
15 We had some concern that there may be transshipment
16 either from adjoining countries or from other
17 countries within the area, and we believe based on our
18 discussion with Customs that is nonsubject material
19 that is misclassified.

20 MR. DEYMAN: All right. The fact that the
21 unit values of the imports from the nonsubject
22 countries is much higher than those from the subject
23 countries, is there anything different about the
24 product imported from nonsubject countries than those
25 from the subject countries?

1 MR. MELTZER: There may be some PET film
2 products that are coming in from Japan which are very
3 expensive, high value products.

4 MR. ECKLES: Yes. I can make a comment on
5 that. Toray here in the United States is considered a
6 thin film manufacturer. We only produce up to 200
7 gauge, and our customers require film for their
8 thicker than 200 gauge, so in order to offer a full
9 product offering to our customers we do need to import
10 some of those products from our sister companies
11 abroad.

12 Most of the time those price points are much
13 higher than the commodity type products.

14 MR. GRAY: As far as SKC, we only import
15 specialty products out of Korea. We import no
16 commodity films. We only have three assets. We have
17 13 assets in Korea that more specialize in various
18 markets. So from a global sourcing that makes a
19 little more sense. Our plan was to expand here and
20 make those specialty products for the future along
21 with the commodity products, but we haven't been able
22 to do that.

23 Our plan was 10 film lines in 10 years. We
24 have three to date after 10 years.

25 MR. GREENWALD: We will address this in more

1 detail in the posthearing brief, but we didn't have or
2 I didn't have the data in front of me, but I
3 understand the big increases are Korea, Canada and the
4 U.K. Korea we've talked about, Canada we believe is
5 entirely misclassified and the U.K., that is high
6 priced specialty product that's coming in maybe from
7 an affiliate of one of the companies here.

8 We'll address the question you raise in
9 detail in the postconference brief.

10 MR. DEYMAN: Finally, my last question is if
11 there are any countries from which there are imports
12 under the relevant statistical reporting number that
13 you believe don't produce PET film, or if you believe
14 there are transshipments or misclassifications, please
15 let us know in your postconference brief.

16 MR. GREENWALD: We will do that.

17 MR. DEYMAN: I'm sure you will. Thank you.
18 I appreciate it.

19 MR. CARPENTER: I have a couple additional
20 questions. First of all, let me pick up with Mr.
21 Deyman's question about the import statistics from the
22 Department of Commerce.

23 The data that we have, which granted doesn't
24 include any adjustments that may be made to reflect
25 possible problems with the data from Canada and

1 perhaps other sources, and also to follow-up on
2 George's question, to the extent that you believe that
3 there are reporting errors, if you could provide what
4 you believe is the best data for these nonsubject
5 countries during the period of investigation in your
6 brief we'd appreciate that.

7 We heard some testimony this morning that
8 consumption of PET film in the North American market
9 was about 600 million pounds annually and growing at
10 about 3 percent each year.

11 I haven't seen the aggregate data that we
12 will put together based on import statistics and
13 questionnaires from the U.S. industry, but just
14 looking at the import data the numbers, both subject
15 and nonsubject imports and total imports, increase
16 pretty dramatically each year from 2004 to 2006. Then
17 there was a pretty significant drop off in the first
18 half of 2007. So a couple of questions there.

19 One is if you believe that total imports
20 really did increase that significantly between 2004
21 and 2006, was there a corresponding decrease in U.S.
22 shipments by the domestic industry that when you
23 aggregate the numbers would come up with a more
24 consistent increase, a very small increase of just a
25 few percent per year or do we have a situation where

1 the aggregate consumption numbers that we're going to
2 end up with may show pretty significant fluctuations
3 from one period to the next? That does happen in some
4 cases.

5 MR. GREENWALD: We're going to have to go
6 over the numbers in detail to give you the answer you
7 want. I think it's fair to say from the impression,
8 at least my impression, from talking to the clients is
9 that there has not been major changes in consumption.
10 Is that right? But let us take the time to give the
11 question a thorough answer.

12 MR. CARPENTER: I appreciate that. And,
13 also, if you can address to the extent that these
14 numbers are correct the apparent drop off in subject
15 imports is quite small, but then there was a pretty
16 significant drop off in nonsubject imports in the
17 first half of 2007. I'd be interested to know what
18 would be the cause of that.

19 Mr. Kasoff, I believe you stated that PET
20 film was more expensive than other polyethylene films.
21 I was wondering if you could comment on how
22 substitutable these other polyethylene films would be
23 for PET film?

24 MR. KASOFF: There's almost no substitution
25 between PET and the polyethylene, and polypropylene

1 and PBC. There may be a few small areas where there's
2 some possibility, but it's usually where there's other
3 value added, however, so it's not just a straight film
4 substitution, there's downstream processing changes as
5 well. So really, there's very little.

6 MR. CARPENTER: Okay. And it would be your
7 position that you haven't lost any sales of PET film
8 to competition from lower priced substitute products
9 during the period of investigation. Is that correct?

10 MR. KASOFF: That's correct. Right. That's
11 correct.

12 MR. CARPENTER: Okay. Thank you. As to the
13 statement that the domestic industry, and I'm not sure
14 if it's true for all the producers or just for some of
15 them, my impression was that the domestic industry was
16 operating at a very high capacity utilization during
17 the period. Then in response to Ms. Hughes' questions
18 you've indicated that there were down times for
19 maintenance repairs and those down times were extended
20 because of frequent changes in product mix I believe.

21 One question I had is during the period of
22 investigation did any of the companies here have to
23 extend their down times for maintenance repair due to
24 a lack of orders?

25 MR. TRICE: Mr. Carpenter, I'd like to

1 respond to that in private with further details on
2 that.

3 MR. CARPENTER: Okay. Appreciate that.
4 Okay. That's all the questions I had.

5 Do the staff have any further questions?
6 Okay. Mr. McClure?

7 MR. MCCLURE: For everyone who is involved
8 in the APO process there was a release yesterday which
9 you're aware of. We will release anything else we get
10 through today on Monday as early as possible.

11 MR. CARPENTER: Okay. That concludes this
12 portion of it. Again, I want to thank this panel very
13 much for your testimony and your responses to our
14 questions. It has been very helpful. We'll take a
15 short break now of about 10 minutes, and then we'll
16 invite the Respondent parties to come forward to the
17 table. Thank you.

18 (Whereupon, a short recess was taken.)

19 MR. CARPENTER: Please proceed whenever
20 you're ready.

21 MR. KOENIG: I'm Peter Koenig with Miller
22 and Chevalier, and with me also from Miller and
23 Chevalier is Jim Altman. You have two Respondents
24 here who are both going to testify for why they
25 qualify for the 3 percent negligibility exception from

1 cumulation, so I think we'll just let each testify to
2 that effect and introduce themselves.

3 MR. ROY: I thank you for the opportunity
4 today to testify. I'm Dan Roy, I'm the General
5 Manager of Terphane. Terphane is the sole Brazilian
6 producer, exporter and U.S. importer of the PET film
7 that is the subject of this antidumping action.

8 We believe that when the Commission's
9 questionnaire data is fully collected the subject PET
10 film imports from Brazil will be found to be under the
11 3 percent of total such imports from all countries.
12 Such imports are negligible and noninjurious.

13 Further, Brazil PET film exports will not
14 further increase to the United States. Such exports
15 have plateaued. There are many reasons for this fact.
16 First, there is high and increasing demand for subject
17 PET film in Brazil and Latin America generally where
18 Terphane, as you'll recall, is the only producer.

19 Our company's South American sales volumes
20 accounted for the majority of our total volume sold in
21 2006 with Brazil representing almost half. Terphane
22 estimates that demand in Brazil and other South
23 American countries for the PET film our company
24 produces will grow at higher rates than that of the
25 U.S.

1 With our market leading position in the
2 South American market, Terphane believes we are well-
3 positioned to capture and benefit from these growth
4 dynamics with our current installed capacity. Second,
5 even before this antidumping petition Terphane's
6 business plan was to shift production from subject PET
7 film to nonsubject PET film, which is generally
8 comprised of value added products.

9 Our company's growth strategy has always
10 centered on: 1) maintaining our market position in
11 South America to be in line with the attractive growth
12 profile of that market; 2) migrating towards value
13 added segment of thin polyester film spectrum, which
14 is generally comprised of nonsubject PET film. The
15 start up of our line installed in 2005 temporarily
16 increased the proportion of subject PET film in our
17 business mix.

18 Since then our company has invested in
19 capital equipment, sales and marketing in both the
20 U.S. and South America to reshift our product mix back
21 to historical proportions of nonsubject PET film
22 thereby reducing our imports of subject PET film.
23 Third, production capacity constraints prevent
24 Terphane from further increasing production.

25 Prior to installing our last PET film line

1 in 2005 our company was at maximum capacity and faced
2 capacity constraints that forced us to turn down
3 business in order to rationalize our production.
4 Since starting up our line in 2005, Terphane has
5 ramped up to full capacity once again.

6 We have no near or medium term plans to
7 further expand our capacity. Instead, as previously
8 mentioned, we are focusing on shifting production of
9 our existing capacity toward the value added segment
10 of the thin polyester film spectrum, which is
11 generally comprised of nonsubject PET film. I thank
12 you for your attention.

13 MR. KASTURIA: Good morning, again,
14 everybody. My name is Pankaj Kasturia. I am from
15 Flex America. They are located in Cornelius, North
16 Carolina. We are an exclusive U.S. importer of the
17 subject PET film from Flex Middle East. I'll be
18 referring to as FME in my later wordings. FME is the
19 only producer of subject PET films in the middle east.

20 There's a region called middle east African
21 continent, so in that area we are prime leader, major
22 producer of PET films. We believe that UAE import of
23 the subject PET film is under 3 percent of the subject
24 PET film imports over the most recent 12 month period
25 for which data is available.

1 Our imports are thus negligible and
2 noninjurious. We believe that the Commission's
3 questionnaire data will show this. Official U.S.
4 import statistics from Commission's website support
5 this fact, too. Applicants to have considered total
6 imports into U.S. based on official U.S. import
7 statistics.

8 Our UAE PET film sales to United States from
9 UAE will not further increase. In fact, it will
10 remain steady or go further down because of the growth
11 in the total imports. The UAE plant was built to
12 supply mainly to the middle east and African market,
13 which is again, as I mentioned, middle east African
14 continent and Europe.

15 Before our UAE plant there was no PET film
16 manufacturing capacity in UAE, the middle east or
17 Africa in general. Another reason we selected UAE as
18 a production site was its proximity to Europe.
19 Finally, our Indian subject PET film production
20 facility has been operating flat out supplying the
21 Indian market where the PET film demand has grown by
22 leaps and bounds by 20 to 25 percent per year.

23 The flexible packaging market in India is
24 growing enormously. Our UAE plant sales of subject
25 PET films to middle east and Asia have grown

1 exponentially, and Europe has grown significantly.
2 Demand in the middle east is especially up, and
3 particularly in key markets for us in middle east are
4 Iran, Saudi Arabia, Pakistan, Syria and other middle
5 east countries.

6 The European market is quite good, too,
7 because of the appreciation of Euro vis-à-vis U.S.
8 dollar. We are still in the process of establishing
9 also in the African market, so there's growth still
10 there.

11 Because of this growing middle east demand
12 there were periods where we could not supply our
13 normal stable U.S. customers' need from our UAE
14 plants, and we had to put our U.S. customers on
15 allocation or simply not to ship to them to focus on
16 the middle east, Asian or African markets for which
17 the UAE facility was originally set up and is set up.

18 The U.S. order backlog developed. We are
19 now working on this backlog, and the U.S. shipment
20 will decline again after that. As indicated, we were
21 not able to fully supply our main U.S. distributor at
22 a historic level and certain vast periods. Thus, in
23 anticipation of short supply that distributor placed
24 more orders with us in 2007 and increased the
25 warehouse inventory.

1 Then, later in 2007 when the warehouse was
2 full it ordered less from us so that our U.S.
3 shipments will decline again in the near future. Flex
4 has very limited number of U.S. customers. One
5 customer accounts for 45 percent of the total
6 purchase, and a couple of them account for balance of
7 the business.

8 It is thus evident that Flex has not been
9 aggressively increasing its presence in the U.S.
10 market. We sell finished laminates made from subject
11 PET film. That puts us in direct competition with
12 some U.S. customer base for PET film. Thus, many
13 potential customers big and small both do not want to
14 buy raw materials from us as they compete with us at
15 the finished products.

16 That limits our U.S. sales as well. We are
17 now planning to construct, it's already announced, a
18 PET film manufacturing plant in Mexico. This was
19 announced and approved by board of directors well
20 before this petition was filed. It is to supply the
21 local Mexican market, which is quite a big market in
22 Latin America, South America, as well as North and
23 South America.

24 The Mexico plant is good for U.S. market
25 because of less transit time and being closer to the

1 customers. The Mexico plant will be able to supply
2 the U.S. customers within five days generally by rail
3 or road. In contrast, it takes four to five weeks for
4 PET film to arrive into U.S. from UAE plant. Subject
5 PET film consumers now especially demand just in time
6 delivery to reduce and eliminate their inventory
7 carrying cost, which is a significant cost.

8 That reality increases the importance of
9 quick delivery times. The UAE plant is further not
10 that competitive in the U.S. market because of high
11 freight cost that will be much lower from Mexican
12 facility. Again, UAE plant was built to closer to
13 supply to the middle east, Asian and European markets
14 with freight costs a consideration.

15 The UAE plant began operations in March
16 2005. It took about six months for the plant to fully
17 come up to the stream of quality product that is to
18 stabilize the production line, so the initial sales
19 were more or less to the middle east until the quality
20 and production level achieved satisfactory levels and
21 then sold to United States and elsewhere.

22 At that point, which is the end of 2005, we
23 have consistently supplied 250 to 300 metric tons on
24 an average to U.S. market. Over many years Flex as a
25 corporation with subject PET film production

1 facilities in India, the UAE, and soon, Mexico, has
2 had a stable consistent supply to U.S.

3 Over the last three years there has been
4 restoration of Flex sales of subject PET film into the
5 U.S. to historical levels for Flex. Our U.S. sales
6 effort have not increased from long historical levels
7 in the past. The Mexico plant will replace our UAE
8 plant as to the stable U.S. supply.

9 We believe while considering our imminent
10 imports the Commission would also consider imminent
11 imports from other sources. We are sure Commission
12 would find it inappropriate to compare our imminent
13 imports in future with actual past imports from other
14 sources.

15 We believe that while determining total U.S.
16 imports from all other countries whether or not under
17 investigation the Commission would consider that the
18 questionnaire responses received are at best only from
19 those parties who are relevant to present countries.

20 All parties who are importing from countries
21 not under investigation would not have provided
22 questionnaire responses. In our October 24, 2000,
23 postconference brief we will provide further support
24 on confidential record for all above points.

25 In short, the UAE has supplied under 3

1 percent of subject film imports over most recent 12
2 month period for which that is available and will
3 continue to do so. We appreciate the Commission and
4 audience listening to us and our views. Thank you
5 very much.

6 MR. KOENIG: That was it.

7 MR. CARPENTER: Mr. Jing, you now have an
8 opportunity to make a brief statement. Need to press
9 the button on the microphone.

10 MR. JING: My name is Charles Jing, CJI
11 Group Limited. Thank you for the Chairman giving me
12 the opportunity. Basically, I'm the only Chinese
13 company importer supplier here. I feel obligated I
14 say few words because I did not bring my lawyer, so I
15 just finished showing last week. It's very brief.

16 I just want to have a few question I do not
17 fully understand. I believe these gentlemen, they
18 give me the numbers, say there's a total import this
19 year 84 million pounds increased. My question
20 basically is very simple. If it's 84 million pounds
21 increasing in this country, is there a decrease for
22 all four major player in this country? Okay.

23 Also, the second is 600 million pound demand
24 in the U.S. I would assume all the four major player,
25 their capacity is not there. If everybody's up,

1 China, UAE, Brazil, whatever, who is the one who is
2 going to fill the gap for the capacity, the demand in
3 here?

4 And another thing is, how I'm going to say
5 this? In China I have my own plant which is not a
6 polyester making lab, it's a converting plant. A
7 polyester laminator with fire. I sell to Home Depot
8 and Lowe's. Normally when we sell the products
9 whatever the material and cost normally we sell in the
10 market is double the price.

11 I would assume it the same. If it's a PET
12 what is the raw material cost is 60 cents, we sell
13 \$1.20 in the U.S. normally, okay? But I do not think
14 we have a dump on Chinese film, especially when our
15 company, we import the film is less than 1 percent.
16 It's not going to hurt anybody. The gentlemen, they
17 mentioned, it's all the major player they binding with
18 the big guy.

19 We're only very, very small. We are small
20 fish. We're not going to hurt anybody. I believe the
21 next thing is as I know, one of the four big guy,
22 their sale price lower than me. I have evidence,
23 okay? I'm not going to present it today, but later I
24 will. My lawyer will. But my market is very limited.

25 It's a flex industry market, which is

1 slitted film. Some of the people in this country
2 producer, their price, they put me out of business.
3 So how can accusing us of dumping the film?

4 The next question is that some of the
5 documents they gathered from the company I believe is
6 totally wrong, incorrect. I have to correct it here.
7 Later we will got a problem with them U.S. Customs.
8 For example, one of my freight forward, NAFTA
9 International, they are the freight forward company
10 for CJJ for six years on a row. They're not importer.
11 Another one is like Dutch Plastic in China. They are
12 the one it's converter for your laminated with
13 polyester.

14 They never, never export one pound propylene
15 polyester to the U.S. So my question is, how I'm
16 going to say this? We see the pattern from three
17 years ago what is India, and Taiwan and Korea,
18 everybody out. Right now it's four country: China,
19 India, and UAE, everybody out.

20 How I'm going to say this? We have to
21 figure out between making money and getting greedy.
22 These all major company, they are hurting what is --
23 they're going to be out of business? I don't think
24 so. I believe they still make very strong, they
25 making their money, also, they still grow.

1 Definitely there is some area, maybe it's, I
2 don't know, some company maybe they're reduced the
3 production. I can say 360 days a year I believe
4 they're machines running nonstop. So I just trying to
5 represent my company, represent all my Chinese buddy,
6 everybody in China. They cannot speak English, so I
7 probably only one attending. Thank you for giving me
8 the opportunity.

9 MR. CARPENTER: Thank you, Mr. Jing. You'll
10 have the opportunity to provide additional comments in
11 a brief or an additional statement that would be due
12 next Wednesday. Okay. At this point we'll begin the
13 staff questions with Mr. McClure.

14 MR. MCCLURE: Jim McClure, Office of
15 Investigations. I want to thank you all for coming
16 and testifying. I really don't have much in the way
17 of questions.

18 Mr. Kasturia, your mention of putting U.S.
19 customers on allocation, and was that only in 2007, or
20 was it 2006 and 2007, or exactly when?

21 MR. KASTURIA: The process, the trend
22 started by end of 2006 into 2007.

23 MR. MCCLURE: Okay. If in any
24 postconference submissions you could give us a list of
25 the customers you did put on allocation, or was it

1 simply across the board or whatever, but you can save
2 that for your postconference submission.

3 MR. KASTURIA: You mean some information on
4 that which shows the allocation, how we did it?

5 MR. MCCLURE: Yes.

6 MR. KASTURIA: Okay.

7 MR. MCCLURE: Okay. That's really all I
8 have. Thank you.

9 MR. CARPENTER: Ms. Hughes?

10 MS. HUGHES: Rhonda Hughes, Office of
11 General Counsel. Most of my questions are just
12 repeats of what I asked the Petitioners, and I expect
13 that you'll be comfortable just submitting the answers
14 in a postconference brief, which would be fine with
15 me, starting with the equivalent PET film issue,
16 whether you believe that should comprise a part of the
17 Commission's definition of the domestic like product.

18 If you could go through the Commission's six
19 factor test in your postconference brief, that would
20 be helpful. If you want to state right now if you
21 know whether it should be included or not, you can do
22 that as well.

23 MR. KOENIG: On the six factor test or the
24 like product I don't think we're going to take a
25 position on the petition, the current definition that

1 they're proposing.

2 MS. HUGHES: Okay. All right. And as for
3 the question I had for them with respect to the
4 specialty products, would you think that should
5 constitute a separate like product, or be included in
6 the definition of a separate like product I guess, or
7 would it be part of the continuum that they're
8 advocating?

9 Again, you can answer this in the
10 postconference brief. That will be fine.

11 MR. KOENIG: Posthearing.

12 MS. HUGHES: Okay. The same questions
13 regarding Terphane as an affiliate of the domestic
14 producer and whether the Commission should find
15 circumstances appropriate to exclude it.
16 Postconference?

17 MR. KOENIG: Okay. Posthearing.

18 MS. HUGHES: And their domestic producers
19 that also are importing subject product, if you could
20 address that as well. A different question regarding
21 cumulation. Obviously since you're making a
22 negligibility argument that would preclude cumulation
23 there, but of course we'd like to see some more
24 specifics than what you just said to us today
25 regarding the negligibility.

1 I guess there's some misclassification
2 involved, and a specific issue could be with that
3 would be helpful, but whatever else you could give us
4 on cumulation, assuming the Commission doesn't find
5 negligibility. Discussing the four factors like
6 fungibility, sales in the market, et cetera, et
7 cetera, would be helpful.

8 The Petitioners have made clear that most of
9 the product sold to the merchant market is commodity
10 grade products. Would you say that's the case with
11 the subject imports as well or specialty products? I
12 think they told me there was a 65/35 percent split
13 more or less.

14 MR. ROY: It is really market segment
15 specific. I think we discussed earlier, the
16 Petitioners discussed earlier the five main segments
17 in the polyester film market. Each segment has its
18 own segmentation within it between what we consider to
19 be the commodities and the specialties.

20 At Terphane, we specialize in the packaging
21 area. The numbers that were quoted are in my opinion
22 in the ballpark. Sixty-five, 35 would be accurate
23 when we look at the packaging segment of the PET film
24 market.

25 MS. HUGHES: Okay. Anyone else here

1 familiar with another segment of the market could they
2 tell me whether the numbers would hold true for that?
3 Okay. You can discuss in the postconference brief as
4 well whether the Commission should apply the captive
5 production provision and focus primarily on the
6 merchant market.

7 Also, Petitioners did this in their brief,
8 but if you could tell us what you believe the
9 pertinent conditions of competition are for purposes
10 of analyzing the impact on the domestic industry. How
11 difficult is it say for all the producers that are
12 here to certify/qualify their product for sale in the
13 United States?

14 Petitioners basically explained it wasn't a
15 big enough deal, do you agree with that, compared to
16 some investigations that we've seen where
17 qualification can take years and you still don't make
18 the cut.

19 MR. ROY: It varies by application as was
20 stated earlier. The complexity of the final product
21 basically determines how long it will take to qualify
22 one of the components within that structure. If
23 you're going, for example, into medical packaging the
24 rules are a little more stringent, and it takes much
25 longer as you require some AFDA certification, so the

1 process is a little bit longer.

2 When we talk about a market such as
3 metallizing, for example, where a merchant metallizer
4 will purchase a subject film, a commodity, to
5 metallize, the process is very quick. We're talking a
6 month, two months. We've seen qualification of
7 products depending on the complexity of the
8 application and the structure anywhere from three
9 months to 18 months.

10 MS. HUGHES: Okay. Are the subject
11 producers certified or qualified to sell to all the
12 customers in the United States? I understand you said
13 it depends on application, so if you make the cut with
14 one customer would that apply to another customer?

15 MR. ROY: No. Each customer have their own
16 system to qualify vendors for whatever they purchase.
17 Most of them are ISO certified, and within the ISO
18 certification process there is a whole section about
19 suppliers, so they have different protocols. It's not
20 necessarily linked to the size of the company.

21 There are small companies that are highly
22 specialized in what they do with the polyester film
23 that are a lot more stringent in qualification than
24 some of the larger converters that tend to be in the
25 mainstream markets.

1 MS. HUGHES: So if you're qualified with one
2 customer would it make it easier for you to become
3 qualified with the next or do you start from ground
4 zero basically?

5 MR. ROY: Usually you start from ground
6 zero. I mean, you introduce a product which has
7 certain attributes, and that's what you present.
8 You're trying to match their requirements with the
9 offer that you're making in terms of the product.
10 Some of the converters out there may use different
11 films to accomplish the same thing.

12 A lot depends on their internal processes,
13 and ultimately the recipes that they use to produce
14 that final product.

15 MS. HUGHES: Okay. Thank you. In the
16 postconference brief if you could provide a detailed
17 analysis of the factors the Commission must examine in
18 making its volume, price and impact analysis, we'd
19 appreciate it. Same question I asked about commodity
20 products and whether the Commission should apply the
21 Bratsk Aluminum Smelter v. United States replacement
22 benefit test in these investigations?

23 Lastly, if you could analyze the threat
24 factors the Commission considers in its analysis?
25 Thank you very much.

1 MR. CARPENTER: Mr. Greene?

2 MR. GREENE: Bill Greene, Office of
3 Economics. No questions.

4 MR. CARPENTER: Mr. Ascienzo?

5 MR. ASCIENZO: I have no questions.

6 MR. CARPENTER: Mr. Cantrell?

7 MR. CANTRELL: Ray Cantrell, Office of
8 Industries. Mr. Roy, you mentioned that the last line
9 went in in 2005, so I assume there are other lines in
10 Brazil?

11 MR. ROY: Yes, sir. We have lines in Brazil
12 as well as in the United States. That line went in
13 Brazil. Yes, sir.

14 MR. CANTRELL: Do you produce the commodity
15 film in the United States?

16 MR. ROY: Yes, sir, we do. We have that
17 capability.

18 MR. CANTRELL: And is there any difference
19 in the production process in the Brazilian plant?

20 MR. ROY: No, sir. It's the magnitude of
21 the production that's different.

22 MR. CANTRELL: You use PTA and ethylene
23 glycol?

24 MR. ROY: We are vertically integrated, and
25 we polymerize. We have a batch process in Brazil, so

1 we import resin from Brazil as well as purchase
2 domestic to supply the raw material requirements of
3 the U.S. operation.

4 MR. CANTRELL: And what are the range of
5 thicknesses in either microns or gauge that you
6 produce?

7 MR. ROY: We produce from 5.7 micron to 50
8 micron.

9 MR. CANTRELL: Thank you.

10 MR. ROY: You're welcome.

11 MR. CANTRELL: Basically the same questions
12 to the UAE gentleman. Could you describe your
13 production process?

14 MR. TIKU: The production process remains
15 the same just like anywhere in the world. It is the
16 same facility existing everywhere in the world. We
17 manufacture from nine micron to 50 micron, which we
18 can insert into subject product.

19 MR. CANTRELL: What was that range of
20 thicknesses again?

21 MR. TIKU: Nine to 50.

22 MR. CANTRELL: Nine to 50.

23 MR. TIKU: I'm talking about microns not
24 gauge.

25 MR. CANTRELL: Yes.

1 MR. TIKU: It is 36 gauge to 200 gauge.

2 MR. CANTRELL: So you don't have the
3 capability to produce thinner films or thicker films
4 beyond that?

5 MR. TIKU: Not exactly. Thinner than this
6 and thicker than 200 gauge.

7 MR. CANTRELL: Okay. Thank you.

8 MR. TIKU: Thank you.

9 MR. CARPENTER: Mr. Deyman?

10 MR. DEYMAN: I'm George Deyman, Office of
11 Investigations. According to the petition on page 8
12 in March of this year the government of Brazil
13 initiated antidumping investigations on PET film from
14 India, Korea and Thailand. What is the status of
15 those investigations?

16 MR. ROY: I believe that all the respondents
17 have filed their questionnaires, and it's currently in
18 review.

19 MR. DEYMAN: I mean, if you have any other
20 information, please provide that in the
21 postconference.

22 MR. ROY: We'll provide that in the
23 posthearing brief. Things are moving down there as
24 well.

25 MR. DEYMAN: The petition on pages 2 and 91

1 states that a large portion of Terphane's production
2 in Brazil is targeted at the export market,
3 particularly the U.S. market, and that Terphane has
4 the potential to export large quantities of PET film
5 to the United States. Can you comment on that
6 assertion of the Petitioners?

7 MR. ROY: Yes, sir. Our main market of
8 activity is Brazil. You will see in the
9 questionnaires we break it down to three different
10 questionnaires we filled out. The bulk of our sales
11 remains in Latin America and Brazil. The Americas is
12 our marketplace. This is where we focus the activity.
13 So the growth, if you look at the growth in Latin
14 America and Brazil far exceeds the growth opportunity
15 we have here in the United States.

16 Having said that, the new capacity installed
17 was installed to meet our overall strategy of
18 continued growth in Brazil as well in Latin America
19 and the United States. So the capacity was not
20 installed simply to come to the United States. As I
21 stated earlier, the majority of our sales are not to
22 the U.S.

23 MR. DEYMAN: All right. Thank you. The
24 petition also states on page 94 that Flex UAE
25 announced a large capacity expansion during the period

1 of investigation which apparently consisted of the
2 installation of another product line. Is the
3 installation of that product line complete, and if so,
4 which market or markets do you intend to serve with
5 the production from that line?

6 MR. TIKU: That line is already established
7 and has started already commercial production. What
8 we said in our testimony also that we are just
9 planning to sell that quantity in the middle east
10 market and the European market to some extent, because
11 middle east market is growing really exponentially,
12 and we have almost lot many orders which we will give
13 postsummation, not before, pending as of now which we
14 are not able to gather.

15 MR. DEYMAN: All right. Thank you. My
16 final question is on the issue of negligibility. You
17 are both indicating, Mr. Roy and the representatives
18 from the UAE, that your imports should be found to be
19 negligible in the U.S. market. On what basis do you
20 believe that to be the case, especially Mr. Roy.

21 I mean, when I looked at the import
22 statistics for, well, I haven't seen the numbers for
23 the relevant period, which is September 2006 through
24 August of 2007, but just looking at the annual figure
25 for 2006 and the first six months of 2007, Brazil is

1 well above the negligibility threshold.

2 MR. ROY: Yes. I'll address that in the
3 posthearing brief and describe how we came to the
4 number that we came to.

5 MR. DEYMAN: Okay. And likewise, I assume
6 that the representatives from the UAE will also
7 discuss that?

8 MR. TIKU: For us to discuss, we ask for the
9 statistics stated like that and what we have told in
10 the testimony, and we will just do the posthearing
11 brief on that as well.

12 MR. KASTURIA: But we do agree to the fact
13 that, yes, we are below that number. So we are well
14 within less than 3 percent.

15 MR. DEYMAN: If you could, again, show the
16 actual basis on which you make your assertions and in
17 your briefs that would be very helpful.

18 MR. KASTURIA: Yes, we will.

19 MR. DEYMAN: I have no further questions.
20 Thank you.

21 MR. CARPENTER: Just a couple brief follow-
22 ups. This morning the Petitioners indicated their
23 belief that there is no PET film production in Canada.
24 Do the parties here agree with that statement or would
25 you like to address that in your brief?

1 MR. ROY: It is our belief, but we will
2 investigate further that there is no production of PET
3 in Canada as described.

4 MR. CARPENTER: Okay. Again, just to
5 reiterate Mr. Deyman's questions, it's important for
6 the negligibility argument that because we'll have the
7 official Commerce statistics and to the extent that
8 you want to propose making any adjustments to those
9 statistics it would be important for you to be
10 specific about what adjustments you think should be
11 made and why they should be made during the period of
12 investigation.

13 Also, I just wanted to ask that the
14 statement was made this morning that the North
15 American market for PET film has increased gradually
16 by about 3 percent each year in recent years. Does
17 that sound like a reasonable statement to you?

18 MR. ROY: Once again, that was a general
19 statement looking at all five segments. There are
20 segments growing faster. With regards to the segment
21 that we participate in packaging is growing at a
22 faster rate than that. It tracks GDP. That's usually
23 the factor that we use whenever we do analysis of
24 markets and potential market growth.

25 MR. CARPENTER: Thank you. Any other

1 comments? Nothing. Okay.

2 MR. KASTURIA: Yes. Pretty much the same.

3 MR. CARPENTER: All right. Thank you very
4 much. Any other staff questions?

5 Ms. Hughes first.

6 MS. HUGHES: I have a follow-up question to
7 I think it was Mr. Tiku's statement that the
8 production process is basically the same throughout
9 the world. I know Mr. Jing had stated earlier
10 something to the effect off the record that there were
11 more modern facilities elsewhere in the world than in
12 the United States.

13 MR. CARPENTER: You need to turn on the
14 microphone, please.

15 MR. JING: As I know, one of my supplier I
16 believe is one of the largest single PET producer in
17 the world. They have a full nine meter line. The
18 thing is different, the process. They do not apply
19 the resin. I believe they do some kind of process
20 making resin and generate something. They do not use
21 the buy resin from somewhere. They're making their
22 own resin, and pump to the machine and mix it, at the
23 same time finish everything.

24 Technically I do not know the whole process,
25 but this is the most advanced technology. Average

1 making the polyester film at least somewhere I would
2 say six to eight cents per pound lower average.

3 MS. HUGHES: And this is the only company to
4 your knowledge that's doing that? Using this process?

5 MR. JING: In China.

6 MS. HUGHES: In China.

7 MR. JING: I believe it's some technology
8 they bought from Europe, but there is single largest
9 operation in China. In the world. I'm sorry. The
10 total, I believe it's they have a full nine meter
11 line. They do not like regular process they use
12 process resin. They making resin, and at the same
13 time they making the film. I'm not technical people,
14 but I know this is the largest one.

15 The reason why they're so competitive
16 because the capacity output is so huge, also, the cost
17 is lower.

18 MS. HUGHES: To the extent anyone else has
19 any more information on this process we'd appreciate
20 it if you could supply it in your postconference
21 brief. Thank you.

22 MR. JING: Okay.

23 MR. CARPENTER: Mr. Cantrell?

24 MR. CANTRELL: I don't wish to make any
25 further statements or questions at this time. Thank

1 you.

2 MR. CARPENTER: Okay. Thank you. Again,
3 thank you very much, panel, for your presentation. At
4 this point we could take a short break, a few minuets,
5 to allow parties to switch sides. Do any of the
6 parties have closing statements they'd like to make?
7 Let me ask that.

8 Mr. Greenwald is saying no. Do the
9 Respondents have any closing statements? Okay. Then
10 let me just conclude. I want to say on behalf of the
11 Commission and the staff, I want to thank the
12 witnesses who came here today as well as counsel for
13 sharing your insights with us and helping us develop
14 the record in these investigations. Before concluding
15 let me mention a few dates to keep in mind.

16 The deadline for the submission of
17 corrections to the transcript and for briefs in the
18 investigation is Wednesday, October 24. If briefs
19 contain business proprietary information a public
20 version is due on October 25. The Commission has not
21 yet scheduled a vote on the investigations.

22 It will report its determinations to the
23 Secretary of Commerce on November 13, and
24 Commissioners' opinions will be transmitted to
25 Commerce on November 20. Thank you, everyone, for

1 coming. This conference is adjourned.

2 (Whereupon, at 12:20 p.m., the preliminary
3 conference in the above-entitled matter was
4 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Polyethylene Terephthalate Film,
Sheet and Strip from Brazil,
China, Thailand, and the UAE

INVESTIGATION NO.: 731-TA-1131-1134 (Preliminary)

HEARING DATE: October 19, 2007

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary Conference

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

DATE: October 19, 2007

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

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

SIGNED: Carlos E. Gamez
Signature of Proofreader

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

SIGNED: John Del Pino
Signature of Court Reporter