

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
NI-RESIST PISTON INSERTS) Investigation No.:
FROM ARGENTINA AND KOREA) 701-TA-460-461 (Final)

Pages: 1 through 167

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION
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FROM ARGENTINA AND KOREA) 701-TA-460-461 (Final)

Thursday,
September 17, 2009

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

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

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

SHARA L. ARANOFF, CHAIRMAN
DANIEL R. PEARSON, VICE CHAIRMAN
DEANNA TANNER OKUN, COMMISSIONER
CHARLOTTE R. LANE, COMMISSIONER
IRVING A. WILLIAMSON, COMMISSIONER
DEAN A. PINKERT, COMMISSIONER

APPEARANCES: (Cont'd.)

Staff:

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DAVID BOYLAND, ACCOUNTANT/AUDITOR
DAVID FISHBERG, ATTORNEY
GEORGE DEYMAN, SUPERVISORY INVESTIGATOR

In Support of the Imposition of Countervailing Duty
Orders:

On behalf of Korff Holdings, LLC d/b/a Quaker City
Castings:

JOSEPH KORFF, President, Quaker City Castings

GEOFFREY KORFF, Esquire
The Korff Law Firm, LLC
Canfield, Ohio

In Opposition to the Imposition of Countervailing Duty
Orders:

On behalf of Karl Schmidt Unisia, Inc.:

ROBERT G. TURCOTT, Vice President and General
Counsel, Karl Schmidt Unisia, Inc.

CHRISTOPHER M. KANE, Esquire
ROBERT M. KLINGON, Esquire
Simon Gluck & Kane, LLP
New York, New York

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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 731-TA-460-461 (Final) involving Ni-Resist Piston Inserts From Argentina and Korea.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of subsidized imports of Ni-resist piston inserts from Argentina and Korea.

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

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

1 Speakers are reminded not to refer in their
2 remarks or answers to questions to business
3 proprietary information. Please speak clearly into
4 the microphones and state your name for the record and
5 for the benefit of the court reporter.

6 Finally, if you will be submitting documents
7 that contain information you wish classified as
8 business confidential, your requests should comply
9 with Commission Rule 201.6.

10 Mr. Secretary, are there any preliminary
11 matters?

12 MR. BISHOP: Yes, Madam Chairman. I would
13 note for the record that all witnesses for today's
14 hearing have been sworn.

15 (Witnesses sworn.)

16 CHAIRMAN ARANOFF: I would also note for the
17 record that we didn't update these beginning remarks
18 to reflect Commerce's final determination with respect
19 to Korea, which is no longer in the case.

20 But with that note, let's proceed with the
21 opening remarks.

22 MR. BISHOP: Opening remarks on behalf of
23 Petitioners will be by Geoffrey Korff, The Korff Law
24 Firm.

25 MR. G. KORFF: Can everyone hear me?

1 Members of the Commission, thank you very much for
2 having us today. I'm going to start with a brief
3 overview of the case.

4 As you are aware, the petition in this
5 matter was filed on January 26 of this year, and the
6 investigation was instituted on February 3. A
7 preliminary conference was held on February 17 after
8 which your membership voted unanimously that there was
9 a likelihood that the domestic industry in this matter
10 was in fact injured by the subject imports from
11 Argentina and South Korea.

12 Now, the product, just to refresh you, is
13 Ni-resist piston inserts. This product is basically a
14 ring of varying sizes made of the material Ni-resist,
15 which is basically iron and nickel for the most part,
16 and it's engineered to fit over the top portion of an
17 aluminum diesel piston for a diesel engine.

18 The purpose of the Ni-resist material is to
19 mimic the thermal expansiveness of a piston while in
20 operation inside of the engine, meaning as the piston
21 heats and cools the insert expands and contracts at
22 the same rate as does aluminum, the purpose of this
23 being to increase the working life of the aluminum
24 piston and to generally add to the piston's
25 durability.

1 As far as the state of the business for
2 Quaker City Castings, which I will refer to as QCC,
3 very little has changed unfortunately. The business
4 has gone from being one that accounted for
5 approximately half of Quaker City Castings' sales in
6 previous years to now sales are virtually nil.

7 Persons, employees, are laid off or
8 transferred where possible, machines sit idle, and
9 Quaker City Castings still suffers under the heavy
10 weight of the import of this product primarily from
11 the two subject countries, Argentina and South Korea.

12 The standard was stated so I'm not going to
13 go through the process of repeating it, but the
14 question to be answered here today is whether the
15 industry is injured or threatened with injury. I know
16 a lot of side matters tend to creep into these
17 discussions, and some of them are relevant, some of
18 them tend not to be relevant.

19 The main argument that's been put forward
20 today by the Respondents is the question of risk and
21 reliability. Aside from pricing concerns, is Quaker
22 City Castings a reliable producer of this product?
23 The answer is we absolutely are.

24 With regard to Argentina, the province in
25 which this product is produced in Argentina, Santa Fe,

1 has been undergoing an enormous upheaval in terms of
2 their labor and the status of their metallurgical
3 industry there, so much so that in fact the Vice
4 Minister of Labor, Ms. Alicia Silviano, stated within
5 the past several months that most metallurgical
6 industries, and that's in the province, are operating
7 at approximately 30 percent of capacity, and the only
8 reason that they're able to maintain production is
9 through a new subsidy program where basically employee
10 wages are provided for by the government

11 There have been job walk-offs. Production
12 has been cut. To argue that this industry is somehow
13 more reliable than ours is a preposterous argument.
14 It makes no sense. It's not the fact or the reality
15 that's taking place.

16 That's really all I have in terms of opening
17 remarks. I'd like to thank the Commission once again,
18 and we look forward to proving our case. Thank you
19 very much.

20 MR. BISHOP: Opening remarks on behalf of
21 Respondents will be by Christopher M. Kane, Simon
22 Gluck & Kane.

23 MR. KANE: Madam Chairman, members of the
24 Commission, Commission staff, good morning. For the
25 record, my name is Christopher M. Kane. I'm a partner

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1 in the law firm Simon Gluck & Kane, LLP. I'm here
2 representing Respondents, Karl Schmidt Unisia, Inc.,
3 an American company that manufactures pistons and
4 employs 800 workers primarily in Marinette, Wisconsin.

5 With me today are my partner, Robert
6 Klingon, and Robert G. Turcott, Vice President and
7 General Counsel of Karl Schmidt. For ease of
8 reference, we'll be referring to Karl Schmidt Unisia
9 as KUS. Thank you for the opportunity to make these
10 opening remarks, and later Mr. Turcott will be
11 presenting testimony during which time we'll also
12 endeavor to answer any questions you may have.

13 Let me begin by saying that the Petitioner,
14 Quaker City Castings, which Mr. Korff refers to as QCC
15 and we'll refer to as QCC as well, is in the position
16 it presently finds itself due to the effects of
17 nonsubject imports, along with its own actions in
18 communicating its unreliability as a source of piston
19 inserts to potential customers and the pricing
20 structure it has sought to impose on those customers.

21 QCC has not been injured as a result of
22 subject imports from Argentina imported by KUS. KUS
23 has only been a spot customer of QCC over the years.
24 QCC lost its biggest customer, Federal-Mogul, to
25 imports from Korea. The final determination of the

1 administering authority this week and determination in
2 the investigation of Ni-resist piston inserts from
3 Korea mean that Federal-Mogul and its purchases from
4 Incheon in Korea have been and are nonsubject imports.

5 But for the loss of Federal-Mogul's business
6 by QCC, we would not be here today. Should the
7 outcome of these proceedings result in KUS no longer
8 being able to purchase from Argentina, it too will
9 look overseas for nonsubject merchandise to be
10 imported from Korea and China.

11 The reasons QCC has lost Federal-Mogul and
12 KUS cannot rely on QCC as a viable primary source of
13 product are as follows: In July 2004, QCC announced
14 that it needed sales of \$500,000 or more per month to
15 stay in the piston insert business. Neither KUS nor
16 Federal-Mogul ever had that volume of purchases.

17 Federal-Mogul looked overseas for a new
18 supplier and has made Korea its primary source. KUS
19 reacted by remaining in its relationship with Clorindo
20 Appo in Argentina, a relationship that goes back more
21 than 10 years. KUS has purchased from QCC, but again
22 these purchases were on spot buys only when the need
23 arose.

24 A second cause of QCC's present condition in
25 the Ni-resist piston insert business is its pricing

1 structure. The long-term formula quoted by QCC to KUS
2 is the same formula that it had quote to Federal-
3 Mogul. It's a formula that allows QCC to cover itself
4 in case of fluctuations in the prices of all the
5 metals used in the production of the inserts, not just
6 increases in the price of nickel.

7 This is important because KUS can pass on
8 increases in nickel prices to its customers, but it
9 cannot pass on increases in prices of the other
10 metals. In addition, QCC's quotes have been based on
11 minimum quantities.

12 QCC's warning letter and its pricing
13 structure have made it an unreliable source of supply
14 and one whose pricing structure except for the spot
15 buys puts KUS at risk for potential damages for
16 failure to be able to deliver the product and for
17 unrecoverable price increases.

18 Finally, the piston insert business across
19 the board has been in decline for many years. This
20 decline has affected all participants in the industry.

21 In conclusion, I would have to say and hope
22 that the Commission will find that there is no causal
23 relationship between QCC's condition and imports of
24 the subject merchandise from Argentina. Thank you.

25 MR. BISHOP: Would the first panel in

1 support of the imposition of countervailing duty
2 orders please come forward and be seated?

3 MR. G. KORFF: I'm going to say probably as
4 little as possible in this matter. I'm going to leave
5 most of the testimony up to Joe Korff, President of
6 QCC, and I'll interject only if there's a question
7 posed to me or if clarification is needed on some
8 point.

9 Without waiting any further, I'll turn it
10 over to Mr. Korff.

11 MR. J. KORFF: Thank you. We are pleased to
12 be here today and thankful to the Commission for the
13 time it has spent to develop this case to this extent.

14 My name is Joseph Korff. I am a
15 metallurgical engineer and graduate. I've been in the
16 metals industries for 43 years. I've been involved in
17 foundries for 40 of those years, and I have been
18 President of Quaker City Castings two times, once from
19 1987 to 1992, and then I purchased it out of
20 bankruptcy from the former owners -- actually from the
21 Bankruptcy Court -- in 2004.

22 Quaker City Castings is a sand foundry and
23 centrifugal foundry. In the sand foundry aspect of
24 the business we cast parts in iron, steel and
25 stainless steels for a variety of industries,

1 including oil fields, power generation,
2 transportation, tire molds for some of the tire
3 manufacturers, machinery parts and some nuclear power
4 components and many parts for other industries.

5 In the centrifugal part of the business
6 where we pour metal into spinning dies we make iron
7 and alloyed iron parts for it used to be exclusively
8 for Ni-resist piston inserts and now we've tried to
9 overcome or compensate somewhat for the loss of that
10 business with delving into some other product lines.
11 We have a branded cylinder line of product we make,
12 and we also provide lapping pots for Federal-Mogul,
13 for example, in two of their plants and Molly
14 Corporation in one of their plants.

15 Ni-resist piston inserts are rings that you
16 were told are machined out of centrifugal castings.
17 The main components of the metal is nickel, copper and
18 the rest is basically iron with some amounts of other
19 alloying elements. The product is indistinguishable
20 from other Ni-resist piston inserts produced by any
21 other source in the United States.

22 Quaker has been producing the Ni-resist
23 piston inserts since at least the beginning of the
24 1980s and was a dominant player in the industry
25 through the '90s, reaching a capacity of about eight

1 million of these parts per year, four million pounds
2 of material, and sales at that time at that pricing
3 level were \$10 million, which was half of the total
4 business of Quaker City Castings and consumed about
5 half of our employment.

6 Currently we do zero or close to zero
7 Ni-resist inserts. We do make one part that we export
8 to Brazil. It's a double ring part with metal pins in
9 it, and we maintain that business because I think
10 we've got the only machine that does it and it's sort
11 of a nuisance part. All our other business for
12 Ni-resist has disappeared primarily to Argentina and
13 South Korea, and we're here today because, of course,
14 we believe that they are being unfairly subsidized.

15 The damage to Quaker City Castings, while
16 we're still a very viable business and maintain the
17 capacity to produce eight million inserts a year, the
18 damage has been significant. It's been difficult for
19 the employees because many of them are on layoff, and
20 it has been expensive, costly to develop new products.
21 We're spending a lot of money doing that.

22 I purchased Quaker in 2004 after its
23 bankruptcy. Part of the reason it did go bankrupt was
24 that Federal-Mogul went bankrupt on Quaker, and it
25 owed Quaker about \$400,000 at the time. That, along

1 with some other things, forced the company -- at that
2 time Quaker was part of a bigger company called
3 Lionheart Industries. It forced Lionheart Industries
4 into bankruptcy.

5 When I took over the business in 2004, the
6 Ni-resist product had been beaten down in price to the
7 point where the company wasn't making any profit
8 whatsoever, and it was some of the reason the former
9 company went bankrupt. We did have to make some price
10 adjustments to reflect true cost. Our costs are well
11 documented. We know what they are, and we priced the
12 product to reflect true cost.

13 Some period after that time we regained Karl
14 Schmidt as a customer, produced a number of parts for
15 them in the tens of thousands and subsequently lost
16 that business again we were told because of pricing.
17 There's a couple side stories that existed during this
18 period of time where the metal market went absolutely
19 berserk.

20 It was in the period of 2006, 2007 and 2008
21 where nickel shot through the sky and all the other
22 components of the inserts shot through the sky too, so
23 the pricing was surcharged. We had a base price, and
24 we surcharged the base price based on the metal
25 market.

1 Now, counsel for the other side mentioned
2 that there was a surcharge formula. He didn't term it
3 surcharge, but a metallic component formula of it that
4 we were unwilling to do. Our formula for surcharge
5 included all base metals, all metals in the mix to
6 make the Ni-resist as opposed to the surcharge formula
7 that only included nickel as the adjustable number.

8 But in fact we did quote that more desired
9 formula to Karl Schmidt a number of times, basing it
10 on just the nickel escalation based on the London
11 Metal Exchange Index, which was, according to them,
12 the industry standard. Even having done that, we
13 still didn't receive any business.

14 The damage to us is real. We've gone from
15 \$10 million of sales in the mid '90s at the pricing
16 level that existed then to probably less than \$30,000
17 of sales this year, and it is exclusively the
18 Brazilian export job. We've tried to substitute and
19 we've done some good doing that, but not to the extent
20 that it overcomes the loss of the Ni-resist business.

21 I don't have much more to say actually.
22 That's the entire story. If you have questions, I'd
23 be happy to answer.

24 MR. G. KORFF: I will add one point. This
25 market is a fairly discrete market, as I believe the

1 Commission is aware. Quaker City Castings, QCC, sells
2 to or did sell to basically two primary buyers in the
3 United States, Federal-Mogul and Karl Schmidt, Karl
4 Schmidt being here.

5 The business for this product, Karl Schmidt
6 took their business to Argentina. Federal-Mogul took
7 their business to South Korea. So we're not guessing
8 at where the business went. We know exactly where it
9 went. Half of it or one of the primary buyers went to
10 Argentina, one went to South Korea, and those are the
11 countries we're injured by.

12 It's not like there's a huge product mix and
13 that it's difficult to tell where all the imports are
14 coming from. It's fairly simple to tell where they're
15 coming from, and it's fairly simple to see why we've
16 been injured or how we've been injured.

17 I think that if the Commission has any
18 questions for us we could answer them now, and
19 otherwise we'll save the remainder of our time for
20 rebuttal.

21 CHAIRMAN ARANOFF: Thank you very much. I
22 want to thank you both for being here today. We
23 appreciate your taking the time away from your
24 business to come and answer our questions.

25 Let me begin by following up on a point that

1 you raised in your opening remarks with regard to
2 reliability as a supplier. You raised some points
3 about the current situation in Argentina and the
4 extent to which either political or economic events
5 that are going on there might be affecting reliability
6 of supply coming from there.

7 What I heard was you were making general
8 remarks about the situation in a province in
9 Argentina, but can you explain to me? Is there any
10 specific newspaper reporting or other evidence that
11 you're relying on that specifically affects the
12 company that we're talking about here, Clorindo?

13 MR. G. KORFF: Yes, there is. There are two
14 articles that I intend on submitting with my
15 postconference brief that basically make the point
16 that I was saying that Clorindo Appo specifically is
17 struggling very heavily, as are a lot of the
18 metallurgical industries or the metallurgical
19 industry, the companies, that are in the Santa Fe
20 Province of Argentina.

21 The government has undergone an emergency
22 subsidization program to basically replace the lost
23 wages of the employees in that province with
24 government funds. It's called the REPRO Program,
25 which isn't subject to the other side of this

1 investigation because it was just instituted this
2 year.

3 But, yes, the news reportings that I will
4 submit indicate that there have been job walk-offs.
5 There have been massive employee layoffs. Companies
6 have shut down. Some warehouses have simply been
7 abandoned. It's a dire situation, and it has
8 dramatically affected the reliability of supply coming
9 out of that province specifically and including
10 Clorindo Appo.

11 CHAIRMAN ARANOFF: Okay. Well, what I don't
12 understand is, I mean, all of those things sound like
13 they could happen because there's a recession and
14 because various producers in that part of Argentina
15 are losing business and that's causing social unrest,
16 but I'm not sure how that directly translates into an
17 inability by Clorindo to meet its contractual
18 obligations to KUS.

19 Is there anything else that you can explain
20 that would make that more concrete?

21 MR. G. KORFF: Well, as far as if the
22 question is whether or not we're going to actually be
23 able to point to shipments that have been missed, we
24 won't be able to mostly because we don't have APO
25 access in this matter so we can't really get into

1 seeing what is going to Karl Schmidt beyond what is
2 publicly reported in terms of what's caught by
3 Customs.

4 But I would be more than happy to submit in
5 my postconference brief illustrations of how the
6 shipments have gone down, but I don't know if that's
7 going to be fully illustrative of whether or not
8 they're actually meeting their contractual
9 obligations.

10 I don't know if that answers your question.
11 I'm sorry. I'd be happy to clarify if you want to ask
12 again.

13 MR. J. KORFF: I would like to add to that.
14 One of the newspaper articles specifically calls out
15 financial difficulties and judgments against Clorindo
16 Appo as best we can tell from interpreting from the
17 Spanish to the English.

18 It appears that the company I'm not sure we
19 would say they would enter Chapter 11, but it almost
20 sounds like they did because they appeared before a
21 Judge to waive some judgments against them, to
22 petition to waive some judgments from what we can
23 interpret.

24 I think the point is that Quaker City
25 Castings maintains capacity to produce any and all

1 Ni-resist inserts that we are asked to produce. We
2 intend to keep maintaining capacity. We hope to
3 utilize it, if we don't return to the Ni-resist
4 business to utilize it for cylinder and other
5 centrifugal casting possibilities, but the capacity is
6 going to be maintained.

7 We are financially strong because of our
8 sand foundry business, but the Ni-resist business is
9 nonexistent, but we're willing, capable and available
10 to perform, to produce the product.

11 CHAIRMAN ARANOFF: Okay. Let me take you
12 back to that 2004 letter that has been the subject of
13 so much discussion in the case.

14 In the letter you indicated to the main
15 purchasers in the U.S. that you needed a certain level
16 of business in order to maintain the company's
17 commitment to producing this product.

18 MR. J. KORFF: Correct.

19 CHAIRMAN ARANOFF: And as far as I know, you
20 didn't get the commitments.

21 MR. J. KORFF: Correct.

22 CHAIRMAN ARANOFF: But you decided to stay
23 in production of the product anyway. Could you walk
24 me through your thought process?

25 MR. J. KORFF: Yes. Well, we have dedicated

1 machinery that is turning boring centers, computer
2 controlled machine tools that are used exclusively to
3 machine ring type or tube type products. I wasn't
4 prepared to abandon them or sell them on the open
5 market, and instead we chose to try to develop another
6 product outlet for them.

7 And we did. We produced parts for Federal-
8 Mogul in two of their plants for lapping pots, which
9 are used in their piston ring business. It polishes
10 the outside of a piston ring so that engine break-ins
11 or initial start-ups go smoothly and you don't have a
12 break-in period for engines.

13 So we did that and we branded and had
14 trademarked a cylinder liner called EZ Slider cylinder
15 liners. That takes up some capacity. That's a small,
16 but growing, part of our business. We're dealing on a
17 retail basis with that to engine builders, hobbyists
18 and getting small, but steady, increases in our
19 orders.

20 So instead of abandoning the capacity we
21 still are maintaining the capacity. We just decided
22 to not wait for Ni-resist to come back entirely, but
23 to try to develop a product line that uses the same
24 capacity.

25 CHAIRMAN ARANOFF: To the extent that you

1 have machines that are idle, is there a cost to you or
2 they just can sit there and they don't impose a cost?

3 MR. J. KORFF: Well, they can sit there.
4 They do impose a small cost, a depreciation charge,
5 but when I purchased the company out of bankruptcy the
6 asset purchase was a good purchase for me, so the
7 depreciation charge that we have is very small. So
8 except for taking up space, they're sitting idle.

9 We maintain them. We keep them ready.
10 We'll use some of them in our product line, the
11 centrifugal cast, either lapping pot or cylinder liner
12 product, but not to the extent that we did.

13 We were running three shifts in the machine
14 shop and the foundry, in the centrifugal area. Now we
15 literally have nobody assigned to Ni-resist, and we
16 have a very scant crew assigned to the other
17 centrifugal products.

18 CHAIRMAN ARANOFF: Okay. One of the
19 arguments that the Respondents made is that you had
20 failed to reduce your capacity to reflect the current
21 market for Ni-resist or the shrinking market for
22 Ni-resist pistons.

23 MR. J. KORFF: Well, the only way to reduce
24 capacity is to sell off the equipment, and we were
25 unprepared to do that. We wanted to maintain capacity

1 so that when we were asked to produce we had the
2 capacity to produce.

3 And there has been a time within the last
4 several years that there must have been a disruption
5 to shipments because our phone was ringing off the
6 hook for Ni-resist. All the customers were calling
7 us, and it was like people we haven't heard from.
8 Even Molly in Morristown, Tennessee, called us and
9 wanted us to produce Ni-resist piston inserts for
10 them.

11 We tracked it down to some kind of
12 disruption in the shipping coming in, shipments coming
13 in, and we were busy for oh, maybe a six to eight week
14 period and then it died again right after whatever the
15 shipping disruption settled in. That was oh, I'm
16 trying to think of the year. That was maybe two years
17 ago, two and a half years ago, something like that.

18 CHAIRMAN ARANOFF: Okay.

19 MR. J. KORFF: So had we not been there to
20 supply that gap there would have been some delays I'm
21 sure in some piston manufacturers' ability to produce
22 the pistons.

23 CHAIRMAN ARANOFF: Okay. Would you say
24 that, I mean, right now obviously your capacity to
25 produce, would you say it's larger than the size of

1 domestic consumption?

2 MR. J. KORFF: Yes.

3 CHAIRMAN ARANOFF: Is it larger than the
4 size of domestic consumption plus the demand for the
5 other products that you make on the equipment?

6 MR. J. KORFF: Yes. In the '90s we were
7 exporting a great deal of product. There were more
8 piston manufacturers. There has been consolidation in
9 the piston industry.

10 So we were exporting to Mexico, Germany,
11 England and France. Those are the primary export
12 locations for us and I think a little bit even in
13 maybe the Czech Republic too, I think. All of that
14 business has disappeared from us. It all seemed to
15 transition to Argentina or South Korea.

16 Some of the piston manufacturers when they
17 consolidated wound up with some Ni-resist production
18 capability I think in Poland and in Turkey, so I'm
19 thinking some of that demand went to some in-house
20 sources of supply. I'm thinking that, but I don't
21 have complete evidence of that.

22 CHAIRMAN ARANOFF: Okay. Thank you for
23 those answers. I'm going to turn now to Commissioner
24 Okun.

25 COMMISSIONER OKUN: Thank you, Madam

1 Chairman, and I join the Chairman in welcoming all of
2 you here today and appreciate your willingness to
3 answer our questions.

4 I wanted to ask you whether you've seen any
5 benefit in sales volume or pricing since the
6 imposition of the provisional duties on subject
7 imports from Argentina?

8 MR. J. KORFF: We haven't. We've been asked
9 to quote one job by Karl Schmidt since then, but I
10 can't identify any improvements. We have zero orders.

11 COMMISSIONER OKUN: Okay. And if there is a
12 provisional duty in effect during this period where
13 you didn't get orders, what would you then attribute
14 that to?

15 MR. J. KORFF: I don't know. The duty is
16 not strong enough, not big enough I think to sway the
17 argument.

18 COMMISSIONER OKUN: I was curious just
19 because in light of the other Mr. Korff's comments
20 about what was going on in Argentina if there were
21 disruptions going on and you have a provisional duty
22 in effect why there wouldn't have been.

23 MR. J. KORFF: I think the market is clearly
24 down. I mean, during a recession everybody has shrunk
25 and so I think the order level in general is lower

1 now.

2 Probably some of these orders were placed
3 sufficiently ahead of time where it wouldn't have made
4 a difference since the duty was imposed, but my belief
5 is the duty is not large enough to make a significant
6 enough impact, but we're looking at a possibility of
7 the duty being maybe just enough to get back in.

8 COMMISSIONER OKUN: Okay.

9 MR. J. KORFF: It hasn't happened yet,
10 though.

11 COMMISSIONER OKUN: Let's see. I guess to
12 the lawyer, the son here, the change since the
13 preliminary obviously is Korea received de minimis
14 subsidy findings from the Department of Commerce, and
15 it therefore will be a nonsubject import for purposes
16 of how the Commission does its analysis.

17 Tell me how you think that changes our
18 analysis in looking at the final record here.

19 MR. G. KORFF: How it changes your --

20 COMMISSIONER OKUN: You can certainly do
21 more posthearing as well, but I just wanted to get a
22 sense in terms of size, import trends, anything that
23 you're able to discuss publicly.

24 MR. G. KORFF: How it changes your analysis.
25 I mean, I don't know.

1 I mean, obviously the impetus for any
2 company that's looking to import this product is now
3 going to be to simply get it from a company or a
4 country, excuse me, that is not subject to the same
5 tariff structure, at which point we'll have to pursue
6 our options in that matter.

7 But as far as our position is basically
8 we're still primarily concerned with imports from
9 these two countries, Argentina and South Korea. South
10 Korea is now no longer an issue in this investigation,
11 but Argentina continues to be and so now our focus has
12 to be on Argentina.

13 As far as what your analysis is going to be
14 to determine whether or not we still continue to be
15 injured by imports coming from these two countries, I
16 mean, the numbers still haven't changed. The numbers
17 still remain the same. We still lost the same losses
18 that we had prior to the determination that South
19 Korea's de minimis finding persist today. We still
20 have lost this market to these two countries.

21 With Argentina still being under
22 consideration, the same problem exists. We still have
23 a significant portion of our prior market share that
24 is now going to Argentina, so I guess in terms of what
25 your analysis is I think it just shrinks. It gets cut

1 in half to looking at Argentina alone obviously.

2 COMMISSIONER OKUN: Okay. And then maybe
3 for President Korff, if you could describe for me the
4 differences between how you saw the competition from
5 Argentina versus Korea, and maybe if I could have you
6 focus on a couple of specifics?

7 I know that Mr. Kane in his opening and in
8 the information we have has described the company,
9 KUS, as being a spot seller to QCC or spot buyer I
10 should say, and I wanted to ask you.

11 You had then talked about I think a period
12 of time prior to where we have data of when they were
13 a bigger seller perhaps, and I wanted to make sure I
14 understood if you think you were more than what is now
15 being described as a spot seller to KUS, and then if
16 you can contrast that with your relationship with
17 Federal-Mogul?

18 MR. J. KORFF: Yes. I wasn't with the
19 company from 1982 -- 1992, excuse me -- to 2004. In
20 1987 when I joined, we marketed Ni-resist very, very
21 heavily. We solicited business throughout the world.
22 It grew in the '90s. We had a number of customers.

23 I remember some of the reports that I've
24 read that referred to a name that used to be the buyer
25 for Karl Schmidt, a fellow by the name is Tim Keho.

1 I'm trying to remember statistics, and I can't
2 identify them completely, but there was a regular,
3 ongoing relationship with Karl Schmidt because I saw a
4 lot of correspondence with the buyer at Karl Schmidt
5 and pricing discussions and order placements.

6 So I would say we were more of a regular
7 supplier during the '90s than we were subsequent to
8 that period of time, but even though the orders that
9 we received from Karl Schmidt in the 2004 to let's say
10 2008 period were spot orders, they were significant
11 orders. They were tens of thousands of pieces,
12 sometimes 20,000, 30,000 pieces a month for a
13 particular part number.

14 COMMISSIONER OKUN: Okay. So again just
15 trying to help me sort out what I'm hearing from you
16 versus what we've heard from Respondents, when they
17 talk about KUS Karl Schmidt having an historic
18 relationship with the Argentinean supplier for 10
19 years, that maybe is not inconsistent with what you're
20 saying?

21 MR. J. KORFF: Correct. It's not
22 inconsistent.

23 COMMISSIONER OKUN: Okay. I was just trying
24 to make sure of the timing and that I understood that.

25 MR. J. KORFF: Right.

1 COMMISSIONER OKUN: Okay. And then I know
2 you in response to the Chairman had mentioned the
3 pricing structure that you had been offering, and you
4 had mentioned that in fact you had offered something
5 based only on nickel prices versus the metal input.
6 Is that an offer that's on our record right now?

7 MR. J. KORFF: Yes. It was in some of the
8 documents we sent. I'm sure it was. The formula was
9 based on \$9,000 a metric ton for nickel, and it
10 escalated above or below that.

11 You set base prices at the \$9,000 metric ton
12 nickel price times the percentage of nickel in an
13 Ni-resist and then you went on the London Metal
14 Exchange on a metal basis, and I think if I remember
15 it was the average London Metal Exchange nickel price,
16 and you indexed your surcharge based on that number.

17 We came up with a way to do that. We were
18 told by Karl Schmidt that you had to do it, and we
19 did. We didn't receive business by doing it -- it
20 wasn't that case -- but we did make the offer.

21 COMMISSIONER OKUN: And then just again from
22 a business perspective help me understand. So that
23 was unusual or that was different than what you would
24 have normally offered?

25 MR. J. KORFF: The normal formula that we

1 would have offered would be a surcharge based on all
2 metal components -- iron, chrome, manganese and copper
3 and nickel. Whatever actual purchase prices were.

4 Actually I went to a study and I tracked
5 what our formula would have done over a period of time
6 versus the nickel only formula, and there are time
7 delays between the two but it pretty well tracked the
8 same number with the exception of time where the metal
9 market within the last couple years went just through
10 the roof, where copper tripled in price and pig iron
11 went from \$300 and \$400 a ton to \$1,000 a ton.

12 You're still using the same material and you
13 have those cost inputs, but the only variable in that
14 nickel only surcharge is a nickel variable, so anybody
15 who was using the nickel only price formula during
16 this period of time of global metal escalation was
17 probably not making any money on the product at all.
18 They were probably taking losses on it.

19 You can't have other metals double in price
20 and not pass that through in the foundry business.
21 Your margins aren't that big to absorb it. Maybe
22 that's one of the reasons some of these -- this
23 company in Argentina is in financial difficulty
24 because they didn't do that.

25 COMMISSIONER OKUN: Okay. My red light has

1 come on. Thank you very much for those responses.

2 CHAIRMAN ARANOFF: Commissioner Lane?

3 COMMISSIONER LANE: Good morning.

4 MR. J. KORFF: Good morning.

5 COMMISSIONER LANE: Mr. Korff, I'd like to
6 go back to the 2004 period when the prior company was
7 in bankruptcy.

8 Could you tell us either on the record now
9 or posthearing what sort of an analysis you went
10 through to determine whether or not to buy this
11 company and what sort of assumptions did you make that
12 this was something that you thought would be
13 profitable and whether or not those assumptions have
14 proven to be correct or incorrect?

15 MR. J. KORFF: The basis that I bought the
16 company is it was a two-part company, the sand foundry
17 business and the centrifugal business, and the
18 centrifugal business at that time was primarily
19 Ni-resist.

20 When I did the analysis of why the company
21 -- I have to go back a little bit. Quaker City
22 Castings was part of Lionheart Industries at the time.
23 Lionheart had five different foundry operations.
24 Quaker City Castings was one of them. I happened to
25 be president of Quaker City Castings from 1987 to

1 1992, so I was very familiar with the Quaker City
2 Castings part of the Lionheart business.

3 The company had a viable centrifugal
4 operation and a very viable sand foundry operation.
5 The centrifugal operation was basically very few
6 customers because of the consolidation of the piston
7 industry. I looked at that as a highly risky part of
8 the business because of the very narrow customer base
9 that part of the business had.

10 The sand foundry business had a very broad
11 customer base, hundreds of customers. I looked at
12 that as a very riskless part of the business, so in
13 that analysis I decided to go ahead and pursue it,
14 recognizing that the risky part of it, which was the
15 centrifugal part, did not have to exist necessarily
16 for the sand foundry to be successful and profitable.

17 The centrifugal part, while it was capable
18 of producing all the things that people asked to do,
19 because of the narrow customer range I thought was
20 vulnerable so I didn't base the decision on a
21 continuing centrifugal business. I based it on
22 perhaps the centrifugal business would exist, but the
23 sand foundry was very viable and strong.

24 COMMISSIONER LANE: If you have any written
25 analysis that you went through at that point or

1 anything that shows us what the financials were that
2 you were looking at at the time that you made that
3 decision, I would find that very helpful.

4 MR. J. KORFF: Yes. I'm going to have
5 difficulty finding some of that. I think most of that
6 analysis was because I had experience with the company
7 in a previous period. I really didn't go through a
8 lot of financial analysis as far as spreadsheets and
9 all of that. I didn't.

10 So I will look and I'll pass along what I
11 can find if I can find anything.

12 COMMISSIONER LANE: Okay. I'm having a hard
13 time understanding exactly what your operation is
14 today other than the Ni piston portion.

15 MR. J. KORFF: Okay.

16 COMMISSIONER LANE: What portion of your
17 overall operations is represented by the Ni piston
18 both in terms of quantity and value, and then what's
19 the other part of your business?

20 MR. J. KORFF: The Ni-resist part of our
21 business is virtually nil. I mean, we have one
22 customer remaining in Brazil that takes one product
23 from time to time. It isn't enough to build a
24 business around at all. It's just a few thousand
25 dollars.

1 Through last year, the total company's
2 business was approaching \$18 million. When Ni-resist
3 was a strong part of the business and the sand foundry
4 wasn't quite as strong it was about 50/50, 50 percent
5 Ni-resist, 50 percent sand foundry.

6 We've substituted in the centrifugal
7 business, and I'm saying centrifugal. That's sort of
8 synonymous with the castings that make the Ni-resist
9 and things called lapping pots and things called
10 cylinder liners.

11 We've now developed the non Ni-resist part
12 of the centrifugal casting business into probably \$1.5
13 million, \$2 million a year, which is still a very,
14 very small part of our business. If Ni-resist came
15 back it would be a much bigger part. The centrifugal
16 end would be a much bigger part.

17 Does that help you, or can I say it in
18 different ways?

19 COMMISSIONER LANE: No. That helps. So
20 when we look at the capacity of your facility --

21 MR. J. KORFF: Right.

22 COMMISSIONER LANE: -- is that the capacity
23 only for the Ni-resist?

24 MR. J. KORFF: Yes.

25 COMMISSIONER LANE: Okay.

1 MR. J. KORFF: Yes. There are two distinct
2 foundries. The centrifugal foundry is a separate
3 entity from the sand foundry with one exception is
4 that now that our centrifugal business is very small
5 we actually take metal from the sand foundry furnaces.

6 We have all our centrifugal furnaces shut
7 off, and we take metal from the sand foundry facility
8 and use it for centrifugal castings, and that's
9 sufficient to get by with what business we have now.

10 COMMISSIONER LANE: Okay. Thank you. How
11 long does a Ni-resist ring last?

12 MR. J. KORFF: For the life of the piston.
13 Once they're cast into the piston --

14 COMMISSIONER LANE: Okay. Then I guess I
15 need to ask you how long does a piston last?

16 MR. J. KORFF: Usually the life of the
17 engine or until a major rebuild. It's there forever
18 unless you do a major rebuild on the engine and
19 replace the pistons, in which case the piston would
20 have a Ni-resist insert in it.

21 All the diesel engine trucks that you would
22 see on the highway would have -- pretty much all of
23 them would have -- a Ni-resist piston insert in each
24 of the pistons if they have aluminum pistons. Some
25 diesels don't have aluminum pistons. They have

1 steel-forged caps. Some of them have iron pistons in
2 it.

3 But still I think the bulk of all the
4 heavy-duty pistons that are produced for diesel
5 engines are aluminum with the Ni-resist ring cast in
6 it, the Ni-resist insert cast in it.

7 COMMISSIONER LANE: Okay. Thank you. Now
8 would you explain to me what a Class 8 vehicle is?

9 MR. J. KORFF: I think it's the big trucks,
10 the big, over-the-highway trucks.

11 COMMISSIONER LANE: So it would be the five-
12 and the six-axle trucks?

13 MR. J. KORFF: Yes.

14 COMMISSIONER LANE: Okay. Thank you. You
15 also talked about your employees and laying off
16 employees, and it's business proprietary so I can't go
17 into the numbers, but could you in your posthearing
18 explain to me how your employees who are dedicated to
19 the Ni-resist line have changed, or are those
20 employees able to do other jobs at your facility?

21 MR. J. KORFF: Most have been dealt with
22 with layoffs. There have been a few that have been
23 able to be transferred to other areas, yes, but we
24 will come up with the specific numbers for you.

25 COMMISSIONER LANE: Okay. Thank you. Now,

1 when you were talking about diesel engines, some using
2 steel and you use aluminum, are these pistons or the
3 rings interchangeable?

4 MR. J. KORFF: The steel pistons don't have
5 the Ni-resist in it. The Ni-resist is completely
6 unique to aluminum pistons.

7 Let me describe the product a little bit for
8 you. When we produce the Ni-resist ring it's machined
9 into a ring that could be this diameter. It could be
10 this diameter. It could be this diameter and roughly
11 about oh, a quarter inch thick or something like that.

12 When the piston producers buy the ring they
13 will insert a ring into an aluminum piston mold and
14 then pour aluminum around it to form the piston, and
15 the Ni-resist is bonded right to the aluminum so it
16 becomes an integral part of the piston.

17 The piston is a part of the engine that
18 transfers the power from the explosion to the
19 crankshaft, eventually to the rear wheels of the
20 vehicle. The piston then after it's cast with the
21 aluminum gets machined, and the Ni-resist ring gets a
22 groove put in it and that groove accepts the top
23 piston ring of the piston.

24 Now, the purpose of the Ni-resist ring is to
25 transfer the compressive force of the explosion from

1 the top of the piston and the top ring into the
2 piston. Now, if the piston ring just sat on the bare
3 aluminum it would abrade the aluminum and wear out
4 very fast.

5 It needed something to take the shock of the
6 impact of the explosion and so the Ni-resist was
7 placed there to take the load from the piston ring,
8 transferring it to the piston and then subsequent to
9 the drive train.

10 COMMISSIONER LANE: Okay. Thank you.

11 MR. J. KORFF: You're welcome. Is that too
12 much?

13 COMMISSIONER LANE: No, no, no, no. That's
14 very helpful. Thank you.

15 MR. J. KORFF: Okay.

16 COMMISSIONER LANE: Madam Chair?

17 CHAIRMAN ARANOFF: Commissioner Williamson?

18 COMMISSIONER WILLIAMSON: Thank you, Madam
19 Chairman, and I too want to express my appreciation to
20 the witnesses for coming today.

21 I wanted to continue along the line of
22 questioning that Commissioner Lane was pursuing. My
23 question really is where is this shall we say piston
24 technology going? Are the newer trucks more using
25 steel or iron?

1 In other words, is the Ni-resist technology
2 something that's on its way out because new vehicles
3 don't use it?

4 MR. J. KORFF: You know, if everything goes
5 to electric then maybe yes, but I would say it's a
6 technology that people have tried to find substitutes
7 for for a good, long period of time and sometimes they
8 found them. For higher compression they may want to
9 use a steel piston, but --

10 I'll give you an example. We were asked to
11 quote on a new product for Karl Schmidt just within
12 the last two months, last month actually, that would
13 stretch out I think it was farther than 2010 and maybe
14 through 2013, so to say that the product is going to
15 be obsoleted in say several years I don't think is
16 valid.

17 I think it will be around for 15, 20 years,
18 even if there's a substitute because there's always
19 after market requirements. The engines that are out
20 in the field require rebuilding from time to time and
21 there's after market requirements for pistons, and
22 they will be of the same design so there will be
23 Ni-resist rings required for a good, long period of
24 time.

25 COMMISSIONER WILLIAMSON: Okay. Are most

1 new trucks using the aluminum pistons?

2 MR. J. KORFF: Personal knowledge, I don't
3 know that. I know that we've been asked to quote new
4 engine sizes that continue to use aluminum pistons
5 with Ni-resist inserts, yes.

6 COMMISSIONER WILLIAMSON: To be put in new
7 vehicles?

8 MR. J. KORFF: Yes.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. J. KORFF: Yes.

11 COMMISSIONER WILLIAMSON: Okay. So what do
12 you think are the principal reasons for the decline in
13 U.S. demand for Ni rings?

14 MR. J. KORFF: From Quaker City Castings?

15 COMMISSIONER WILLIAMSON: In general.

16 MR. J. KORFF: In general? Consolidation of
17 the piston industry is one. I think there were more
18 piston producers in the United States -- I know there
19 were -- for diesel engines.

20 More imports of the finished product and
21 less demand for heavy-duty diesel engines for probably
22 the last -- I don't know. I can't put a number on it,
23 but it's probably a couple years now. I mean, the
24 total demand has probably fell the same as all the
25 other parts of the economy.

1 We're still in a recession. Contrary to
2 popular belief, I don't see any upturn yet so I think
3 there's been a contraction of the industry just
4 because of the decline of the economy.

5 COMMISSIONER WILLIAMSON: Okay. And do you
6 think that's a larger factor in decline in demand than
7 other factors? You mentioned the fact that I guess
8 there may be more imports, more production of the
9 engines overseas.

10 MR. J. KORFF: Decline in demand for Quaker
11 City Castings?

12 COMMISSIONER WILLIAMSON: No. I'm talking
13 about just for Ni rings.

14 MR. J. KORFF: That I don't know. Well, if
15 you ask if what we were experiencing was a decline in
16 demand because of a contraction in the economy we
17 should be at half the volume that we used to be and we
18 are at almost zero volume, so there's certainly other
19 factors involved in that equation than just the
20 decline of the economy.

21 COMMISSIONER WILLIAMSON: What about your
22 forecast for future demand for Ni rings? Not just
23 Quaker City Castings, but in general in the U.S.?

24 MR. J. KORFF: Yes. I don't forecast that.
25 I mean, I don't do that. It's been such a small part

1 of our business that I've not spent a lot of time
2 developing forecasts for business that I don't have.

3 We've been concentrating on trying to
4 develop other aspects of our business to substitute
5 for the disappearance of the Ni-resist product from
6 us.

7 COMMISSIONER WILLIAMSON: Okay. But you do
8 see a continued demand in the U.S. for the product?

9 MR. J. KORFF: Yes. As long as there are
10 aluminum pistons for diesel engines being made in the
11 United States there's a demand for Ni-resist inserts
12 in the United States, yes.

13 COMMISSIONER WILLIAMSON: Have you seen any
14 sort of discussion of a replacement market? I mean,
15 do most trucks sort of basically crash before the
16 engine gets rebuilt?

17 MR. J. KORFF: Diesel engines for heavy-duty
18 trucks I think regularly get rebuilt. They put on a
19 lot of miles, and instead of just discarding them they
20 rebuild them.

21 Part of their rebuild package would be
22 pistons, and each piston, if it's an aluminum piston,
23 would have a Ni-resist insert in it or sometimes two.

24 COMMISSIONER WILLIAMSON: Thank you. In
25 this discussion about the formula you used, whether

1 nickel only or all metal versus nickel, can you
2 describe? Are there any other practices in related
3 industries that would give us some guidance? Is one
4 formula more normal than another?

5 MR. J. KORFF: The formula that we used at
6 Quaker City Castings was one I personally developed in
7 1989 and we applied to all of our customers, and that
8 was to fully capture all the metal components in the
9 mix.

10 So what you wound up is you priced the
11 product with a base price that was locked in at some
12 point in time where your metal market was whatever it
13 was on that date you set base price levels and then
14 you adjusted base prices by a surcharge either up or
15 down.

16 If the metal market went down you had a
17 negative surcharge, which took from the base price,
18 subtracted from it. If the metal market went up you
19 added to. You had a surcharge that added to the base
20 price. The formula was just a mathematical
21 calculation of the percentage of each of these
22 elements that composed Ni-resist, the metallurgical
23 Ni-resist, times their value, the purchase price
24 value.

25 We told our customers at the time they're

1 free to come look at our invoicing. This is
2 completely transparent. We even suggested if they can
3 purchase metals better than we can we would use their
4 metal for making the parts. Never had anybody take us
5 up on that, but that was an offer I made many, many
6 years ago when we first started using the formula.

7 And the reason we started using the formula
8 is because the nickel market at the time, primarily
9 nickel was going up and we had to recapture that. We
10 tried to hold prices for a good, long time and
11 realized we couldn't. When we did the metal formula
12 we said nickel isn't varying. Other things are
13 varying, so it's a very realistic cost of the true
14 cost of producing the part.

15 If you don't have everything in the formula
16 you really don't have a true cost unless one component
17 is going down in value, another one is going up and
18 they just accidentally offset, but in spite of that we
19 did work a way to index off of nickel.

20 And the way we used is that we compared our
21 purchase prices to the London Metal Exchange Index
22 price or the cash price for nickel over a good, long
23 period of time and then reflected that in a formula
24 that indexed the London Metal Exchange price and
25 compared the two prices side-by-side, did a what if

1 kind of calculation and said well, in some periods of
2 time we'll be a little over our old surcharge formula,
3 we'll be a little bit more pricey than our old
4 surcharge formula, and for some small periods of time
5 we'll be a little cheaper than our old surcharge
6 formula, but on average it would be kind of okay
7 unless everything went berserk at once and metals
8 skyrocketed in every component.

9 COMMISSIONER WILLIAMSON: Now, you're saying
10 this is the formula you pursued in the '90s?

11 MR. J. KORFF: I think in the '90s I think
12 they had two formulas going actually. It was almost a
13 surcharge by customer because I can remember looking
14 at records and seeing in certain instances you billed
15 the surcharge with every invoice to a customer.

16 In other instances with certain customers
17 you waited until the end of the month and you invoiced
18 them once for all the surcharges for all the parts you
19 shipped during the month, so it was very customer
20 specific back then. But the two primary formulas are
21 the nickel only index and the everything index.

22 COMMISSIONER WILLIAMSON: And are these
23 formulas used in similar products, for other products
24 too?

25 MR. J. KORFF: In our company?

1 COMMISSIONER WILLIAMSON: Yes.

2 MR. J. KORFF: Yes.

3 COMMISSIONER WILLIAMSON: Or in the
4 industry?

5 MR. J. KORFF: Well, most foundries would
6 use all the components as a surcharge. Over the last
7 several years, the metal market has gone completely
8 wild.

9 Just prior to the banking crisis the metal
10 market was just exponentially going up, and if you
11 didn't surcharge metals and you were in the foundry
12 business or the steel industry business you couldn't
13 make any money. You couldn't make it. The prices
14 were going up far faster than your margins would
15 absorb unless you surcharged it.

16 COMMISSIONER WILLIAMSON: Thank you.

17 CHAIRMAN ARANOFF: Commissioner Pinkert?

18 COMMISSIONER PINKERT: Thank you, Madam
19 Chairman, and thank you all for being here to help us
20 understand what's happening in the industry.

21 I want to begin with Mr. Geoffrey Korff.
22 I'll call you counsel to distinguish between the two
23 Korffs. What I'm trying to understand is your theory
24 of the case. Does the injury case with respect to
25 Argentina hinge on whether KUS was ever more than just

1 a spot customer of QCC?

2 MR. G. KORFF: No. No, it doesn't. I think
3 getting hung up on the difference between a
4 contractual, a long-term customer versus a spot basis
5 customer is probably not the proper analysis for it
6 just because traditionally contracts with Quaker City
7 Castings across the board have been spot contracts.

8 That's just typically how we conduct
9 business or how QCC conducts business, an on a spot
10 basis. To say that because it was a spot customer for
11 KUS that we were somehow injured less by KUS
12 maintaining a longer term contract elsewhere,
13 specifically with Clorindo Appo, I don't think affects
14 the analysis.

15 The fact that they maintained a different
16 style of contract doesn't necessarily mean that they
17 purchased more from Clorindo Appo versus QCC. We just
18 organized the relationship differently.

19 COMMISSIONER PINKERT: Well, then just
20 looking at the question of present material injury,
21 does the case hinge on whether KUS was ever a more
22 high volume customer of QCC than it is now? Is that
23 what you're driving at?

24 MR. G. KORFF: I'm sorry. Could you repeat
25 your question?

1 COMMISSIONER PINKERT: Leaving aside the
2 question of spot market versus other forms of
3 contracting, are you basically saying that you lost
4 volume from KUS as a result of the subject imports
5 from Argentina or is the case entirely hypothetical,
6 in other words, that, well, we didn't lose anything,
7 but we should have had more?

8 MR. G. KORFF: No. We absolutely lost sales
9 based on the transition from using QCC as the domestic
10 supplier of this product to transferring the business
11 entirely almost, well, entirely in this case, to
12 offshore companies. In this case, Clorindo Appo in
13 Argentina.

14 In terms of seeing the trends in the imports
15 coming into the country versus QCC sales, you can see
16 Clorindo Appo's sales ramp up over the period of years
17 where QCC's sales were declining. Because, as I said
18 earlier, this is such a discrete market, it's very
19 easy to see that over this period of time QCC was
20 selling less inserts to KUS as KUS was continuing to
21 buy more inserts from Clorindo Appo, so the volume was
22 a simple transition from QCC to Clorindo Appo in
23 Argentina.

24 COMMISSIONER PINKERT: Okay. So just to
25 paraphrase what you're saying, you're saying that QCC

1 lost volume from KUS.

2 MR. G. KORFF: Yes.

3 COMMISSIONER PINKERT: And that volume went
4 from QCC over to Argentina.

5 MR. G. KORFF: That's correct.

6 COMMISSIONER PINKERT: And when did this
7 loss occur? Did it occur during the period that we're
8 looking at from 2006 to 2008 or did it occur during a
9 prior period?

10 MR. G. KORFF: I mean, it continued during
11 this period, during the period of investigation in
12 this matter, but the majority of the loss took place
13 in earlier periods. One of the things we've said is
14 we wish we could open up the scope of this so that the
15 Commission would have a better idea of what the real
16 trend was.

17 Maybe in the late, I would say the late
18 1990s -- do you think that's correct -- when the trend
19 really started to go in the opposite direction, when
20 you see the volume for QCC significantly decline as
21 opposed to picking up in Argentina, the volume
22 continued to increase.

23 The investigation in this matter captures
24 really what we consider to be the tail end of the
25 volume switching places from being exclusively a

1 domestic source to being exclusively a foreign source
2 for the product.

3 COMMISSIONER PINKERT: Well, that leads to
4 my next question, which is what am I to do with the
5 trend in terms of subject import volume from Argentina
6 during the period that we're looking at, in other
7 words, from 2006 on? Am I supposed to ignore that
8 trend or what am I supposed to do with it?

9 MR. G. KORFF: No, I certainly wouldn't ask
10 you to ignore the trend. I mean, if you're talking in
11 terms of the trend of the market as a whole, is that
12 your question? That the market itself is down?

13 COMMISSIONER PINKERT: No. I'm talking
14 about the trend in terms of the volume of subject
15 imports from Argentina during that period, 2006 and
16 on. If I'm supposed to be looking at something that
17 happened in the late 1990s, then do I ignore the trend
18 during that period that we're looking at?

19 MR. G. KORFF: No. No. It's still the same
20 trend, it's just the scope of this investigation is
21 catching the tail end of the trend when the business
22 for ni-resist inserts, the domestic supply of ni-
23 resist inserts, was already trailing off pretty
24 significantly and the business that was in the process
25 of and continuing to be offshored was ramped up pretty

1 significantly.

2 So the trend in terms of the scope of this
3 investigation is still a valid one. It's just it
4 doesn't capture the full picture.

5 COMMISSIONER PINKERT: Thank you. Now,
6 turning to Mr. Joseph Korff, have imports of finished
7 pistons affected demand for the ni-resistant pistons?

8 MR. J. KORFF: That I don't know. I would
9 think so, but I don't know. There was a point in time
10 where some information from a competitor, Karl
11 Schmidt, who has a sister company in Brazil said that
12 certain piston types were going to be not made in the
13 United States anymore but imported as finished pistons
14 from Brazil.

15 So I think probably that, what you just
16 suggested, happened and probably happened to other
17 companies as well where they transfer a piston
18 manufacturer for the various companies that they may
19 have throughout the globe.

20 COMMISSIONER PINKERT: Now, turning to
21 another company that we've heard a lot about even
22 though they're not here today for obvious reasons, has
23 QCC lost Federal-Mogul as a customer?

24 MR. J. KORFF: We lost them in our ni-resist
25 area, yes. We don't sell anything to them anymore.

1 We sell to two Federal-Mogul companies, though, for
2 lapping pots, which is another centrifugal product
3 made of just iron, gray iron. So we haven't lost
4 Federal-Mogul as a company, as an account, but we
5 don't sell to the plant that produces diesel engine
6 pistons any longer.

7 COMMISSIONER PINKERT: And can you elaborate
8 on the circumstances in which QCC lost Federal-Mogul
9 as a customer?

10 MR. J. KORFF: Uh-huh.

11 COMMISSIONER PINKERT: I realize again that
12 they're not here today for reasons that were made
13 clear at the very beginning of this hearing, but can
14 you give us some understanding of what happened there?

15 MR. J. KORFF: Sure. When I purchased
16 Quaker City Castings in 2004 and reviewed all the
17 pricing that we -- you had to understand, you had to
18 review why the company was in bankruptcy. When you
19 did that, you reviewed pricing versus your costs.
20 There were a number of Federal-Mogul part numbers that
21 we were producing in ni-resist that were being
22 produced for substantially less than our cost.

23 We were shipping to a Federal-Mogul plant in
24 England, for example, and there was an agreement prior
25 to my getting the company where, I don't remember the

1 part number, but they agreed to sell 300,000 of a
2 particular insert for 42 cents a piece, which was
3 probably 40 cents a piece under our cost.

4 The basis of that sale was that they would
5 get other inserts that were pricier to offset that
6 one, but those other inserts never came. All that was
7 left is the underpriced one. So when I took over the
8 company I had to contact the plant in England and say
9 I can't do this anymore and we're going to stop
10 producing.

11 As a result of that, I reviewed all pricing
12 and had to in most instances raise prices of each part
13 number. There were a very few that actually had a
14 decrease in price, but a few did have a decrease in
15 price where margins were sufficient. So I did raise
16 prices and raised prices so that we weren't losing
17 money on it.

18 So that triggered a transition from Quaker
19 City Castings over some period of time to the South
20 Korean company they currently do business with at
21 Federal-Mogul.

22 COMMISSIONER PINKERT: And going back to the
23 theory of the case, counsel, how are we supposed to
24 view the loss of Federal-Mogul as a customer, which
25 may or may not have been to imports that are no longer

1 subject to the investigation, versus the claimed
2 injury due to subject imports?

3 MR. G. KORFF: I mean, I think you view it
4 based on what the reality of the market was in 2004
5 and continues to be, that the cost structure that
6 exists for this product is now significantly above the
7 ability of domestic supply to meet what is being
8 brought into it from both South Korea and Argentina.
9 The fact that South Korea is no longer a consideration
10 for this body, I don't think it really changes the
11 analysis.

12 The company is still injured by subject
13 imports that are coming from Argentina, and the trends
14 that you're going to look at in terms of what the
15 imports were during the period of investigation bear
16 that out.

17 COMMISSIONER PINKERT: Thank you. Thank
18 you, Madam Chairman.

19 CHAIRMAN ARANOFF: Going back to the
20 question that I was asking in my first round about the
21 2004 letter and the aftermath of the letter, after you
22 sent the letter did you have follow-up conversations
23 with the customers that you had sent it to or their
24 customers who had received it?

25 MR. J. KORFF: I didn't have any follow-up

1 conversations with the people that I sent the letter
2 to. No. I sent them to the, basically the engine
3 builders, Cummins, and Avostar and I think a few
4 others, just stating my case and didn't really have
5 any follow-up with it. No.

6 I did hear one comment from a buyer at
7 Federal-Mogul, but it was more like I understand you
8 sent some letters out to our customers, and I said
9 yes, and that was probably pretty much the extent of
10 the conversation.

11 CHAIRMAN ARANOFF: Okay. So the Respondents
12 who are here today, as well as Federal-Mogul, claim
13 that they, you know, at that point decided that you
14 might not be there for the long haul and so they
15 better go off and look for other suppliers or solidify
16 their relationship with existing other suppliers.
17 They never communicated that to you and you didn't ask
18 them.

19 MR. J. KORFF: No. No.

20 CHAIRMAN ARANOFF: Okay. At that time you
21 had indicated that your company would need \$500,000 a
22 month worth of orders in order to make the insert
23 business viable as I guess a standalone composition.

24 MR. J. KORFF: Correct.

25 CHAIRMAN ARANOFF: At current prices and

1 costs, can you tell me what the approximate volume or
2 value of piston inserts that QCC would need to sell in
3 order to break even on that product? You can do it
4 confidentially if you'd like.

5 MR. J. KORFF: Yes, I'd do that
6 confidentially. That would be all right. Yes.

7 CHAIRMAN ARANOFF: Okay. Thank you. There
8 is some discussion in the brief about price
9 differences between spot sales and sales that are made
10 under long-term contracts. Are spot sale prices for
11 these inserts consistently higher than contract prices
12 in this market? Would you say that that is in fact
13 generally true?

14 MR. J. KORFF: We offered a price sheet that
15 didn't distinguish between contract and spot prices.

16 Subsequent to offering the price sheet in I
17 think, I don't know when that was, it was early on,
18 maybe August 2004, subsequent to that number, we've
19 requoted a number of products for Karl Schmidt
20 particularly, some to Federal-Mogul, but quite a lot
21 of requotes to Karl Schmidt based on products not only
22 shipped to the United States but for export and didn't
23 obtain any export orders but did obtain some pretty
24 significant volume orders from Karl Schmidt in
25 Marinette, Wisconsin, tens of thousands of inserts,

1 during the period of time.

2 We also received orders, as I said, when it
3 was apparently a shipping disruption, and we received
4 orders at that time from MAHLE in Morristown,
5 Tennessee, and Federal-Mogul and from Karl Schmidt. I
6 can't put my finger on exactly what months that was,
7 but I could find that data.

8 I mean, the phones are ringing off the hook.
9 I knew something happened and they didn't all love us
10 at once again, but they needed us for some period of
11 time.

12 CHAIRMAN ARANOFF: And those were all spot
13 sales?

14 MR. J. KORFF: Yes. I would say they're
15 spot sales. We didn't really enter a contract for
16 anything. Everything was a purchase order basis.
17 Some had longer term releases where, example, you may
18 say you're going to estimate to make, say, 300,000
19 parts a year for a particular part number based on
20 what the engine demand would be for that part and with
21 no guarantees that it would be 300,000, and it would
22 be, you know, you would get whatever engines were
23 being built times the number of pistons in an engine.

24 I would say most of everything we did was on
25 a purchase order basis and not some long-term

1 contract. That was generally true in 1988 to 1992
2 when I was in the company too. You kind of knew you
3 were going to get repeat orders on the same part
4 number, but there was no guarantee.

5 CHAIRMAN ARANOFF: Okay. One of the points
6 that both of the Respondents made in their briefs at
7 some length was their commitment to Just In Time
8 inventory management and the same on the part of their
9 customers and further on down the chain.

10 MR. J. KORFF: Right.

11 CHAIRMAN ARANOFF: How does your company
12 meet Just In Time inventory requirements?

13 MR. J. KORFF: We have, and I think in some
14 of our documents we showed that we were getting awards
15 from Federal-Mogul for 100 percent on time delivery,
16 zero defects month, after month, after month.

17 In our current two products or products we
18 make for Federal-Mogul right now, the lapping pots,
19 one of four part numbers are on a can ban system which
20 means that we actually inventory parts for them based
21 on their daily releases and we will ship a box or two
22 to them each day or twice a week, whatever they
23 require, and we agree to keep products in inventory
24 with the assumption that if the relationship ends,
25 that they buy all of the inventory that we've produced

1 for them, but we actually warehouse some stuff for
2 Federal-Mogul.

3 So the argument that somehow that's
4 different for us, it would actually be better for us
5 because we can deliver in a few days, whereas from
6 oversees you have to have maybe a six to eight week
7 pipeline coming in. I wouldn't understand the basis
8 of that argument because I don't think there was ever
9 a time where we delivered a product late, honestly, in
10 ni-resist.

11 Matter of fact, there was many times when
12 there was some disruption or product change in
13 somebody's plant where on a Thursday they wanted
14 product in on Monday because they had a scheduling
15 change. We had it delivered by that day. Our guys
16 worked over weekends to do that. There were numerous
17 times that that occurred.

18 CHAIRMAN ARANOFF: Okay. Let me turn back
19 to pricing for just a moment. We've had all this
20 discussion about the difference between a formula that
21 adjusts prices just based on nickel versus other
22 metal.

23 MR. J. KORFF: Right.

24 CHAIRMAN ARANOFF: If I understood your
25 testimony, you were saying that you adopted that

1 latter formula because you felt it was important to
2 cover all your costs.

3 MR. J. KORFF: It was one we used
4 originally. When you're saying the latter formula,
5 you're saying the one that encompasses all the
6 metallic costs. Yes, we used that formula originally.
7 We tried to maintain that formula when we were
8 instructed by, for example, Karl Schmidt, that says,
9 well, that's not what we're buying now, you need to
10 use just the nickel only formula.

11 We struggled a little bit trying to come up
12 with a way that we wouldn't incur huge losses if the
13 metal market went out of control, and I think we
14 rationalized a way to index off of the London Metal
15 Exchange in a way that in some periods of time we
16 would have been making a little less margin, in other
17 periods of time maybe a little more margin than our
18 normal formula would have provided. There was a time
19 element to when the costs were realized in the
20 formula.

21 CHAIRMAN ARANOFF: Why do you think that
22 other suppliers, and in particular, the two suppliers
23 that have been discussed in the course of this
24 investigation, are willing or able to, you know, use
25 the nickel only formula and take the risk of -- I

1 mean, they're taking on a risk that your all metals
2 formula would place entirely on your customer as
3 opposed to on you.

4 MR. J. KORFF: Yes.

5 CHAIRMAN ARANOFF: Why are other suppliers
6 willing to take that risk?

7 MR. J. KORFF: Yes. I'm not aware that
8 Incheon takes that risk in Korea. I don't have
9 personal knowledge that that's the formula they use.
10 I do know, or I believe, I know that it's what Karl
11 Schmidt wishes everyone to use, and apparently it's
12 what they get from Clorindo Appo.

13 I would suggest that if Clorindo Appo had a
14 chance to rethink it during the period of time where
15 the metal market went completely wild, that they
16 regretted not having other metal in their cost
17 formula. It may be part of the reason that apparently
18 they're in financial difficulties today.

19 CHAIRMAN ARANOFF: Well, I'll ask when we
20 have the Respondents up here. Sometimes we hear that
21 companies are able to hedge against some of those
22 costs. I mean, I guess you have to be a company of a
23 certain size in order to do that.

24 MR. J. KORFF: Yes. I'm always on the wrong
25 side of that. I've tried it a couple of times and

1 it's okay.

2 It works sometimes, but when the cash market
3 declines but you are futured out at a higher cost
4 level, then nobody wants to here about you were
5 futured out at a higher cost level because the cash
6 market's lower, so you're sitting out there with a
7 higher cost than the cash market would -- if the
8 market is always going up, you can always make the
9 argument, but if the market starts to tumble down,
10 you're sitting there with higher costs than anyone
11 else. That happens in the metal market business.

12 CHAIRMAN ARANOFF: Okay. Well, thank you
13 for those answers. Let me turn to Commissioner Okun.

14 COMMISSIONER OKUN: Thank you, and thank you
15 for your responses so far. In the Respondents'
16 opening remarks, Mr. Kane had argued that there is no
17 causal link to any injury suffered by the Petitioner
18 and he mentioned two things: decline in demand and
19 nonsubject imports. We've had a fair amount of
20 discussion both on where demand is and where it's
21 going.

22 For purposes of posthearing, I think this
23 will probably be the best place to do this, but if you
24 could just pay particular attention to the argument
25 with respect to nonsubject imports, the Korean imports

1 in this case. Mr. Korff, when you've responded to
2 several questions about that, you've still gone back
3 and kind of as if, you know, it's the two countries
4 together, the two subject imports.

5 For our statutory analysis, the Koreans are
6 nonsubject and so we have to be able to separate out
7 or look at what the impact is from what happened with
8 regard to the imports from Korea versus imports from
9 Argentina.

10 MR. J. KORFF: Correct.

11 COMMISSIONER OKUN: I know we can't do all
12 that in a public session, so just for the posthearing,
13 I think that would be helpful.

14 If there's anything else you wanted to say
15 now in response to what will be the Respondents'
16 arguments this afternoon, or this morning maybe still,
17 about the differences between what's going on in the
18 record with respect to what happened with Federal-
19 Mogul versus what happened with Karl Schmidt and its
20 impact on your business, if you could add anything to
21 that or would like to add anything to that?

22 MR. J. KORFF: I think I'll wait for the
23 posthearing comments.

24 COMMISSIONER OKUN: Okay. Well, with that,
25 then, I don't have any further questions, but I

1 appreciate all your responses and I will look forward
2 to your posthearing briefs. Thank you.

3 CHAIRMAN ARANOFF: Commissioner Lane?

4 COMMISSIONER LANE: Thank you. Who designs
5 and provides engineering specifications for the ni
6 rings you produce, and which industry-related groups
7 approve these specifications and provide
8 certification?

9 MR. J. KORFF: The design is made, I
10 believe, by the piston manufacturers. They will
11 specify the diameters and the thicknesses of the ring.
12 The metallurgical properties of Type 1 ni-resist have
13 been established because of the thermal expansion
14 characteristics of the ni-resist compared to cast
15 aluminum pistons and they grow and shrink at
16 approximately the same rate.

17 If they had not found a more wear-resistant
18 material for the top compression ring groove, then the
19 aluminum piston would wear out, but in the process you
20 have to not only have wear resistance, but they have
21 to expand and contract at the same rate with
22 temperature. Ni-resist has been found to mimic the
23 thermal expansion coefficient of the aluminum base
24 metal for the pistons.

25 If you didn't have that, if the aluminum

1 pistons had grew faster than the ni-resist ring, then
2 the ni-resist ring would crack. It would ben in
3 tension and it would crack. If the ni-resist ring
4 expanded less than the aluminum and the aluminum
5 piston got cold, then they would debond, the, say the
6 juncture or the interface between the aluminum and the
7 ni-resist would debond and the insert would be loose
8 inside the piston which would wreck the piston.

9 COMMISSIONER LANE: Okay.

10 MR. J. KORFF: So if there was agencies, no,
11 I don't remember. It was originally called the Alfin
12 insert and I think that's a term that maybe in the
13 1950s started, but I don't think there was an
14 organization that certified it.

15 COMMISSIONER LANE: Okay. Thank you. In
16 addition to diesel engines, ni-rings are reportedly
17 used in pistons used to compress air and gas for
18 industrial applications. Are the ni-rings produced
19 for this market interchangeable with those used in
20 diesel engines or are they manufactured to different
21 specifications?

22 MR. J. KORFF: They're the same. We make
23 some very large centrifugal and ni-resist inserts for
24 air compressor applications and are usually a larger
25 diameter and a little thicker because the piston in

1 this particular air compressor is a bigger piston, but
2 that volume is very small.

3 We've got basically one customer, I think,
4 that uses them for air compressor pistons, and it's a
5 very small volume.

6 COMMISSIONER LANE: Okay. Thank you. Am I
7 correct in my assumption that most engine applications
8 for piston inserts require only one insert?

9 MR. J. KORFF: I would say yes. There are
10 some applications with double, but I think the bulk of
11 them are single. Uh-huh.

12 COMMISSIONER LANE: Okay. Thank you. Given
13 that ni-rings are a commodity product and there are
14 few players in the U.S. ni-ring market, can the
15 Commission look at the pricing practices of suppliers
16 outside the United States to ascertain what a standard
17 business practice is in the ni-ring market as argued
18 by Federal-Mogul at the bottom of page 13 of its
19 prehearing brief?

20 MR. J. KORFF: I don't have that brief in
21 front of me so I don't know. Can you look outside the
22 United States for standards?

23 COMMISSIONER LANE: Yes. For standard
24 pricing.

25 MR. J. KORFF: Pricing. To me, standard

1 pricing is what the buyer, how the buyer wishes you to
2 price. I can't identify an industry standard. Buyers
3 within a specific company may ask you to price on a
4 consistent basis and it may not be the same basis as
5 another company, so I don't know how to answer that
6 except I don't know of an industry standard for all
7 companies that buy this product.

8 MR. G. KORFF: I think a short answer to the
9 question is that because, as you said, there are very
10 few players in this market, it makes it difficult to
11 identify sort of a market price across, you know,
12 international boundaries as far as what is the going
13 market rate for this product. It makes it very
14 difficult because it is such a discrete market.

15 COMMISSIONER LANE: Okay. Thank you. Madam
16 Chair, that's all I have. Thank you for your answers
17 today.

18 CHAIRMAN ARANOFF: Commissioner Williamson?

19 COMMISSIONER WILLIAMSON: Thank you, Madam
20 Chairman. Mr. Joseph Korff?

21 MR. J. KORFF: Yes?

22 COMMISSIONER WILLIAMSON: I guess going back
23 to that last question, you've been in the business,
24 what, more than 30 years or something.

25 MR. J. KORFF: Long time.

1 COMMISSIONER WILLIAMSON: Is there any trend
2 in this, what buyers, how they want you to quote? I
3 mean, did they do it one way in the 1980s and 1990s
4 and they're now doing something different or is every
5 company different in --

6 MR. J. KORFF: It's not changed that much,
7 actually, on the buying requests. Usually they want
8 you to quote a part number. They'll send you a
9 drawing. If you don't have a drawing, they'll send
10 you an updated drawing for the part, and you'll price
11 it out. You'll go through your mechanics and your
12 costing system and come up with a selling price.

13 In the instance of it being a high alloy
14 material or lots of other costly components to the
15 metallics of it, you'll offer a base price and a
16 surcharge.

17 If the product is going to be ordered, if
18 they state they're having an order for 20,000 pieces
19 or 100,000 pieces and they want them all delivered
20 within a few months, you may give them a fixed price
21 on it without a surcharge because you know you're
22 going to produce them and ship them within a timeframe
23 where you know what the metal prices are going to be
24 so you don't have to surcharge at that basis.

25 So it's varied. I'd say for the longer term

1 contracts, the longer term purchase agreements,
2 there's a base price and a surcharge that's applied.
3 The question always now is what formula do you use for
4 the surcharge? I think that's the basis of the issue
5 people are talking about now.

6 COMMISSIONER WILLIAMSON: Okay. Thank you.

7 MR. J. KORFF: Okay?

8 COMMISSIONER WILLIAMSON: You've stated in
9 your brief that you have explored new sources of raw
10 materials and changed manufactured operations. Can
11 you elaborate on what you've done and what you might
12 anticipate in the future if you maintain production?

13 MR. J. KORFF: You say the new sources of
14 raw materials. I guess I'm not clear on that
15 question.

16 COMMISSIONER WILLIAMSON: I mean, let's put
17 it this way. Have you explored the possibilities of
18 using new sources of raw materials?

19 MR. J. KORFF: For the ni-resist?

20 COMMISSIONER WILLIAMSON: Yes.

21 MR. J. KORFF: Absolutely. Yes. There was
22 a period of time, it was about two years ago, where
23 since we were consistently being told that our prices
24 were high, and, you know, I know what our labor rates
25 are, I know what all of that is, I know what our

1 energy costs are to the pound, you know, I know what
2 our costs are, the last issue in my mind was, well, am
3 I buying raw materials at a price that's a premium to
4 what everybody else is buying them for?

5 Part of the raw materials that we are able
6 to get or we were able to get when we were making a
7 lot of the ni-resist is scrap ni-resist parts. We
8 were getting solids, we call, which were basically
9 deep well pump parts made out of Type 1 ni-resist, and
10 we were getting machining chips which looked like
11 course dust basically.

12 The machining chips came from various
13 sources within the United States and we would deal
14 with four or five different brokers on those machining
15 chips. Normally, the price was based on the contained
16 amount of nickel in it. If the nickel market was up,
17 you would pay more for the price, times 15 percent
18 because it was 15 percent nickel in the chips.

19 Well, during a period of time I went on the
20 global search for ni-resist and actually found
21 somebody in St. Petersburg, Russia, who had a regular
22 supply of ni-resist chips at that time.

23 He sent a sample in to me, we analyzed it,
24 it was surveyed correctly, it was the right stuff, he
25 had an independent surveyor, chemical analysis done by

1 somebody who certified the material in Russia, and by
2 the time we got talking about a price it was no
3 different than what I was buying the material for in
4 the United States, so at that point I said we're
5 buying as well as anybody is buying.

6 I couldn't find another source of material
7 for anything less than we were buying it for. Did we
8 look for other sources of raw material? Yes, we did.
9 We pursued that.

10 COMMISSIONER WILLIAMSON: Okay. So at this
11 time you've not seen any possibility of cutting your
12 costs by --

13 MR. J. KORFF: We didn't. At that moment in
14 time we saw no difference in buy price no matter where
15 we would procure the material from, the delivered
16 priced to our plant.

17 COMMISSIONER WILLIAMSON: Thank you.
18 There's been talk about the other products that you
19 make on this centrifugal line.

20 MR. J. KORFF: Right.

21 COMMISSIONER WILLIAMSON: There was some
22 kind of pots.

23 MR. J. KORFF: Yes. It's a tube. It's
24 called lapping pots is the generic name, I guess you
25 would say. It's a tube. Some of them are perhaps,

1 you know, six to eight inches in diameter and maybe a
2 foot long and maybe two-quarters of an inch of wall on
3 it, and machined inside, outside and the ends. We
4 will finish machine the outside to go into a
5 customer's fixture and they will hone the inside to
6 their size.

7 Then, what they use these for is they will
8 put a stack of piston rings, not ni-resist inserts but
9 actual piston rings, on them and put an abrasive
10 liquid inside the lapping pot and then just move the
11 stack up and down in the lapping pot to smooth the
12 outside diameter of the piston ring so that when the
13 piston ring engages the cylinder wall in the engine
14 it's nice and smooth and it really doesn't have to
15 have a break in to it.

16 That's a consumable product. We shipped it
17 to as many as four different plants. We're shipping
18 currently to three plants. Two of them are Federal-
19 Mogul plants.

20 COMMISSIONER WILLIAMSON: Do you require
21 significant changes to your production line to make
22 these different products, and how long does the
23 changes take say from one to another?

24 MR. J. KORFF: No. They are fairly
25 interchangeable, actually. It's just that you have to

1 set up the machine tools differently and the dies
2 that's used to pour the metal in in the centrifugal
3 process, some of them are different than the ni-resist
4 dies. It's a different diameter than some of the ni-
5 resist product. The changeover is fairly quickly.

6 COMMISSIONER WILLIAMSON: I think it's not
7 significantly costly compared to the end cost of the
8 product.

9 MR. J. KORFF: It is not a detriment to
10 costing out. I mean, we're competitive in that
11 product line. You know, they're buying from us which
12 says we're competitive in it.

13 COMMISSIONER WILLIAMSON: Okay. Thank you.

14 MR. J. KORFF: Under the same cost structure
15 that we're producing ni-resist.

16 COMMISSIONER WILLIAMSON: Okay. Thank you.
17 I was wondering, how important is the cost of the
18 nickel in the final cost? I know it's not the most
19 important element.

20 MR. J. KORFF: Well, actually, it is. It's
21 15 percent of the composition. Nickel, I'll give you
22 an example of the range of nickel prices. Nickel
23 tends to be a volatily priced material. It could
24 range from as little as \$3, \$4 a pound to at point it
25 hit \$25 a pound, and it did that in a pretty short

1 period of time, like maybe within a year.

2 Then it tumbled back down again to the \$3
3 and \$4 a pound level, and now it's up to \$7 a pound,
4 \$7 something right now. So it's a very volatile,
5 surprisingly volatile material. It drives the primary
6 cost. Copper is six and a half percent of ni-resist
7 and copper has been a very volatile material. It went
8 from 80 cents a pound at one point up to \$3 a pound.

9 Now it went down, and now it's back up again
10 to like \$1 -- I forget the price now. It's \$1.60,
11 \$1.80, something like that. So another way to say
12 that, though, is if copper wasn't part of your metal
13 formula, then you're taking big swings in cost
14 differences based on the price of copper when you're
15 not passing that along to your end user. Copper was
16 never this volatile, in my opinion, my knowledge, but
17 within the last few years it's gotten crazy.

18 COMMISSIONER WILLIAMSON: If you want to do
19 this in a posthearing brief, that's fine. What other
20 format are you using -- do you tend to offer for the
21 other products that you're selling now, I mean are you
22 using all metal?

23 MR. J. KORFF: For everything else we do in
24 a plant it's based on everything we consume is metal.
25 If we make stainless steel castings, which are chrome

1 nickel, we will price them on a basis of current metal
2 market for chrome and nickel. And when chrome and
3 nickel changes so quickly and customers want a fixed
4 price, what we'll tell them to do now for the sand
5 castings part is that, send us the money, we'll buy
6 the metal at today's market price, and then we'll
7 reserve that metal for you. Some of them chose to do
8 that, some of them don't choose to do that, but all
9 our castings are indexed based on current metal
10 market. Ni-resist we index based on, you know, again
11 the two formulas, either the nickel-only index or all
12 component index.

13 COMMISSIONER WILLIAMSON: Thank you. In
14 posthearing -- my time is up so I'll come back to
15 that.

16 CHAIRMAN ARANOFF: Commissioner Pinkert.

17 COMMISSIONER PINKERT: Do you want to go
18 ahead and finish your questioning?

19 COMMISSIONER WILLIAMSON: Well, I was going
20 to say, in posthearing can you tell us what share of
21 the change to your all-metal surcharge was due to the
22 change of the price of nickel in each of the years of
23 the period that we're investigating? So in each of
24 the years that period of investigation.

25 MR. J. KORFF: Okay, we could do that.

1 COMMISSIONER WILLIAMSON: Okay, thank you.

2 COMMISSIONER PINKERT: Thank you, Madam
3 Chairman. Can you give us more information about any
4 minimum quantity requirements that you have for your
5 customers?

6 MR. J. KORFF: About 500 pieces would be
7 normal minimum quantity. Very rarely does anybody
8 actually order 500 pieces, it's unusual. There was a
9 point where when we had lost the Federal-Mogul
10 business that we were soliciting Federal-Mogul again
11 through our sales representative, and to get a minimum
12 volume to actually make it make sense to have a
13 furnace running with the ni-resist material, we said
14 we would like 4,000 rings a day, 4,000 inserts a day
15 to give us say a critical mass to start up what we
16 call a channel furnace and have an operation.

17 With less than 4,000 a day, we melt out of a
18 batch furnace and transfer metal over to the
19 centrifugal pouring area, which is clumsier for us and
20 more costly. But we were trying to work a way to get
21 back into the business with some kind of realistic
22 quantity that we could live with so we didn't have a
23 furnace sitting idle consuming electricity for days
24 and days and days with nothing to do.

25 COMMISSIONER PINKERT: Did you do some kind

1 of a calculation to determine what the minimum
2 quantities were at that time? I mean do you have some
3 record of how you worked that out?

4 MR. J. KORFF: Not really a record. It was,
5 the yield on a tube on a centrifugal casting is
6 roughly 50 percent, and the average weight at the time
7 of the product mix we thought was something like a
8 pound. So we thought we could pour 8,000 pounds of
9 centrifugal castings a day which would yield maybe
10 4,000 rings of about a pound a piece, and it was sort
11 of a rough estimate that way to come up with 4,000.

12 Now, the inserts that might have been
13 ordered within that 4,000 a day range might have been
14 from stuff that was less than a pound to stuff that
15 was greater than a pound, but the average would have
16 been something close to that. And if it was over or
17 under a little bit it would have been okay, it just
18 was sort of a ballpark approach to say, what would it
19 take to get back firing up a channel furnace and
20 producing this part on a daily basis again.

21 COMMISSIONER PINKERT: And how did you
22 communicate that requirement to the customer?

23 MR. J. KORFF: Through Federal-Mogul our
24 sales representative who services the account.

25 COMMISSIONER PINKERT: And can you recall

1 roughly when that might have occurred?

2 MR. J. KORFF: Probably as much as two and a
3 half years ago or so, yes.

4 COMMISSIONER PINKERT: And was that a
5 problem for the customer?

6 MR. J. KORFF: Well, we never got -- we got
7 some spot orders since then, but we didn't get enough
8 business. The other part that happened at Federal-
9 Mogul is they change lots of buyers, every time you
10 went up they had a different buyer, so you never
11 really got the continuity of communication because of
12 the changes in the buyer. Would they entertain that
13 again? I don't know.

14 Since this process has started and we
15 haven't received any orders we haven't really pursued
16 it very hard. You know, it's a small part of our
17 business now and we really can't spend 100 percent of
18 our time trying to worry about a part of the business
19 that we can't make a living on at this point in time.
20 Hope to make a living on it again, but we can't right
21 now, so we're devoted to other things.

22 COMMISSIONER PINKERT: Now, turning to the
23 foreign producers, and you can answer this in terms of
24 Argentina or Korea or both, do you think they face a
25 similar constraint in terms of minimum quantity as the

1 one that you've described?

2 MR. J. KORFF: There is always a constraint.
3 I mean the process includes you have to heat the dyes
4 up to start, and if you heat them up and make one
5 casting in the dye for a 30-piece order it has a
6 unique cost to heat the dye up. If you have to set up
7 a machine tool to machine one tube with, you know, 30
8 to 40 or 50 rings in it and that's your total order,
9 it's a whole machine setup, so that is not -- you
10 can't do that.

11 If you had only orders for 40 pieces and
12 they were all different sizes it would be a completely
13 different priced product than it is if you're making
14 10,000, 20,000 at a time. If you're making the 10-
15 and 20- and 30,000 piece run and you get an order for
16 some shorter runs at some minimum quantities you
17 probably would throw that in the mix and not worry
18 about it because that's not your main business, you're
19 kind of doing that as a convenience for the customer
20 without, you know, fully absorbing your costs for that
21 part.

22 But if that's your entire business, you've
23 got to think differently about it because now you do
24 have all those extra costs, there's machine changes,
25 the dye heat-ups that you're not recovering, most of

1 the time when you pour metal in a dye the first tube
2 you pour it's not a good one because you want to
3 uniformly heat the dye better so you let that be sort
4 of the warmup piece. So you're making two castings to
5 get one casting's worth of rings or inserts out of it.
6 So it's a more costly process if your total business
7 model is very short runs. Is that sufficient, did you
8 get it?

9 COMMISSIONER PINKERT: Thank you, yes,
10 that's helpful.

11 MR. J. KORFF: All right. I'll say it
12 differently if you want it a different way.

13 COMMISSIONER PINKERT: Now, I understand
14 that you don't have access to information under APO,
15 but if there's anything that you can say in the
16 posthearing brief regarding whether the pricing data
17 that we have covers both double- and single-piston
18 inserts or whether you think it covers both, that
19 would be helpful. And also how that would affect the
20 pricing comparisons if they covered both the double-
21 and the single-piston inserts. I realize that you may
22 not be able to answer that, but anything that you can
23 give us on that would be helpful.

24 MR. G. KORFF: I can say that QCC doesn't
25 distinguish in terms of what its costs are between

1 whether or not an order is for a double insert or
2 whether or not it's for a single insert. They're all
3 considered to be, the way the accounting is done,
4 they're all considered to be a ni-resist insert
5 product. And so when a double-insert ring is
6 manufactured it does tend to spike the price a little
7 bit just because it requires more labor, there is more
8 time basically that has to go into producing this
9 product.

10 And when all of your business, the very
11 little business that remains, consists of this double-
12 insert ring, it's going to tend to cause a big
13 fluctuation especially when taking into account the
14 fact that QCC is offering very very little volume, so
15 any change in a price is going to throw the trend way
16 off. But to answer your question as to what the
17 pricing data is for a double insert versus a single
18 insert, I will definitely address that in the
19 postconference brief.

20 COMMISSIONER PINKERT: And again, if you can
21 give us your understanding of how that might be
22 affecting the price comparisons, that would be helpful
23 too.

24 MR. G. KORFF: Sure.

25 COMMISSIONER PINKERT: Thank you very much.

1 Thank you, Madam Chairman. That's all I have for this
2 panel, and again I appreciate your answers and look
3 forward to the posthearing.

4 CHAIRMAN ARANOFF: Are there additional
5 questions from Commissioners?

6 (No response.)

7 CHAIRMAN ARANOFF: Do the Staff have any
8 questions for this panel?

9 MR. DEYMAN: I'm George Deyman, Office of
10 Investigations. The Staff has no questions.

11 CHAIRMAN ARANOFF: Mr. Kane, do Respondents
12 have any questions for this panel?

13 MR. KANE: I'm sorry, Madam Chairman. No we
14 don't at this time.

15 CHAIRMAN ARANOFF: Okay, thank you. Owing
16 to the fact that the hour is still rather early we
17 will not take the traditional lunch break at this
18 point but will proceed directly to the second panel.
19 I will, however, use the Chairman's prerogative to
20 call a five-minute recess so that we can all use the
21 facilities if we need to. So we will break for five
22 minutes and then resume with the next panel.

23 CHAIRMAN ARANOFF: Welcome back to the
24 continuation of this hearing. Mr. Secretary, are
25 there any preliminary matters before we hear from the

1 second panel?

2 MR. BISHOP: No, Madam Chairman. The second
3 panel, those in opposition to the imposition of
4 countervailing duty orders, have been seated.

5 CHAIRMAN ARANOFF: Please proceed whenever
6 you're ready.

7 MR. KANE: Thank you, Madam Chairman. As a
8 prelude to Mr. Turcott's testimony, there are several
9 points that I thought we might want to address with
10 regard to some of the questions that were asked
11 already and some of the statements that were made.
12 The composition of the inserts, I'm sure the panel
13 knows, is not just nickel and iron. The ni-resist
14 piston inserts are made of nickel, copper, chromium,
15 manganese, and an alloy called monel, and I think
16 that's reflected in some of your materials already and
17 in the ITA scope.

18 Mr. Korff referred to a recent quote and he
19 spoke about a nickels-only formula that was being
20 used. There is record information with regard to our
21 prehearing brief that indicates that the most recent
22 quotation was on an all-metals basis, not on just
23 nickel. There was a statement made that Karl Schmidt
24 took its business to Argentina. I think it's clear
25 that Karl Schmidt had a relationship for more than ten

1 years with the Argentine supplier.

2 The current situation in Argentina is one
3 that has caused no disruption of supply, and
4 information on Clorindo's capacity is a matter of
5 record. Those were two points that were raised with
6 regard to Argentina. QCC's capacity and the number of
7 production related workers is also a matter of record.
8 The calls that may have been made two years ago were
9 prompted possibly by the changing EPA requirements for
10 emissions. We're unaware of any shipping disruption
11 that would have caused those calls to be made.

12 What we also saw was that Karl Schmidt
13 experienced an increase in orders from its customers
14 that didn't allow the customary lead time from
15 Argentina to the United States for satisfaction of
16 those orders. The movement from aluminum pistons in
17 diesel engines to an all-steel product is also a
18 matter of record. There was a reference to imports of
19 finished pistons early in Mr. Korff's testimony, and
20 then later he seemed to backstep a little bit from
21 that statement, but imports of finished pistons
22 incorporating ni-resist inserts would be downstream
23 products that would also be nonsubject imports that
24 could affect QCC in its condition as it stands today.

25 With regard to the formula for pricing,

1 there is record information in this case already that
2 largely came from Federal-Mogul with regard to the
3 practices worldwide. One of the problems with the QCC
4 formula is that it doesn't necessarily reflect the
5 prices for the inputs for the inserts made for the
6 customer. The purchases of metals that are used for
7 other products during the preceding month are part of
8 the formula. So that if QCC made a bad decision in
9 buying some of these other products they would be
10 passing on that imprudence to KUS.

11 There was a question with regard to KUS as a
12 spot customer. KUS has always been a spot customer,
13 and QCC's injury with regard to KUS is a function of
14 its desire to have gotten more, not to have gotten
15 business that it lost. It lost its business to
16 Federal-Mogul. The references to the preperiod of
17 investigation is anecdotal, but we believe it should
18 be given little or no effect in the Commission's
19 decision in this case.

20 We have seen counsel Korff asking for
21 cumulation of nonsubject imports with subject imports
22 time and again, and the likelihood is he will be
23 changing that position in the posthearing brief.
24 These latest of the customers, we have said in the
25 Staff conference and in our papers, the concerted

1 efforts of competitors to satisfy QCC's demands might
2 raise antitrust issues that could the subject the
3 participants to penalties under other sections of the
4 law.

5 There is record information that indicates
6 that QCC's prices were not always higher. Price was
7 not the sole consideration of KUS in making its
8 purchases from manufacturers of the subject
9 merchandise or from QCC. There were questions raised
10 with regard to other suppliers and how they can only
11 index nickel. The other suppliers we believe are able
12 to enjoy economies of scale that QCC does not. We
13 believe those suppliers also purchase in volumes of
14 the metal ingredients that would allow them to engage
15 in hedging.

16 There was a question with regard to standard
17 pricing, and we believe that the standard pricing is
18 across the world, not just limited to the United
19 States. You would only have one participant in the
20 market to measure the standard of pricing if you used
21 QCC alone. There was a question from Commissioner
22 Williamson about the pricing of other products. I
23 think there may be additional question that would have
24 to be asked on that, and maybe I missed an opportunity
25 to ask this question, but I believe that what Mr.

1 Joseph Korff was describing were spot buys, not
2 program purchases the way KUS would make from
3 Clorindo.

4 There was a question again with regard to
5 the minimum quantities. QCC requires them, Clorindo
6 doesn't. Again the economies of scale, Clorindo is a
7 much bigger manufacturer and they are able to meet
8 their customers' needs on a customer by customer basis
9 in a much better fashion than QCC has. And I think
10 that's all of the questions that had been raised that
11 I thought necessary to address at this point. Now Mr.
12 Turcott.

13 MR. TURCOTT: Am I on? I guess so. Madam
14 Chairman and Members of the Commission and Staff, I
15 appreciate this opportunity to speak with you today.
16 My name is Robert Turcott. I am Vice President
17 General Counsel for Karl Schmidt Unisia, Inc. We are
18 located in Marinette, Wisconsin. Karl Schmidt Unisia,
19 Inc is a piston manufacturer for gasoline and diesel
20 engines, and a supplier to the original equipment
21 manufacturers, primarily the automotive and trucking
22 industry.

23 Currently KUS is working to survive the
24 current recession. Since January of this year we have
25 been forced to eliminate 230 hourly and salary

1 positions on a permanent basis. In addition we've had
2 to implement furloughs, no work no pay, ranging from
3 five to seven weeks, with more furloughs and job
4 eliminations expected by the end of the year. To
5 continue its existence, KUS must make a profit, and
6 the auto supplier industry is not a high profit
7 business.

8 It must make the profit to continue the
9 remaining 800 KUS jobs in a very small community in
10 northern Wisconsin and to prevent them from being lost
11 forever. To succeed, KUS must make intelligent
12 product decisions that will build the company's future
13 and limit its risks. And only with superior quality,
14 competitive pricing, and literally 100 percent on-time
15 delivery can KUS fulfill the exacting requirements of
16 its available but limited customer base and preserve
17 these jobs for the future.

18 In my testimony this past February at the
19 Staff Conference, I spoke about the importance of
20 measuring and acting on risk versus benefit and a need
21 to develop a long term customer base in order to
22 sustain a successful business. The practical
23 application of risk and benefit has never been more
24 evident for KUS than during the past 12 months. If
25 KUS had continued to employ the associates that

1 unfortunately were laid off, management would have
2 placed the company at great risk of failure and
3 destroyed the jobs of the remaining 800 associates.

4 KUS is an original equipment manufacturer
5 for diesel customers, using pistons with ni-resist
6 inserts in diesel engine manufacturing for customers
7 such as Cummins, Inc. To become a supplier to our
8 customers, KUS must continuously meet strict
9 performance standards implemented by our customers,
10 including 100 percent on-time delivery, and in doing
11 so KUS must agree to assume the responsibility and the
12 liability that may occur in the event that KUS stops
13 or causes disruption in the customer's production line
14 by failing to meet the piston delivery deadlines.

15 If such an even should occur, KUS may be
16 responsible for damages amounting to hundreds of
17 thousands of dollars per day per line. Critical to
18 avoiding such risk is that KUS use proven suppliers
19 about whom KUS can be confident of their ability to
20 support KUS's requirements, but most importantly KUS's
21 customer requirements, and provide that product at
22 competitive prices according to what our customers
23 say.

24 Furthermore, KUS must be confident that its
25 suppliers will work with KUS in good faith and honor

1 their commitments. To date, Quaker City has failed to
2 accomplish that level of confidence. Purchasing ni-
3 resist piston inserts from Quaker City, an
4 insignificant producer of the product at best, creates
5 an inherent, unreasonable business risk. It is a
6 company purchased out of bankruptcy starting with no
7 liabilities in 2004 by the son of its president.

8 Ten days later Quaker City informed KUS and
9 some other customers that Quaker City required ni-
10 resist insert sales volume of at least \$500,000 per
11 month to remain in the business and without which
12 Quaker City would abandon the business. KUS has never
13 ever been able to produce \$500,000 of ni-resist sales
14 volume to anyone. Two weeks later Quaker City
15 followed this letter of abandonment of the business
16 with another letter for increased prices and minimum
17 order requirements.

18 In the years since that letter, for Quaker
19 City to be proven a legitimate player in the piston
20 insert business one can only imagine the level to what
21 that threshold number has now arisen. Threatening to
22 abandon a business unless customers increase their
23 purchases followed by a price increase and quantity
24 minimums does not instal confidence for the future
25 existence of that business, nor its reliability as a

1 long term future supplier.

2 When such an event occurs, the immediate
3 reaction, whether it's announced public here or not,
4 of a customer is to search for an alternative supplier
5 to replace that unstable supplier. Quaker City
6 advertised itself as an iron and steel casting company
7 in which ni-resist inserts are a sideline business,
8 and as we learned today, not a business. Ni-resist
9 inserts are a secondary product to manufacturing other
10 products.

11 Quaker City is not dedicated to ni-resist
12 piston inserts. To recognize Quaker City Castings as
13 the ni-resist piston insert industry in the United
14 States is a pretense at best. It might like to be,
15 but it certainly is not. The ability to strike a
16 match does not make one an energy industry. In
17 comparison, Clorindo Appo is a company with production
18 dedicated to ni-resist piston inserts. It has
19 international customer base, it has proven to be a
20 dependable supplier to KUS for a long time as well as
21 its global affiliates and its customers for many
22 years.

23 Clorindo Appo is able to use economies of
24 scale that benefit KUS and its customers when piston
25 products require purchasing ni-resist piston inserts.

1 Essentially Quaker City through its questionable
2 business decisions has made its own ni-resist insert
3 reputation in the United States and presumably abroad,
4 and now must live with it. At worst, Quaker City's
5 business decisions have lost most if not all of its
6 former long term ni-resist insert business.

7 At best Quaker City has broadcast mixed
8 messages to its potential customers since it was
9 purchased out of bankruptcy, and none of those
10 messages were good. In addition to the significantly
11 increased risk for failure to deliver product, which
12 for our company is a huge risk, KUS would be subject
13 to Quaker City's long term program pricing formula for
14 ni-resist piston insert metals materials. Long term
15 programs are the basis of the ni-resist piston
16 business.

17 Ni-resist pistons are not a commodity, it's
18 not something you can just go out and buy whenever you
19 want to. They're specifically designed to a
20 specifically designed piston, and every piston in
21 every different engine is different. Long term
22 programs require a purchaser with the ability to
23 produce larger quantities of ni-resist piston inserts
24 over an extended period of time at a competitive
25 price.

1 10,000 units is not a lot, it's a spot buy.
2 30,000 units is not a lot, it's a spot buy. Long term
3 programs are three years, five years, seven years, and
4 maybe there's extensions. And yes, there's service
5 requirements after a particular engine goes out of
6 production. The common practice is to apply a public
7 metals market pricing formula to account for
8 substantive changes in nickel commodity pricing. It's
9 the primary alloy in the nickel-resist piston and
10 insert.

11 This practice is accepted by KUS customers,
12 allowing KUS to pass through increases or decreases in
13 nickel prices to our customers. True, Quaker City
14 negotiated such an agreement with such a formula in
15 2007 with KUS, only to reject it before finalizing the
16 agreement. Under the proposed Quaker City pricing
17 proposal Quaker City passes through the cost of all
18 metals purchased by Quaker City in a preceding month
19 to manufacture of the Ni-resist insert. However, KUS
20 customers will not accept a pass through of cost
21 changes in metal materials of lesser amounts than the
22 nickel in Ni-resist inserts. In fact, it took KUS a
23 long time to negotiate agreements with customers to
24 accept fluctuations in the nickel in the Ni-resist
25 insert; nor will our customers accept a formula that

1 is not based on public metals market pricing. Quaker
2 City uses metals purchase prices based on its own
3 purchases regardless of public metals market pricing.

4 Result: Quaker seeks to pass its buying
5 errors in metals. Nonetheless, we can't pass them any
6 farther down the line. Our customers expect us to eat
7 any fluctuations in anything other than nickel.
8 Consequently, we have to do the same.

9 Where there has been some tolerance by KUS
10 customers, as I said before, to accept cost
11 fluctuations of cost of nickel, there is no tolerance
12 for additional cost fluctuations relating to other
13 metals in the Ni-resist insert. Earlier I spoke about
14 the importance of risk versus benefit. To accept the
15 Quaker City metals, non-public QCC specific pricing
16 method will clearly place KUS at a disadvantage with
17 its competitors. If forcing KUS to assume a metals
18 price risk burden not shared by our competitors and no
19 ability to pass through our metals prices, increases
20 or decreases, to our customers.

21 The lack of business success of Quaker
22 City's Ni-resist business has little, if anything, to
23 do with the imports from Argentina. It has much more
24 to do with their inability to develop a trusting
25 business relationship, much more to do with their

1 pretense that being a company with a side business
2 makes them an industry, more to do with the failure of
3 Quaker City's side business to succeed as a legitimate
4 global participant in the Ni-resist piston insert
5 business. Even with the loss of our non-subject
6 supplier as a major customer being a supplier of
7 Federal-Mogul, they lost them and there was nothing
8 there.

9 In the end, Quaker City's Ni-resist side
10 business is not injured by reason of imports, but
11 rather by Quaker City's own business judgment of risk
12 and benefits initiated by its own actions beginning in
13 2004. They are hoping to return to the business
14 again. They're hoping that pull in the apple has some
15 magic key to Ni-resist business, that if QCC gets a
16 hold of that key or can hide the key from Clarindo
17 Appo, QCC is going to become a player in the Ni-resist
18 insert business. Does anybody reasonably think that's
19 going to happen? It is unlikely that KUS will be
20 placing large orders with Quaker City anytime soon due
21 to Quaker's City unreliability and its behavior in the
22 past. There are inherent risks with doing so.

23 They talked about the period before 2006,
24 which is the period of this investigation. Two-
25 thousand-four is when Quaker City was brought out of

1 bankruptcy. It was a new business -- right out of
2 bankruptcy, no liabilities. Prior to that time, it
3 was a different business under different ownership.
4 The issue -- I assume somebody is going to ask me a
5 question here about what happened in the 1990s and all
6 of that sort of thing. Well, KUS has been using
7 Clarindo for going back into the 1990s. We had no
8 relationship with QCC. It was not until 1999 that KUS
9 purchased the company called Zolinar Pistons, located
10 in Fort Wayne. Zolinar Pistons happened to have some
11 contracts of some length using QCC pistons -- or
12 inserts. Now this is before the present regime took
13 over in 2004 at QCC. Between 1999 and thereafter,
14 those programs disappeared from Zolinar Pistons.
15 After we purchased them, they went out. These
16 programs do not last forever. In fact, we're right
17 now in the midst of losing a program -- does not use
18 Ni-resist. We're losing a program with General Motors
19 because the contract is running out this year. And in
20 three months, we won't be making that piston anymore
21 and we won't be using any suppliers for that piston
22 anymore because General Motors decided we're not going
23 to continue that engine. We don't need those pistons.

24 The same thing happens with Ni-resist
25 pistons. As far as the blip in the spot purchasing

1 that occurred -- that occurred, I believe, in the fall
2 of 2007 -- was the result of a change in the emission
3 standards for trucks, diesel trucks. Trucks made
4 prior to December 31 of 2007 were going to be \$5,000
5 to \$10,000 less expensive because of the increased
6 emission controls that would be on the subsequent
7 trucks. As a result, there was a heavy demand for
8 trucks. They were not just talking about ELO and Old
9 Dominion. We're talking about independent truck
10 drivers, contract drivers. This is their chance, a
11 huge demand for these engines. I mean, just -- this
12 has been planned out for years and years that we're
13 going to be selling at this. All of a sudden here's a
14 blip like this. We were operating at capacity. So,
15 we needed to find an alternative source and we found
16 QCC as a spot source. And we accepted their terms
17 because we needed them as a spot source because we
18 needed to provide 100 percent on-time delivery. This
19 was no promise to say, okay, this is going to be --
20 you're going to be a player for the future.

21 However, despite that list, we have looked
22 at them as an alternative source. And subsequently in
23 2007, we're exploring them as an alternative source.
24 But we work for the world here. Unlike some people
25 think, everybody is involved in this global economy

1 somehow, some more so than others. Our customers are
2 global customers. They want suppliers that can meet
3 global standards so they can meet global sales. And
4 it all goes from the top to the bottom. Everything
5 you add on is a little more. I'm sure you all are
6 very aware of that. But, in our industry, it is
7 extreme. So, we need dependability. We need to be
8 able to compete -- yes, we compete with Federal-Mogul,
9 but we also compete with countries overseas that make
10 the same products and we compete with where they're
11 made.

12 And for these reasons, Karl Schmidt Unisia
13 respectfully requests that this Commission find that
14 there is no injury based on the imports and certainly
15 none that is going to affect the future of the
16 business. If there is any questions, I thank you for
17 your time, I will do my best to respond to them.

18 CHAIRMAN ARANOFF: Thank you, very much.

19 MR. TURCOTT: You're welcome.

20 CHAIRMAN ARANOFF: I thank all the witnesses
21 on the second panel for being here with us today.
22 We're going to begin the questioning with Commissioner
23 Okun.

24 COMMISSIONER OKUN: Thank you, Madam
25 Chairman. I join the Chairman in welcoming you here.

1 I appreciate your willingness to testify and to answer
2 our questions and tell us more about your business.

3 Mr. Turcott, let me just stay with you. You
4 had talked about the importance of just-in-time and I
5 noticed we had a lot of information in the staff
6 report. But, I was trying to understand when you talk
7 about the 2007 and the negotiations with QCC and then
8 what happened after that -- let me start with this
9 general question to make sure I understand it. For
10 your business, would it be preferable to always have a
11 second source or is this the type of parts supplier
12 business where you want one company that you know is
13 going to be there for the life of the program, as
14 you've described it?

15 MR. TURCOTT: Okay. You're right in both
16 respects, because your choice of the supplier -- if
17 your suppliers, say for pins, the customers have to
18 approve that up front. But, you always want to try --
19 ideally, you want an alternative source. If you're
20 ordering out of China or if you're ordering out of
21 Brazil or Somalia or wherever the heck you might -- we
22 don't order from Somalia because they're mostly stolen
23 before they even get here. That's just a joke. You
24 want to have an alternative. You want to have
25 alternative buyers or sellers.

1 The products that are sufficiently unique,
2 that you don't have many and each piston is different
3 for each engine, as I said before, takes years to
4 design these pistons and the engines they go into to
5 make them efficient, to make them to run the way
6 they're supposed to with the emissions and all that
7 sort of thing. So, yes, you would like to have that.
8 To lower your risk, you want to have an alternative
9 place. Unfortunately, there aren't very many, not
10 many that can turn it around very quickly. So, the
11 long-term program supplier is really critical and to
12 have somebody that you know is delivering. And to my
13 understanding, Clarindo Appo has never missed a
14 shipment, ever, in years and years and years, which
15 mainly used to be why would there be this spot buy
16 situation. Well, it's because the orders increased
17 way beyond what the orders were expected to be three,
18 four, five years ago when their projections of how
19 this engine was going to sell. They didn't know that
20 these emission standards were going to be changing and
21 that there would be this big bubble in the end.

22 COMMISSIONER OKUN: Okay. And then I'll
23 just remind myself to remind you, which is if I ask
24 you any questions for which you would be comfortable
25 replying post-conference, please do so. I know it's a

1 very small group here, but -- in 2007, you know, after
2 all of your descriptions of the problems QCC had, the
3 2004 letter, its impact on how it was perceived by
4 your company and how you perceived it, in terms of its
5 reliability, when you have this increased --
6 unexpected increase for a particular piston and you
7 need to go outside your current supplier, did you also
8 look to other suppliers, non-subject suppliers at that
9 time?

10 MR. TURCOTT: We might have; we might have.
11 I wasn't intimately involved with what they were
12 doing, what the purchasing was doing. But, the demand
13 rose so quickly that we didn't really have a lot of
14 time to shop around to find out if there were other
15 Ni-resist people to deal with. For all intensive
16 purposes, I mean, they were dealt with Clarindo Appo.
17 I think we dealt with QCC before. The one thing with
18 Clarindo Appo was they were pretty much close to
19 capacity and also they had a long shipping time
20 because they have to ship it across the water to get
21 it up here. They were able to -- what we would have
22 done if not -- if we hadn't found replacements of QCC,
23 I'm not certain what we would have done, but I'm sure
24 we would have done something because their on-time
25 delivery was hanging out there and it literally is

1 hundreds of thousands of dollars a day. It may ruin a
2 company.

3 COMMISSIONER OKUN: Okay. And then you
4 talked about the importance of these different long-
5 term programs. In 2008, was there an opportunity for
6 QCC to try to -- were you in the market bidding
7 suppliers against each other?

8 MR. TURCOTT: I don't think so. I don't
9 think we were because a lot of times programs will
10 come up and they disappear before they go anywhere and
11 they come from the customers and from their research
12 and development people, what do you think about an
13 engine like this or an engine like that. I don't
14 believe so. See and also in 2008, demand for engines
15 with those types of pistons dropped off significantly,
16 starting about this time last year, for obvious
17 reasons.

18 COMMISSIONER OKUN: Okay. And you may have
19 -- some of this may have been in your pre-hearing
20 brief, but you might want to supplement that in post-
21 hearing, in 2008, for any of your other existing --
22 the long-term programs of which you had, if there were
23 some that were in place, if there is any information
24 of whether you were going out and bidding for other
25 suppliers or would you have just had your --

1 MR. TURCOTT: You probably just had -- I
2 mean, you're talking about just the Ni-resist?

3 COMMISSIONER OKUN: Yes, just for Ni-resist,
4 just with this product.

5 MR. TURCOTT: I don't think there were any
6 others at that time that we needed to go out and seek
7 anything. I'm not sure. These programs last a long
8 time and there aren't that many of them. One of our
9 customers may design an engine for a particular
10 purpose that meets certain performance standards in
11 terms of horse power and emission and they'll look at
12 it for a long time.

13 MR. KANE: If I might add something.

14 COMMISSIONER OKUN: Yes, Mr. Kane.

15 MR. KANE: I believe that with negotiations
16 with QCC, that ran into 2008.

17 MR. TURCOTT: No, they ended basically in
18 end of 2007.

19 MR. KANE: In 2007? I stand corrected.

20 COMMISSIONER OKUN: Okay. So, maybe just if
21 you could look at what we have on the record and if
22 you could just clarify for me post-hearing of whether
23 there were any ongoing negotiations either that came
24 out of what was the supply in 2007 from QCC and how
25 that related to what was going on with your bids for

1 product, if there was any.

2 MR. KANE: Sure.

3 COMMISSIONER OKUN: That would be helpful
4 for me. Thank you.

5 Then I just want to -- I know you've
6 commented on this, but just to make sure I understand
7 it, to the extent we heard from counsel this morning
8 with respect to unrest in Argentina that would have
9 effected the product or your supply, is there anything
10 -- they had indicated there were news reports and
11 other things that they would put on the record. Is
12 there anything that you could comment on with respect
13 to your supply arrangement?

14 MR. TURCOTT: I can comment that we haven't
15 missed any shipments.

16 COMMISSIONER OKUN: Okay.

17 MR. TURCOTT: I mean, I haven't heard of any
18 unrest that has effected our shipments. I mean,
19 nobody said anything to me. I'm sure I would have
20 heard something. But, we haven't had any problems
21 with any shipments. Now, obviously, shipments are
22 down because of the supply requirements of this past
23 year, but I haven't heard nothing -- I mean, news to
24 me. And we have not been affected.

25 COMMISSIONER OKUN: Have not been affected,

1 okay. And then could you comment about -- and I know
2 you've talked about how you viewed their pricing
3 structure and the all metals basket versus the nickel,
4 but can you just talk to me about was this an unusual
5 period? In other words, should we be looking at
6 pricing and other information during this period and
7 saying, well, it was unusual because while -- because
8 metals were doing strange things? I mean, it happens
9 sometimes more looking at cases where you have
10 something happen that disrupts the market, which one
11 would not anticipate, but which a purchaser would have
12 to pay a price for because it was so unusual.

13 MR. TURCOTT: I think I understand what you
14 said.

15 COMMISSIONER OKUN: Well, I'm just trying to
16 understand --

17 MR. TURCOTT: Was there a time --

18 COMMISSIONER OKUN: -- their process -- let
19 me clear it up. You've described their pricing
20 structure as unreasonable and that, you know, maybe
21 they offered you one time to do it on nickel, but the
22 rest of the time they're using these metal baskets and
23 that's not what you had from your current supplier.
24 I'm just trying to understand in this industry where
25 the product, itself, has a lot of different metals in

1 it, whether this is really -- whether it was just
2 unusual because there was a lot of price volatility in
3 the metals.

4 MR. TURCOTT: I think that's part of it. I
5 think part of it for us, the customer, once that
6 contract is set, those prices are set for that
7 particular piston part. That's the price. And it's
8 up to you, as the supplier, if you have problems, your
9 price increases for whatever, your electricity goes up
10 or whatever the case it is, you eat it. For now, and
11 we have finally recently gotten to the point where
12 we've been able to negotiate an amendment, basically,
13 with these contracts to allow for changes in nickel
14 fluctuation because it's the largest percentage other
15 than the aluminum. The other ones, the customers
16 consider to be, you know, de minimus. They say, we
17 can't keep track of all that stuff. It's up to you to
18 make sure this is -- you get this to us on time, at
19 the price we agreed upon. Yes, we'll negotiate with
20 you on the fluctuation of the nickel, as it occurs.
21 There are certain agreements on that. That's the way
22 it is.

23 COMMISSIONER OKUN: Okay. I might have a
24 follow-up to that, but my red light is on. So, I
25 thank you for your responses.

1 CHAIRMAN ARANOFF: Commissioner Lane?

2 COMMISSIONER LANE: Thank you. And I, too,
3 welcome this panel. I would like to go back to your
4 opening statement about you employ 800 people at your
5 facility in New Hampshire?

6 MR. TURCOTT: No, Marinette, Wisconsin.

7 COMMISSIONER LANE: Okay, Wisconsin. I was
8 never very good with geography, sorry. Do all 800 of
9 those employees do something with the product that
10 uses the Ni-ring?

11 MR. TURCOTT: No. We make lots of other
12 pistons.

13 COMMISSIONER LANE: Okay. I would like for
14 you to give me another review of what your 800
15 employees do and what you actually do at that facility
16 in Wisconsin.

17 MR. TURCOTT: Okay. We only make pistons
18 and we make pistons for everything from motorcycles,
19 automobiles, to trucks, to yachts, to lawnmowers --
20 all kinds of different things. And different
21 customers have contracts in place at different times.
22 The facility -- we have 800 now -- we used to have 250
23 more -- and they're all employed in making pistons.
24 The pistons and the support -- I mean, we have -- it's
25 like a regular company. We have finance people and HR

1 people and all that. But, the majority -- we have our
2 own engineers. We have designers. We have -- you
3 know, most of it is all production. We have foundries
4 and we have lines of machinery that turn out these
5 pistons for a variety of customers.

6 COMMISSIONER LANE: Okay. So what portion
7 of your 800 employees are actually using the Ni-
8 piston?

9 MR. TURCOTT: That actually make it?

10 COMMISSIONER LANE: Yes.

11 MR. TURCOTT: I have no idea. It could be -
12 - because, I mean, there would be foundry workers
13 involved with it and there would be machining workers
14 involved with it and shipping people involved with it.
15 And I really -- I honestly do not know exactly how
16 many there are. I mean, there might be 100, 150.

17 COMMISSIONER LANE: Okay. Maybe I'll ask it
18 a different way. What portion of your total pistons
19 use the Ni-ring?

20 MR. TURCOTT: I can't tell you that either.
21 I'm sure we can tell it to you later.

22 COMMISSIONER LANE: Okay, that would be
23 fine. Yes, I would appreciate that. What I'm really
24 trying to determine is, you made the statement that
25 your customers, which I assume are the OEMs, will not

1 accept the pricing of the QCC Ni-ring and, therefore,
2 you have to stick with the lower-priced product from
3 Argentina. And I am trying to figure out exactly what
4 portion of your total product are we talking about
5 here that could attribute to the Ni-ring and what the
6 difference is between the Ni-ring that you might put
7 in if you bought it from QCC and the one that you're
8 getting from Argentina.

9 MR. TURCOTT: I think I know what you're
10 talking about.

11 COMMISSIONER LANE: I'm sorry, I can't hear
12 you.

13 MR. TURCOTT: I think I know what you're
14 asking for. When a company requires an aluminum
15 piston with a Ni-resistance or a diesel engine, they
16 propose what they're going to do and they propose this
17 to various piston manufactures, of which there are
18 approximately three in the world. They ask us for a
19 quote and they ask us for a quote on the completed
20 piston. So that would include the Ni-ring and
21 whatever other special things that are required. They
22 also ask for a breakdown of how we reach that price.
23 The price of the Ni-resist affects the total price.
24 And to the best of my knowledge, they learn what that
25 price is and then they will ask you, well, why is your

1 Ni-resist higher than this Ni-resist. Because, we try
2 to put in all of our costs and -- I can't tell you if
3 that's exactly the way it goes, but it's more or less
4 -- we'll say, well, this is because this is more or
5 this part is more or this is more, whatever it is.
6 They say, well, you've got to get that down. This is
7 what we're going to pay. So, we've got, say, for
8 example, this nickel that fluctuates, we need to have
9 this covered. In the past, they would say, too bad,
10 we're not covering that.

11 So, you have a choice of getting the
12 business now and maybe working it later. And there
13 are times when you are promised, they say, if you take
14 this business on, you'll get this other business and
15 that other business doesn't come. A new
16 administration comes along and whatever says, no, no,
17 we're not going to make that engine or we're going to
18 go with somebody else. It's just the way business
19 runs.

20 COMMISSIONER LANE: Okay. We've had several
21 references to the two letters, the one letter that
22 required a \$500,000 minimum, I think, in order to stay
23 in business, and then a second letter that increased
24 the prices and the minimum quantity. And I'm not sure
25 that we have those letters in the record.

1 MR. TURCOTT: You should. There should be
2 in there.

3 COMMISSIONER LANE: Okay, I'm sorry, I
4 thought that we didn't. Okay, that's fine then.

5 On page three of your pre-hearing brief, you
6 note that Ni-rings are part of a technology that is
7 becoming obsolete. Could you expand on that comment
8 and identify what technologies or alternative products
9 are replacing Ni-rings and why?

10 MR. TURCOTT: There's been a movement -- I
11 mean, I don't know how fast -- towards using steel
12 pistons. And my understanding for that is because the
13 use of an aluminum piston with a Ni-resist insert has
14 kind of reached its maximum capacity in terms of
15 compression, horsepower, and the subsequent endurance.
16 I've been told that you're really pushing the limit on
17 aluminum Ni-resist pistons in diesel engines when
18 you're getting up close to 400 horsepower. The new
19 engines, they require -- they want more power, better
20 emissions controls, et cetera, more efficient use of
21 fuel and so forth, but for the uses that the put --
22 they have these diesel machines, these engines,
23 especially you get into construction, that sorts of
24 things, they want bigger engines for this.

25 People see semi-trailer trucks on the

1 highway all the time. They say, they know they're
2 diesel trucks. They see those. But very few people
3 have seen what most of the use is for. You've got
4 these huge yachts that I'm sure each of you have
5 probably, one on the Potomac somewhere, but most of us
6 may be able to see it in a picture somewhere. Say,
7 like Tiger Woods has a yacht. He may have six or 10
8 of those engines in that yacht with these diesel, you
9 know, and he's -- those engines are powerful. They
10 can't use the aluminum diesel -- aluminum pistons for
11 these. So, they have steel pistons in them. And the
12 same is true like with mining. I don't think much ice
13 road truckers. Those diamond mines, all those sort of
14 things, all over the world, and there's a huge demand
15 -- well, there's a big demand for this. And it's
16 basically unseen by most of us, unless you live in a
17 town where they make them or have some relationship to
18 such a company that makes them, like mining equipment
19 or whatever, you know, you see in these big mining
20 pits and things like that. There are hundreds of
21 these that are made. I mean, this is not referred to,
22 these particular pistons.

23 But at one time, I had to do some work at a
24 Ford engine plant in Minneapolis and I talked to
25 somebody on the line and said how many trucks do you

1 produce a day; we have two lines, we produce like 700
2 to 800 a piece a day and they had these huge parking
3 lots filled with pick-up trucks. I said, who buys all
4 of these. And the guy on the line says, we asked the
5 same thing, but they still produce them, hundreds.
6 Well, if you take every engine, say you have eight
7 pistons in an engine, thousand engines, 8,000 pistons.
8 And there are hundreds of thousands of these engines
9 out there.

10 COMMISSIONER LANE: Okay, thank you. Thank
11 you, Madam Chair.

12 CHAIRMAN ARANOFF: Commissioner Williamson?

13 COMMISSIONER WILLIAMSON: Thank you, Madam
14 Chairman. I thank the witnesses for their testimony.
15 Staying on the question of Commissioner Lane, what is
16 the principle reasons for the decline in the U.S.
17 demand for Ni-rings in recent years?

18 MR. TURCOTT: Well, I can suppose what it
19 would be. Certainly within the last -- since the end
20 of 2007 when those emission controls went in, I think
21 there certainly has been a diminished demand for those
22 engines, certainly for trucks and things like that.
23 And then of course in 2008, all of a sudden the
24 economy just went right down the hill and people
25 instead of buying new, they're repairing. There's a

1 lot of them that are sitting idle because of the
2 economy, in every industry where they are used. I
3 think that's partially it. And I think there's some
4 impact because of people moving more towards more
5 powerful engines. The demand for these engines,
6 especially in industry, that sort of thing, more so
7 than in recreation, that's the best I can tell you. I
8 really -- I don't have anything -- I never did a study
9 on it.

10 COMMISSIONER WILLIAMSON: So what are the
11 projections for future demand? Is it going to
12 continue to shrink?

13 MR. TURCOTT: Well, it's not going to just
14 go off an edge of a cliff because there are many, many
15 of those engines out there and they do last a long
16 time. Four hundred thousand miles on a semi-tractor
17 is nothing. As far as the construction equipment and
18 those types of engines, it's basically on hours of
19 use, you know, warranty is 100,000 hours as a minimum
20 that these things exist. For the future, I would
21 expect depends on the emissions. It's going to depend
22 on the efficiency of these engines. And wouldn't be
23 surprised if eventually we have smaller and smaller
24 and smaller demand for this Ni-resist aluminum diesel
25 piston just because of advances in technology, design,

1 need for more efficient use, the carbon footprint
2 business, all that sort of thing. If there's a better
3 way to create more power, more efficiently for less
4 cost, using less fuel, et cetera, they're going to do
5 it. They're going to do it and the demand will be
6 there. And if it's going to mean using steel pistons,
7 it's going to be steel pistons.

8 COMMISSIONER WILLIAMSON: The emission
9 standards, is that -- I don't quite understand the
10 relationship there. Do you get better emission
11 control with steel pistons or is that --

12 MR. TURCOTT: I think it's a total engine
13 design and so it's a matter of all the components in
14 the engine. And I'm far from being an expert on the
15 engine, but my understanding is that those pistons are
16 key to the emissions control because of blow-by and
17 all that sort of thing. The idea is that you have
18 maximum use of the fuel that's put in there. If you
19 can burn it all, you're probably not going to have any
20 left. And my understanding with the diesel piston is
21 since they don't use spark plugs, you know, it's
22 compression, it depends on the shape of the piston.
23 And I think that's sort of where the emission part
24 would come in.

25 COMMISSIONER WILLIAMSON: Thank you. In

1 your post-hearing brief, please discuss the price
2 comparisons on the record and whether they show
3 significant underselling by subject imports from
4 Argentina.

5 Okay, you state that the Commission should,
6 as in its preliminary investigation, find no price
7 depression. What is your argument regarding price
8 suppression now -- I'm sorry, find no price depression
9 and I was wondering what your argument is regarding
10 price suppression.

11 MR. KANE: In 2009, it becomes more of a
12 difficult question to answer because the Petitioner
13 says they have no sales at all. So, throughout the
14 period of investigation and up to the preliminary, we
15 agreed with the Commission's finding that there was no
16 price suppression. However, at this time, I don't
17 know that we would say that there's a cause and effect
18 relationship. There are reasons, such as the economy
19 in general, the lower demand for pistons,
20 incorporating NI-resist inserts in the United States
21 from 2008 into 2009, those are factors that have an
22 effect on supply and demand. I don't know if that
23 answers your question, but it's -- if there are no
24 purchasers, there is no basis of comparison in 2009.

25 COMMISSIONER WILLIAMSON: Okay. But,

1 regardless --

2 MR. KANE: Well, I'm sorry, but there are
3 some -- there is some information, I believe, in the
4 record about double ringed and the \$30,000 sale. It
5 is something of a different product. The products
6 that were identified for KUS and the four specimen
7 products that were the basis for some detailed
8 information in the questionnaires are not double
9 ringed inserts. There's a lot of mis-comparison, I
10 believe.

11 COMMISSIONER WILLIAMSON: Okay, thank you.
12 In your post-hearing, maybe just clarify that views of
13 price depression, views of price suppression.

14 MR. KANE: Yes, thank you.

15 COMMISSIONER WILLIAMSON: There's been
16 discussion -- on page seven of your brief, you discuss
17 negotiations with QCC in 2007. And I was wondering
18 whether or not these negotiations call into
19 questioning arguments about the impact of the 2004
20 letter, which you so say effectively scared away --
21 scared you away from doing business with QCC.

22 MR. KANE: Well, KUS was trying, KUS didn't
23 want to be in a position where no alternative sources
24 of supply would be available to it. And that
25 negotiation in 2007 was driven in large measure by the

1 related party to KUS, Kolbein, Schmidt, Pielberg in
2 Germany, seeking to get a worldwide contract with a
3 supplier. And the negotiations continued through 2007
4 and quotations were made for different parts, part
5 numbers. But in the final analysis, KUS couldn't
6 accept the price structure that QCC was offering. And
7 it resurrected all of those old feels, well, if you
8 say you're going out of business unless you get
9 \$500,000 worth of business and you never gave the
10 companies \$500,000 business in the past, will they be
11 in business when you need them tomorrow? So, those
12 were several of the factors that went into the
13 decision by KUS not to hang their hopes on a program
14 contract with QCC.

15 COMMISSIONER WILLIAMSON: Okay. There is a
16 store in Worcester County that has a sign that said
17 'the customer is always right. If you have any
18 questions about this, re-read rule number one.' And I
19 was wondering whether or not you would almost argue
20 QCC doesn't understand this principle. And I guess if
21 you could provide any information about these 2007
22 negotiations to clarify this question about -- your
23 argument that they really are not a reliable supplier?
24 I think that would be appreciated because I don't
25 think that -- I don't know if that's on the record

1 now.

2 MR. KANE: We'll do that.

3 COMMISSIONER WILLIAMSON: Okay. If QCC
4 wants to add anything, we would appreciate it.

5 You said you see using QCC as this -- you
6 still see it as a potential spot supplier, alternative
7 supplier. And I was wondering, where would you go if
8 they were cease production entirely? Could you
9 address that now or --

10 MR. TURCOTT: If they would cease?

11 COMMISSIONER WILLIAMSON: Go out of
12 existence, even the potential to do it.

13 MR. TURCOTT: Well, we would do our best
14 certainly to find another -- I don't know where we
15 would go exactly and we would certainly be exploring
16 other sources, whatever they may be.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. TURCOTT: And if -- I've always tried to
19 encourage them, our purchasing people, to always have
20 alternatives in place. But, we have a small staff, so
21 it's tough to do. We would find someone.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. KANE: We are aware that there are
24 suppliers obviously in Korea and in China. And on the
25 Internet, there are a number of companies that

1 advertise sales and I believe that was in our pre-
2 conference or post-conference brief, listing some of
3 the companies and their market areas.

4 COMMISSIONER WILLIAMSON: Okay. Thank you.
5 I have some additional questions, but I'll come back
6 to those. Thank you.

7 CHAIRMAN ARANOFF: Commissioner Pinkert?

8 COMMISSIONER PINKERT: Thank you, Madam
9 Chairman, and thank you for coming here today to help
10 us to understand what's happening in this case and in
11 this industry. I want to begin with Mr. Turcott and,
12 I particular, your testimony that essentially QCC had
13 committed errors in its purchases of metals or at
14 least in its anticipation of prices of metals. And
15 I'm wondering whether you can help me to understand
16 what you meant by that. Do you mean that they could
17 have gone to some sort of a market to cover their risk
18 on this? Or do you mean that they entered into the
19 wrong kind of contract for the metals? What's the
20 error that you're talking about?

21 MR. TURCOTT: I'm speaking generalities,
22 that if they do make errors in their purchasing, if
23 they had purchased incorrectly in a month or whatever
24 it might be, their program is to pass those errors on
25 to us. We use a public market. We know what's going

1 on because it's public, whatever the case may be. We
2 don't want to be in a position where we unknowingly
3 have to subsidize errors they may be making in
4 judgment when they're purchasing their metals and you
5 combine that with the fact that our customers aren't
6 going to be accepting any changes in metal pricing
7 other than for the nickel.

8 MR. KANE: Mr. Turcott would like to add
9 something. I'm sorry, Mr. Klingon would like to add
10 something to what Mr. Turcott was saying.

11 COMMISSIONER PINKERT: In particular, if you
12 could focus on what you mean by 'errors,' that would
13 be helpful.

14 MR. KLINGON: Well, the issue is there's a
15 distinction, and I think it's been in the background
16 of the discussion so far, the distinction between spot
17 sales and program purchases. Program purchases are
18 contracts that go on for many years. And the way
19 those prices are structured at the beginning of those
20 number of years lasts throughout. The problem is
21 having a predictable price. It's not just the
22 absolute price. The absolute price is probably even
23 secondary to the predictable price because an absolute
24 price, you can collect through the course of that
25 contract. If you have unpredictable elements to the

1 price, you can't plan for them. You can't incorporate
2 them in your own base price. That's why people hedge
3 in commodities markets and so forth.

4 So, when you're talking about errors,
5 there's another element to this, too, which is that if
6 the entire risk is passed on, then there's less of an
7 incentive for the purchaser to purchase carefully.
8 That is past whatever the price is. It may be a more
9 convenient purchaser that may be -- or seller, rather,
10 that may be a seller where there's an additional deal,
11 you know, further business down the road or some sales
12 in other product and you can buy this one from them,
13 you already know them, but it may be a little bit
14 higher, you don't have the incentive to keep your
15 price down because you can pass the price on.

16 So, you know, when we talk about errors, you
17 know, someone can get up -- I can say, conceivably,
18 you could get -- you could miscalculate your needs and
19 then say, oh, my God, we have to go to the market and
20 get something quickly on a spot metal market. And it
21 may be because you need it -- because of the time
22 effect. It may be a higher price than you would
23 normally get. It may not be in a competitive
24 situation at that point. You would just pass it on to
25 your customer down the road, down the line because you

1 have that kind of contract.

2 So, the issue is -- a large part of this
3 issue is its predictability and that's why KUS's
4 customers won't accept that risk either because their
5 selling engines to the truck manufacturers and so
6 forth down the line and everyone is trying to predict
7 what their pricing structures can be, so that they can
8 be competitive in the market. If you have a blow-up
9 in the commodities markets -- I mean, Mr. Korff said
10 occasionally they go bezerk for whatever reason, you
11 can have a political problem in a primary producing
12 country, you could have inflation, whatever it is.
13 When that happens, that's why again why people hedge.
14 And listening to Mr. Korff's discussion of his hedging
15 operation, the idea that he would get caught when he
16 tried to hedge because the price would go down and he
17 would get stuck with a higher hedged contract, really
18 what you're trying to do when you hedge is trying to
19 narrow the range over time in which you'll buy that
20 particular commodity. The purpose of that is
21 predictability. And then you can build that range
22 into your base price and you might have other metals
23 that will fluctuate. That's been the difficulty and
24 that's what -- without knowing more about Clarindo
25 Appo, I presume that's what they're either able to do

1 or they have the financial capability to sell for sure
2 against that risk. And that's another issue with QCC,
3 whether they could sell for sure. And then, again,
4 you have to look at this whole picture in terms of a
5 multi-year program that could go on for four or five
6 or seven years and not knowing what's going to happen
7 in the fifth year. So, I hope that answers the
8 question.

9 COMMISSIONER PINKERT: That's helpful. So,
10 you're not suggesting that QCC has a greater rate of
11 error in predicting its needs for metals than Clarindo
12 has or that QCC is mis-predicting prices of metals
13 more than any other company has. You're just saying
14 that it appears that Clarindo is willing to absorb
15 more of the risk than QCC.

16 MR. KLINGON: Exactly. It's not a problem
17 for us at that point. We don't have to deal with it.
18 We don't have to hedge against it ourselves. We don't
19 have to develop that capacity. It's just not a
20 problem. When we take on the risk and if we can't
21 pass the risk on, then it becomes a problem and then
22 that's a problem of predictability. We just don't
23 know. But, the way the business is structured, in a
24 sense, we don't want to know because our customers
25 don't want to know and that's why -- in determining,

1 if you look at some property rights economics and so
2 forth, in determining where the proper seat of risk
3 should be, it's where the risk is most controllable.
4 The person purchasing the metals is most able to
5 control that risk. The person downstream, who has not
6 participated in that transaction, really has nothing
7 to do with it; it can't.

8 COMMISSIONER PINKERT: Well, given that
9 there's a possibility here that Clarindo is self-
10 insuring against the risk that we're talking about, is
11 the fact that this is a countervailing duty case at
12 all relevant? Are the subsidies that have been found
13 at all relevant to this question of being able to
14 self-insure?

15 MR. KLINGON: I would say probably not
16 because subsidies really aren't tied into this issue.
17 In other words, they have nothing really to do with
18 metals prices and so forth. And so, I would say it
19 would very unlikely that they would have an effect on
20 it. It would be one thing if the government came
21 along and said, well, we'll give you x number of
22 dollars if the price of a metal goes over a certain
23 amount, that kind of subsidy, basically the government
24 taking on the risk. But the subsidy that we
25 understand was found by the ITA is not a risk-based

1 subsidy. It would have nothing really to do with
2 metals prices at all.

3 COMMISSIONER PINKERT: Thank you. Now going
4 back to Mr. Turcott, I don't want to mispronounce the
5 name of the company in the 1990s, but I think you said
6 Zolnar.

7 MR. TURCOTT: Zolnar Pistons.

8 COMMISSIONER PINKERT: Zolnar Pistons. Now,
9 I understand that this business between Zolnar and QCC
10 existed back at some point in the 1990s, and then was
11 lost. Was it lost to subject imports? In other
12 words, did that business relationship between Zolnar
13 and QCC get replaced by a business relationship
14 between the Argentina company and KUS?

15 MR. TURCOTT: I wasn't with the company at
16 that time. I have only been with the company since
17 '03. My understanding is that the program had been in
18 existence with us, whoever they were applying this
19 engine to, or pistons to, before we bought them.

20 So we inherited that production program, and
21 within a few years it disappeared for some reason.
22 Either they took it to somebody else, or -- and which
23 happens from time to time, and they just say, well, we
24 are moving our plan. We are going to buy our pistons
25 from somebody else, and so they move the plan away.

1 that is my understanding of what happened, that they
2 just moved it away from us.

3 COMMISSIONER PINKERT: In the post-hearing,
4 if there is any additional information that you could
5 supply on that specific question that would be
6 helpful.

7 MR. TURCOTT: We will do our best.

8 COMMISSIONER PINKERT: Thank you. Thank
9 you, Ma'am Chairman.

10 CHAIRMAN ARANOFF: I want to continue to
11 pursue this issue of risk, because there have been
12 some statements made that I find hard to reconcile
13 with each other, but let me start by asking you this.
14 Does Koorinda warehouse parts for you in the United
15 States in order to meet your just in time shipping
16 needs, or you just have to order sufficiently in
17 advance to make sure that the product gets here right
18 on time?

19 MR. TURCOTT: My understanding it is the
20 latter.

21 CHAIRMAN ARANOFF: Okay. So if there was a
22 power failure, or a typhoon, or something else -- you
23 know, I don't know where it is located, but some sort
24 of weather emergency that took out that plant, what is
25 your contingency plan?

1 MR. TURCOTT: Well, first of all, there is a
2 number of shipments on the water all the time. So, I
3 won't talk about the details of how that all works.
4 My counsel can put it in the post-hearing thing.

5 Obviously with something like that with
6 nature would occur, some sudden catastrophe -- I mean,
7 we would have to act very, very quickly, and we would
8 be at quite a disadvantage, except for the amount that
9 is already on the water coming safely. In terms of
10 contracting, we have that replacement done, because we
11 still have this liability for stopping those lines.

12 And, I mean, there are alternatives, and
13 basically what you do is you end up buying your way
14 out of the problem. You don't have a lot of leverage
15 to begin with, but in those situations, you have next
16 to no leverage. If you need blood, you pay whatever
17 you have to pay.

18 CHAIRMAN ARANOFF: So there is no kind of
19 business risk insurance or anything else that you have
20 is sort of a buffer between you and some catastrophic
21 failure that takes your supplier off-line for a month
22 or two?

23 MR. TURCOTT: We might have some, but I
24 really don't know any details about that. The first
25 thing would be that we have got to keep those lines

1 running and so whatever we can to keep them running,
2 and how we are going to do it. It is a serious
3 concern if something like that were to happen.

4 CHAIRMAN ARANOFF: But as far as you know,
5 your company does not have now another qualified
6 supplier apart from QCC for this product?

7 MR. TURCOTT: Correct.

8 CHAIRMAN ARANOFF: And you are not in the
9 process of qualifying anyone?

10 MR. TURCOTT: We are trying.

11 CHAIRMAN ARANOFF: I know that you testified
12 that you were aware of some other people out there.

13 MR. TURCOTT: We are aware of it, and I
14 don't even know if QCC could do it. It would depend
15 on a particular part, and again the customer would
16 have to approve whoever that supplier would be.

17 CHAIRMAN ARANOFF: Are you in the same
18 position with respect to parts for other pistons that
19 you produce? For example, steel pistons, where you
20 rely on a sole supplier?

21 MR. TURCOTT: Absolutely. You see, we work
22 on a long term program. Suppliers work on a long term
23 program as well, and it is much more fragile, this
24 whole supply chain, than anyone really knows about.

25 My concern is if we are in some kind of

1 defense posture, such as like World War II. How fast
2 can you move that, and how fast can you change that
3 over. I don't know. But the chain is very fragile,
4 and it is very dependable because we use very
5 dependable, long term, experienced people that you
6 have worked with.

7 I mean, like with Cummins, we have worked
8 with them for over 25 years. We will have the
9 supplier for this kind of products, and we pay
10 attention to how people -- to what is happening with
11 people and that sort of thing.

12 I know auto suppliers who have been in a
13 similar position, where we had a component supplier
14 for a piston, who was just failing, and the customer
15 stepped up, and took over the business.

16 That doesn't happen very often, but this
17 whole thing is extremely -- before I got into this, I
18 had no idea how critical it was to make those
19 deliveries, and how specific the product was, and how
20 difficult it was to get it approved and into an
21 engine, and the investment from just a conception of
22 the engine, all the way through to production. It's
23 huge to just try and make them.

24 I would love to have like four -- like Home
25 Depot, and Lowes, and whoever I could just go over and

1 get these pistons from, but the investment is too big.

2 CHAIRMAN ARANOFF: I am just trying to weigh
3 the level of risk that you are willing to -- or at
4 least you are accepting with respect the supply chain
5 issue relative to the risks that you say that you are
6 not able to accept with respect to the pricing of
7 metals components, which are -- you know, other than
8 the nickel, which is the major one.

9 So what can you say about the relative --
10 you know, risk tolerance that is there?

11 MR. TURCOTT: Well, at least in our
12 experience, we have not had any problems for many,
13 many years with the shipments out of Argentina, and as
14 the years go by the confidence level goes up. They
15 always deliver. They always deliver, even when it is
16 crunch time.

17 There are time when there is a situation
18 that may occur where they can't get the product to us
19 in time in the traditional manner. Then they have to
20 expedite those shipments by air freight to us. That
21 is their price. They pay for that.

22 If we have to expedite to our customers,
23 which does happen, we have to pay for that, and there
24 is no reimbursement, or any past through, or anything
25 like that. Clorindo Appo has been a player here for

1 years, and years, and years, and years, and years.

2 And they have their ups and downs in
3 Argentina, just like every other place, I guess, and
4 they have always delivered They have always
5 delivered. The history of Clorindo Appo, if you
6 compare it to QCC, there is not a lot of comparison
7 there.

8 QCC has been in and out of bankruptcy. They
9 started over. I mean, a whole -- their history with
10 us is 4-1/2 years, you know. We would love to have
11 somebody that we could go to that is dependable,
12 competitive. We would love that, but it is very
13 difficult to find.

14 And it is not just true with respect to
15 these NI ring inserts. It is true with other
16 components that are put into piston assemblies as
17 well. I mean, it is part of the business.

18 CHAIRMAN ARANOFF: Okay. I imagine that
19 some of that is what QCC had in mind when they sent
20 that letter in 2004, and said, you know, we really
21 need some -- you know, if you guys really value having
22 a domestic supplier who is close at hand, we could use
23 some guarantees so that we would know that we were
24 going to make enough sales.

25 And the response that I gathered from your

1 brief was, well, the two, or at that time three,
2 purchasers in the U.S. market, could not get together
3 and carve up those purchases together because they
4 were anti-trust concerns involved there, and I
5 understand that.

6 But one option that you could have had, I
7 suppose, or each of you could have had if it was
8 important to you to have a close by domestic supplier
9 might have been to go back and go, well, you know, we
10 have never bought that much from you, and we couldn't
11 guarantee you that much ourselves.

12 But maybe we could throw X-much business
13 your way if you can figure out how to get the rest
14 from your other customers, but you didn't do that.

15 MR. TURCOTT: We are a little nervous about
16 doing that sort of thing and for good reason.

17 CHAIRMAN ARANOFF: For legal reasons.

18 MR. TURCOTT: For legal reasons, yes.

19 CHAIRMAN ARANOFF: Okay.

20 MR. KANE: Excuse me. Also for business
21 reasons. You know, there is just a certain amount of
22 information that you want to share with a competitor
23 or your supplier, and there are limitations on what
24 you want to share.

25 CHAIRMAN ARANOFF: Right, and I wasn't

1 suggesting that you discuss that with your
2 competitors. I was suggesting that you could have
3 talked with QCC and said we understand what you are
4 getting at here.

5 MR. KANE: Even with QCC. QCC was a
6 competitor of a reliable supplier.

7 CHAIRMAN ARANOFF: Okay. All right. Well,
8 let me ask one more question while my light is yellow
9 and that is that Mr. Korff was referring in his
10 testimony to a period of time when his phone was
11 ringing off the hook with customers that he hadn't
12 heard from in a long time for a sudden flurry of need.

13 Is the same period that you were referring
14 to when all of a sudden a lot of truck drivers wanted
15 to replace their trucks?

16 MR. TURCOTT: Yes, that's correct.

17 CHAIRMAN ARANOFF: And that was all based on
18 changing emission standards?

19 MR. TURCOTT: Yes, that's how we understood
20 it, because all of a sudden -- I mean, everything was
21 going along just level as far as the orders beginning
22 in 2007, and then all of a sudden near the end of the
23 summer, it started going up, and pretty soon it was
24 like we have got to have more. We have got to have
25 more.

1 We have got to have more, because our
2 customer sales demand was going up fairly quickly as
3 well, and they had to get them sold before the end of
4 the year. I mean, that is the only thing that we
5 could -- I mean, that was not a normal situation, and
6 it is not something that would happen on a cyclical
7 basis.

8 CHAIRMAN ARANOFF: Okay. Thanks for those
9 answers. Commissioner Okun.

10 COMMISSIONER OKUN: Thank you. One last
11 question for the panel, and I guess it is the reverse
12 of a question that I asked the Petitioners earlier
13 today, and that is, Mr. Kane, I wanted to go back to
14 your opening statement. You had said that any injury
15 suffered by the domestic industry was not due to your
16 company's imports, but your clients' company's
17 imports.

18 But non-subject imports, and then as well
19 its own actions, and I think we spent a lot of time
20 talking about your view of QCC and what it was
21 offering. I did want to have you both further address
22 in the post-hearing brief, but also add anything else
23 you would like to here, including Mr. Turcott as well,
24 about the differences you see in Federal-Mogul's
25 imports, and how that relates to the market, and what

1 happened with QCC, versus the role of the subject
2 import.

3 MR. KANE: We will address that in the post-
4 hearing brief, and I would only reiterate the
5 statement that Federal-Mogul was QCC's customer, and
6 but for the loss of Federal-Mogul as QCC's customer,
7 we wouldn't be here today.

8 COMMISSIONER OKUN: And you may have
9 comments -- and some followup on that, which is in the
10 marketplace itself -- I mean, is there any distinction
11 between where Federal-Mogul is selling versus -- I
12 mean, in terms of you are competitors obviously, but
13 is there any distinctions that we should be looking at
14 when we are evaluating the impact of the non-subject
15 import on this industry?

16 MR. KANE: Federal-Mogul has different
17 customers.

18 COMMISSIONER OKUN: Okay.

19 MR. KANE: I don't know that KUS is
20 competing head-to-head or sharing with Federal-Mogul.

21 COMMISSIONER OKUN: I'm sorry. And again, I
22 don't want to -- I mean, I don't want to get into
23 business proprietary information. I just wanted to
24 make sure that I understood where the competition was
25 in the marketplace.

1 MR. KANE: We will clarify that, too.

2 COMMISSIONER OKUN: Okay. With that, I
3 don't have any further questions, but I do appreciate
4 all the answers, and I look forward to your post-
5 hearing briefs.

6 CHAIRMAN ARANOFF: Commissioner Lane.

7 COMMISSIONER LANE: Did I understand you to
8 say that there were only three piston manufacturers in
9 the world?

10 MR. TURCOTT: Primarily.

11 COMMISSIONER LANE: And so that would be
12 KUS, Federal-Mogul, and who would be the third?

13 MR. TURCOTT: Mahle. It is M-A-H-L-E. Some
14 people say it is Mahle, but it is really Mahle.

15 COMMISSIONER LANE: And where are they
16 located?

17 MR. TURCOTT: They are a German company.
18 Now there are other people who make their own pistons.
19 I mean, people like Toyota, and places like that.
20 There are in-house piston places.

21 COMMISSIONER LANE: Okay. Is this Mahle
22 located in the United States?

23 MR. TURCOTT: They have sales in the United
24 States.

25 COMMISSIONER LANE: So let me see if I

1 understand this correctly. QCC makes NI rings and
2 there are three people that will buy them; Federal-
3 Mogul, KUS, and Mahle, and so if -- and I think you
4 have heard you say that you wanted to buy all of yours
5 from Argentina. Federal-Mogul buys most from Korea,
6 and we don't know anything about where Mahle buys its
7 NI ring.

8 MR. TURCOTT: They make their own.

9 COMMISSIONER LANE: Oh, they make their own?

10 MR. TURCOTT: They may not make all of their
11 own, but they do make their own.

12 COMMISSIONER LANE: Okay. You cite in your
13 brief the February 2009 decision of the Court of
14 International Trade, in GEO Specialty Chemicals v. The
15 United States. In GEO, the record indicated actual
16 problems with the reliability of the principal
17 domestic suppliers. These included delayed deliveries
18 and purchasers being placed on allocation.

19 Is there anything in the current record
20 indicating actual problems with the reliability of
21 QCC?

22 MR. TURCOTT: You mean in terms of delivery?

23 COMMISSIONER LANE: Yes. Any problems or is
24 there anything in the record that indicated that QCC
25 was not able to deliver any product that had been

1 promised?

2 MR. TURCOTT: For those few spot purchases
3 that were made, I don't think there were any. But
4 there is a big difference between are you going to
5 deliver over the next two months or three months,
6 versus are you going to be able to do it over the next
7 four years or five years. But, you know, just to
8 limit it to those spot purchases, I don't believe
9 there were, no.

10 COMMISSIONER LANE: Okay. So isn't the crux
11 of your argument not that QCC has been an unreliable
12 supplier, but that it is perceived to be an unreliable
13 supplier? Why should the Commission give weight to
14 such perceptions when there does not appear to be any
15 contemporaneous material documenting them?

16 MR. TURCOTT: I believe that their
17 relationship with KUS was established by them, and
18 their decision making. You can begin with '04 and the
19 subsequent letters that came from there. True, they
20 delivered in 2007.

21 At the same time, we were doing our best
22 from our side with respect to our needs to establish
23 them as an alternative supplier, not only in the
24 United States, but for export as well.
25 It didn't work out.

1 COMMISSIONER LANE: And if I understand that
2 it was because you couldn't reach an agreement on
3 price?

4 MR. TURCOTT: And how it was priced, and the
5 metals that was to begin with. There were other
6 criteria that entered into it later on, such as
7 delivery over to Europe, payment in Euros, et cetera,
8 and so forth.

9 MR. KANE: In answering your question, and
10 further in answering your question, the Commission is
11 going to consider the relevant economic factors, and
12 business judgment I believe should be one of the
13 factors that you consider.

14 And in the informed business judgment of
15 KUS, they decided not to enter into a relationship on
16 a program basis with QCC.

17 COMMISSIONER LANE: Okay. I just have one
18 more question. You keep bringing up the QCC
19 bankruptcy, and they had just come out of bankruptcy.
20 Have you dealt with any other suppliers that had gone
21 through a bankruptcy and had come out of bankruptcy?

22 MR. TURCOTT: I don't think so. Not that I
23 am aware of. I mean, certainly not like this
24 situation, no.

25 COMMISSIONER LANE: Okay. Thank you.

1 That's all I have.

2 CHAIRMAN ARANOFF: Commissioner Williamson.

3 COMMISSIONER WILLIAMSON: Thank you, Ma'am
4 Chairman. In discussing this ability to have a
5 relationship with QCC, I was wondering if you could
6 discuss -- you keep talking about programs. Mr. Korff
7 often talked about purchase orders this morning.

8 And I was wondering in this case are they
9 different? Is there sometimes when a purchase order
10 can be a program?

11 MR. TURCOTT: True. Right. For the
12 situation with QCC and those spot purchases, they just
13 used a purchase order. They didn't have a long --
14 first of all, they didn't have a long time contract to
15 back them up from a customer.

16 This was just that they needed extra
17 inventory for a brief period of time to back up a long
18 term contract from somebody else, and there is a big
19 difference. In a long term contract, it is usually
20 set up where you agree what you are going to sell
21 them, and what the prices are going to be, and all the
22 extra terms and conditions, et cetera.

23 And in the auto industry, when they are
24 producing cars, and this goes for all their suppliers,
25 they say, okay, Mr. Williamson, you are going to be

1 supplying Part A, and we agree that we will do it with
2 you for the next five years. Now, this is what we
3 project over those five years, however many millions
4 of parts, Part A parts, and they should be coming out
5 at this level.

6 Now, we are going to sign a purchase order
7 at the beginning, and generally -- or a lot of times
8 at the beginning of the year, which incorporates all
9 of the terms and conditions. And then they have
10 releases going forward based on -- well, there is firm
11 releases, sub-firm, et cetera, going on.

12 COMMISSIONER WILLIAMSON: I think I
13 understand. So are you saying that basically that QCC
14 has not been successful in negotiating long term
15 contracts?

16 MR. TURCOTT: Correct.

17 COMMISSIONER WILLIAMSON: Because the
18 parties could not agree on it?

19 MR. TURCOTT: Correct.

20 COMMISSIONER WILLIAMSON: But not they were
21 not capable of living up to one?

22 MR. TURCOTT: Correct. If they can meet the
23 requirements. And the requirements are very
24 difficult, because the customer is a big -- our
25 customer -- our customers are huge. They have a lot

1 of leverage in who is going to be their supplier and
2 who is not.

3 They expect everybody that we have as a
4 customer to be right in line with us, and passing
5 through prices, and the whole thing. If they can meet
6 those, they will be a customer. They will be a
7 supplier. We were very much hoping -- in fact, we
8 were excited that they got as far as they did to be a
9 supplier.

10 COMMISSIONER WILLIAMSON: In 2007?

11 MR. TURCOTT: In 2007, but we don't work
12 alone here. We have to pass other things, and it got
13 to that point, and they decided not to do as far as I
14 know. So, they weren't. If this stuff could be
15 worked out, we would love for them to be a supplier.

16 I would rather have a supplier in Green Bay.
17 That is only 50 miles down the road, but there isn't
18 anybody. I mean, to me it makes sense to have an
19 American supplier. As I spoke about earlier, from a
20 defense perspective or whatever, but we have to keep
21 our company going forward, and we can't operate at a
22 loss either. So does that help you?

23 COMMISSIONER WILLIAMSON: I think I
24 understand the distinction now. In light of Congress'
25 determination on Korea, please discuss in your post-

1 hearing brief the volume price affects and impacts of
2 subject imports from Argentina, particularly in light
3 of the decline in imports from Argentina, both in
4 volume and in market share.

5 So when you do your post-hearing brief if
6 you could answer those questions, and I think at the
7 beginning of your testimony, you talked about standard
8 pricing on a worldwide basis, and I guess if you could
9 go back and explain what you mean by standard pricing
10 in this industry on a worldwide basis, as opposed to
11 what maybe QCC is talking about?

12 MR. TURCOTT: I expect it was a reference to
13 incorporating the nickel fluctuations, versus the all-
14 metals fluctuation.

15 COMMISSIONER WILLIAMSON: So are you saying
16 that the Argentine supplier, and maybe what other
17 suppliers in other countries are doing with their
18 customers, they are all doing that. Is that what you
19 are saying?

20 MR. TURCOTT: From my understanding they
21 are. I mean, from my speaking with our purchasing
22 people, the industry basically accepts this nickel
23 pricing fluctuation program. It varies from company
24 to company, but they expect whoever is making these
25 castings or whatever, the rings, they are taking care

1 of all the little stuff, all the lesser materials,
2 because by our customers, they are considered to be
3 negligible.

4 COMMISSIONER WILLIAMSON: Okay. Thank you
5 for that testimony, and I have no further questions.

6 CHAIRMAN ARANOFF: Commissioner Pinkert.

7 COMMISSIONER PINKERT: Thank you. I have
8 just one or two follow-up questions. In the testimony
9 earlier, I believe it was you, Mr. Turcott, referred
10 to the minimum quantity requirements that QCC
11 attempted to impose. Which requirements are you
12 talking about and what time period are you talking
13 about?

14 MR. TURCOTT: My understanding is that they
15 had set minimum requirements, and I remember hearing
16 about it from our purchasing company, or purchasing
17 people, saying, well, we can't do these minimum
18 requirements. It is as simple as that.

19 In long term programs, you have thousands of
20 pieces, hundreds of thousands of pieces. After
21 market, which is to service those engines after they
22 are no longer made, you may need a hundred rings in a
23 year. You may need 250. You may need a thousand.
24 You may need 175 twice a year.

25 And we have a lot of programs, and not

1 necessarily with NI as this, but with other pistons,
2 where we do that, where we take orders 10 years after
3 the program or the engine is no longer made.
4 Sometimes 15 years after it is no longer made.

5 And you can see in our after-market service
6 area slowly the demand for repairs goes down, and
7 pretty soon you get people calling, well, I have got a
8 1953 Buick with such and such, and can I buy pistons
9 from you.

10 No, we are not going to make six pistons for
11 you. We can't, because they all require changeovers.
12 So there is quite a big difference, and there is quite
13 a big price difference, too, in after-market.

14 COMMISSIONER PINKERT: Can you tell us when
15 the minimum quantities were proposed by QCC?

16 MR. TURCOTT: Yes, two weeks after we got
17 the letter about the \$500 thousand threshold.

18 COMMISSIONER PINKERT: And was there any
19 negotiation or any back and forth between your company
20 and QCC regarding their minimum requirements?

21 MR. TURCOTT: I don't think so, because I
22 think at the time, we didn't need them. I mean, it
23 was kind of -- I mean, I really wasn't very close to
24 it at all, and the people that were there are
25 incapacitated.

1 I think it went, well, we got this letter,
2 and who are they kidding. Let's through it in the
3 file. I assume that there was no response from us
4 because we didn't need them at the time.

5 COMMISSIONER PINKERT: If in the post-
6 hearing you can supply any additional information or
7 documentation about minimum quantity requirements that
8 QCC attempted to impose that would be very helpful.

9 MR. TURCOTT: Oh, yes. It is in the letter.
10 There was a letter, I think, and it should be in the
11 record already, but we can get another letter for you.

12 COMMISSIONER PINKERT: The letter that we
13 have been talking about was not a minimum per
14 customer.

15 MR. KANE: Well, we received a letter from -
16 - and let me think back, and I am fairly certain,
17 where it lists the parts, and what the minimums are
18 going to be, and the prices, and all of that sort of
19 thing. We will find that.

20 COMMISSIONER PINKERT: Okay. And then if
21 there is any information or documentation about any
22 subsequent back and forth about minimum quantities
23 that would be helpful, too.

24 MR. TURCOTT: It might be much more
25 difficult to locate that, because the person who was

1 there at the time, he had a severe stroke, and is no
2 longer with us, and he can't speak, and he can't hear.
3 So we will see what we can find in the files. That's
4 about the best that I can do.

5 COMMISSIONER PINKERT: Thank you.

6 MR. TURCOTT: Obviously we can't speak with
7 him.

8 COMMISSIONER PINKERT: I appreciate the
9 concern.

10 MR. TURCOTT: But we will try.

11 COMMISSIONER PINKERT: And we appreciate the
12 effort as well.

13 MR. TURCOTT: We will try.

14 COMMISSIONER PINKERT: So thank you and with
15 that, I have no further questions, but I look forward
16 to the post-hearing submission.

17 CHAIRMAN ARANOFF: Just one last thing. I
18 wanted to ask a question about -- and it may be that
19 none of you have this information, but if you do and
20 could submit it in the post-hearing brief, it would be
21 helpful.

22 We talked about the fact that there is
23 perhaps a long term decline in trend in demand for
24 engines with aluminum pistons, and then of course
25 there is the short term decline in demand that is just

1 a result of the economic situation.

2 One thing that would help me. It is hard to
3 figure out when demand for something is declining.
4 You know, what that means in terms of how long the
5 product is going to be needed and in what volume.

6 So if there were a way to give me a handle
7 on this, and one way I was thinking was if we knew
8 what percentage of diesel trucks on the road today in
9 the United States have aluminum pistons versus other
10 kinds, and how that has changed in, let's say, the
11 last five years, and how it is likely to change in the
12 next five years.

13 That would be one way of getting a sense of
14 whether, you know, the number is halving every few
15 years, or whether it is halving every 20 years. That
16 would give us kind of a level of magnitude in terms of
17 thinking about whether you can really characterize
18 this as a dying market, as in it will be gone inside
19 of 10 years, or dying as in it will be gone maybe in
20 our children's lifetime.

21 So if you could find something like that, or
22 anything else that would give us a sense of what the
23 speed of decline that we are talking about is, that
24 would be really helpful.

25 MR. TURCOTT: I'm sure it would. I don't

1 know if we can find that, but I am sure there will
2 still be some around in your children's lifetime.

3 CHAIRMAN ARANOFF: Okay. With that, I don't
4 have any further questions myself. Do any other
5 Commissioners have questions?

6 (No response.)

7 CHAIRMAN ARANOFF: Do the staff have
8 questions for this panel?

9 MR. DEYMAN: George Deyman, Office of
10 Investigations. I have two quick questions. Page 9
11 of the public version of the petition alleges that NI
12 ring from Argentina were imported under an incorrect
13 HTS subheading, and were the subject of a Customs
14 investigation, which may have led to the collection of
15 additional tariffs. Could you provide more
16 information on this matter now or in your post-hearing
17 brief?

18 MR. KANE: We will do that in the brief.
19 Sure.

20 MR. DEYMAN: Okay. And my other question is
21 actually for QCC. Not for them to answer now, but you
22 mentioned that you produced NI ring for compressor
23 pistons, which apparently are different kinds of NI
24 ring than you produce for the diesel engines.

25 If NI ring for compressor pistons were

1 imported from Argentina would they be covered in the
2 scope of the investigation in your opinion? You don't
3 have to answer now. You can do it in the post-
4 hearing. In fact, I would prefer you just doing it in
5 your post-hearing. And the staff has no further
6 questions.

7 CHAIRMAN ARANOFF: Does the Petitioner have
8 any questions for this panel?

9 MR. KORFF: Yes, I do. There was an
10 exchange of questions between Mr. Pinkert and Mr.
11 Klingon -- did I pronounce it correctly -- about the
12 formula, the metal formula, and lots of talk about
13 hedging in the metal market.

14 Maybe I am going to make a statement than
15 more of a question. The formula that Karl Schmidt
16 requires does not anticipate hedging in the metal
17 market. It is based on the average cash market price
18 on the London Metal Exchange that has varied every
19 month.

20 You calculate it once a month, and in the
21 following month that new calculation is the
22 basis for your surcharge. So it has got nothing to do
23 with hedging strategies, futures, anything. It is the
24 cash market price on the London Metal Exchange. I'm
25 done.

1 MR. KANE: As I indicated earlier, there is
2 evidence in the record that the most recent quotations
3 that KUS has received from QCC contemplate an all
4 metals surcharge formula.

5 CHAIRMAN ARANOFF: Okay. Do you have any
6 further questions, Mr. Korff?

7 MR. KORFF: No.

8 CHAIRMAN ARANOFF: Okay. Ma'am Secretary,
9 do you know how long that takes off the time totals
10 that I have here?

11 MS. BELLAMY: Take away one minute.

12 CHAIRMAN ARANOFF: Okay. Thank you.

13 MS. BELLAMY: You're welcome.

14 CHAIRMAN ARANOFF: So the Petitioner has
15 remaining 51 minutes of your direct presentation time,
16 plus five minutes for closing, for a total of 56
17 minutes of remaining time. The Respondents have 31
18 minutes from direct, and five minutes for closing, for
19 a total of 36 minutes.

20 Usually what we do is combine the rebuttal
21 and closing time, and have, first, the Petitioners,
22 and then the Respondents, come up and you can use as
23 much or as little of that time if you like, depending
24 on how hungry you are for lunch.

25 And unless anyone has any objection, we

1 would like to proceed that way. So I want to thank
2 the second panel for all of your answers. There is no
3 better way to learn about a business than to have the
4 business people come here in front of us and answer
5 our questions.

6 It gives us an opportunity that the written
7 submissions just aren't quite the same thing. So
8 thank you all for coming today, and we will ask this
9 panel to move on back in the room, and then we can
10 bring up the Petitioners for however much of your 56
11 minutes you would like to use.

12 MR. G. KORFF: We have a number of points of
13 rebuttal. I'll just sort of go; and if there are any
14 questions along the way, please feel free to ask them.

15 The point was made that the current state of
16 QCC's business is -- Ni Resist business, that is -- is
17 one of being a secondary product, which is not a
18 correct statement. The Ni Resist business is a
19 portion of the centrifical department within QCC, but
20 as a fully dedicated department.

21 We don't have orders, but we have the
22 capacity to supply the majority of the domestic demand
23 for this product, if not all the domestic demand for
24 this product, if that was ever to be the case.

25 Even acting under the assumption that we

1 were not in this industry, the charge that the
2 Commission is called on with regard to these
3 investigations is, as I'm sure the Commission is
4 aware, not limited to simply if you are an existing
5 industry, but also the establishment of an industry in
6 the United States.

7 So regardless of how you want to cut it, we
8 still fall under that category. Obviously, we still
9 maintain quite a significant amount of capacity. So
10 we are well within the industry in order to product Ni
11 Resist piston inserts.

12 There was a bit of contradiction, I think,
13 that was made during the prior panel's testimony. The
14 statement was made that KUS could not buy according to
15 minimum requirements set by QCC, putting aside whether
16 or not we actually set minimum requirements.

17 They later went on to say that QCC's volumes
18 were not large enough, or our ability to produce
19 certain volumes were not large enough, to necessitate
20 engaging us in a long-term contract. So it has to be
21 one or the other.

22 It's either we can't meet their purchasing
23 requirements; or they can't acquiesce to any sort of
24 minimum that we set. So that is a stark
25 contradiction.

1 Additionally, there was a lot of discussion
2 about risk and how can risk be passed on. KUS's
3 testimony basically came down to, they are engaging in
4 everything they can do in order to minimize their
5 exposure to risk in both pricing and in their supply
6 chain. This was brought up in the Commission's
7 questions.

8 QCC is simply doing the same thing. But
9 when we're doing it, we're being called out as somehow
10 engaging in business practices that are somehow
11 outside of the scope of what is considered to be
12 normal and customary. All businesses are doing this.
13 We're simply trying to get a grasp on what our risk is
14 going to be.

15 As has been made clear, costs in this highly
16 volatile metals market can only do one of two things.
17 They can be absorbed or they can be passed on, unless
18 a company is being subsidized. Then you have another
19 way to compensate.

20 But for QCC, those are the two options; and
21 with margins as slim as they are, they can't be
22 absorbed. I mean, we wouldn't be here if we could
23 just absorb these. We would absorb them and go about
24 our business; but we can't.

25 We have to look out for those costs.

1 Otherwise, we can't turn a profit. We have to operate
2 as a profitable business; and that's all that QCC has
3 ever attempted to do -- to understand where its costs
4 are and to account for them in its pricing structure.
5 Is there anything you'd like to add?

6 MR. J. KORFF: Yes, there are a few things;
7 thank you. I know it's not the purview of this group,
8 but there was some discussion about what happens in a
9 national crisis, if you really need this stuff and it
10 can't come from overseas.

11 Well, we're it in the United States. There
12 isn't anybody else that makes this stuff. We are a
13 small company in Salem, Ohio, and we are the last men
14 standing making this product. We are maintaining
15 capacity to make it. I don't intend to destroy the
16 capacity to make it. So we're ready and able to
17 produce.

18 There was some reference to this letter that
19 went out in 2004, and I'll verify this. But it's my
20 recollection that I did not send this letter out to
21 any piston manufacturer. I sent it out to engine
22 builders, and that's my recollection. I'll go through
23 my original mailing list to make sure.

24 And it wasn't a threatening letter that says
25 if you don't do this, we're going to stop. It said,

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1 if we don't get the volume level that I thought was
2 necessary at that time, that we won't make further
3 investments. A turning boring center, to make these
4 things with an automatic bar feed costs \$400,000; and
5 we have seven of them in our plant. To replace one at
6 a \$400,000 level, when you had no real assurance of
7 future business, would be kind of crazy.

8 So I think the letter stated we won't make
9 further investments. But I will verify that. I think
10 there are copies of the letters in the earlier
11 documents that we sent to you.

12 But I issued the letter. I believe I sent
13 it to Cummings and Avostar, and maybe Fairbanks,
14 Morse, maybe General Electric Locomotive Division, and
15 maybe some of those kinds of people that I knew made
16 diesel engine components.

17 Some comments about our reliability as a
18 supplier -- we do business with some of the very
19 largest companies in the world. General Electric is a
20 huge customer of ours. In one product area, we are
21 the sole supplier of a product that goes into every
22 one of their gas turbines. We've been doing that
23 product since 1988.

24 We've made several alloy transitions,
25 developmental projects with them; and we are still,

1 right now, the only supplier in the United States
2 producing for GE.

3 We also do business with other divisions at
4 General Electric. We do business with Fortune 500
5 customers in our customer list in the Texas oil field
6 market -- ITT. We've had a huge variety of very
7 large, well known companies that rely on us every day,
8 and our reputation with them is excellent.

9 We maintain our ISO 9000 2001
10 certifications, and we will update to the most recent
11 ISO the next time the auditor comes in. We're good at
12 what we do. The idea that we're not a reliable
13 supplier just doesn't hold water at all.

14 The bankruptcy was referenced several times,
15 in 2004. Quaker City Castings, had it not been tied
16 up with Lionheart Industries, would probably not have
17 suffered a bankruptcy. They would have worked their
18 way through it.

19 Quaker City Castings, with the exception of
20 the Federal-Mogul bankruptcy that hit Quaker City
21 specifically and not the other divisions of Lionheart
22 -- Quaker probably would have managed its way through,
23 had it not been tied up with the parent company.

24 I knew that when I purchased Quaker. I know
25 the strength of the company. I was President of it.

1 I knew what it was capable of doing, and I was very
2 comfortable with the sand foundry operation to be a
3 stand-alone business to support my investment, with or
4 without the centrifical operation. So I knew that,
5 going in.

6 The centrifical operation, we would like to
7 keep going. We've spent lots of money developing a
8 cylinder line of product. We actually sponsored a
9 NASCAR race car for several races, the QCC slider
10 cylinder liner, to get our name out there.

11 We've had huge mailers. We're doing
12 everything we know how to do, to maintain the
13 centrifical casting business. But we've come to
14 apparently a dead end with the Ni Resist because of
15 pricing issues that seem to be, at this point,
16 unresolvable.

17 In our study of why this occurred, you can
18 make the transition of why we're here today. Well, I
19 was trying to research why we're off the mark so much
20 with what we're being told about our pricing with Ni
21 Resist; and I came across some research on the
22 Internet about shipments coming in from Argentina,
23 using a different commodity code than what we were
24 told we needed to use when we exported this product
25 overseas.

1 That sort of triggered a lot of questions in my
2 mind, and it's one of the footnotes that was
3 referenced. The commodity code, an 8409 code, is the
4 correct one; and they've been coming in under a zero
5 tariff code, apparently.

6 So we've challenged that with Customs as the
7 first part of our challenge to having products come in
8 basically duty-free when they're coming in from a
9 subsidized industry or subsidized company, to try to
10 compete with that. A lot of this we'll handle in the
11 brief, and we'll make sure, of the details I just
12 said.

13 Some reference is made to Zolnar
14 Corporation. Zolnar Corporation was purchased by Karl
15 Schmidt. Zolnar was our major Ni Resist insert
16 customer.

17 For many years, the domestic people were
18 Bone Aluminum in New Haven, Michigan; Zolnar in Ft.
19 Wayne. There was a company out on the West Coast
20 called Industrial Parts Depot, which went bankrupt a
21 few years ago. There was AE, which is now Karl
22 Schmidt, I think, if I remember correctly. There were
23 a series of names.

24 But our primary customer was Zolnar, and we
25 had a robust business with them. We were really their

1 exclusive supplier of Ni Resist. We had a dedicated
2 truck, a tractor trailer, that went to Ft. Wayne every
3 Monday with a truckload of inserts.

4 When Karl Schmidt took the plant over, those
5 part numbers just kind of disappeared from us. Some
6 of it was probably because the engines were not being
7 produced any more. But that can't explain the total
8 demise of the business.

9 Some of those part numbers still exist
10 today. We know we quoted some of those identical part
11 numbers in our last go-around in 2007. So we know
12 some of those same part numbers we were shipping to
13 Zolnar exist today; because it's the same part number.

14 And as the gentleman said, each piston is a
15 unique design and each Ni Resist insert carries a very
16 unique part number; that you don't use one part number
17 for, say, multiple pistons. It's one for one.

18 So are we damaged? Yes; is there some noise
19 in the back that may confuse the issue? Yes, I'm
20 sure. But the reality is, I've got no orders. We've
21 been damaged; and the transition of that work went
22 from a domestic producer in the United States to
23 foreign producers; one of whom was found that received
24 subsidies. So our answer is, we'd like to get the
25 market back and we need some help to do that.

1 MR. G. KORFF: Mr. Joseph Korff just
2 basically stated my summation for me. So I'm going to
3 forego that portion of it, other than to say a brief
4 statement that was somewhat already said.

5 KUS no longer buys Ni Resist piston inserts
6 from QCC. They are buying their Ni Resist piston
7 inserts from a company in Argentina. All products
8 previously bought domestically are now being bought
9 from a single foreign source, as far as we can tell.
10 This is, to my mind, a direct illustration of casual
11 injury -- about as direct as one which can be
12 demonstrated, moving a source from one facility to
13 another facility.

14 It is our very sincere hope that in your
15 analysis of what your charge is under 19 USC 1671,
16 that you will agree with us. We will address any
17 additional concerns as to specific data or information
18 in our post-conference brief, and we look forward to
19 having the opportunity. Thank you very much.

20 CHAIRMAN ARANOFF: Thank you; and if we
21 could have whoever is doing the response for the
22 Respondents come forward, please.

23 MR. KANE: Once again, we thank the
24 Commission and the staff for this opportunity to be
25 heard.

1 A couple of minor points, when Mr. Korff
2 looks for the letters that he's discussed from 2004, I
3 believe he's going to find two sets of letters. There
4 were letters that went to the piston manufacturers
5 KUS, Federal-Mogul, and Molla; and there was another
6 set that went to Cummings and the other piston
7 customers.

8 This issue of the commodity code used for
9 the classification of the merchandise is going to be
10 addressed in our post-hearing brief. But at this
11 point, I have to say that it's a red herring. The
12 commodity code number that QCC has bandied about is
13 nowhere to be found in the Customs tariff of the
14 United States, and has never been in that tariff.

15 I said it twice already, and I'll say it a
16 third time. If QCC did not lose Federal-Mogul as a
17 customer, we would not be here today. We believe that
18 there is ample evidence in the record in this case to
19 cause the Commission to find no material injury or no
20 threat of injury with regard to imports of the subject
21 merchandise from Argentina.

22 Simply put, there are too many reasons,
23 other than subject imports, that have caused the
24 Petitioner to be in the position it now finds itself;
25 and those reasons have been put before the staff

1 conference, the post-conference briefs, the pre-
2 hearing briefs, and in our remarks today.

3 We look forward to the final determination
4 of the Commission in this case; thank you.

5 CHAIRMAN ARANOFF: Thank you very much.
6 Post-hearing briefs, statements responsive to
7 questions, and requests to the Commission and
8 corrections to the transcript must be filed by
9 September 24th, 2009. Closing of the record and final
10 release of data to the parties will take place on
11 October 9th, 2009; and final comments are due on
12 October 14, 2009.

13 Thank you again to everyone who participated
14 in today's hearing, and to the Commission staff for
15 your help in preparing for the hearing; and with that,
16 we are adjourned.

17 (Whereupon, at 1:32 p.m., the hearing was
18 adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Ni-Resist Piston Inserts From Argentina
and Korea

INVESTIGATION NOS.: 701-TA-460-461

HEARING DATE: September 17, 2009

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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

DATE: September 17, 2009

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

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Signature of Court Reporter