UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation No.:**
PHOSPHOR COPPER FROM KOREA) **731-TA-1314 (PRELIMINARY)**

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Wednesday, March 30, 2016
Hearing Room B
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at 9:30 a.m., before the United States International Trade Commission Investigative Staff. Michael Anderson, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Michael Anderson, Director of Investigations
Elizabeth Haines, Supervisory Investigator
Michael Szustakowski, Investigator
Philip Stone, International Trade Analyst
John Benedetto, Economist

APPEARANCES (Continued):

Lita David-Harris, Statistician

Robin Turner, Attorney/Advisor

Mary Klir, Accountant/Auditor

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Program Support Specialist

OPENING REMARKS:

Petitioner (Usha Neelakantan, Wiley Rein LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Wiley Rein LLP

Washington, DC

On behalf of:

Metalurgical Products Company

Michael H. Goodman, President, Metallurgical Products Company

Erica Schafer, Sales Associate, Metallurgical Products Company

Of Counsel: Daniel B. Pickard, Usha Neelakantan

CLOSING REMARKS:

Petitioner (Daniel B. Pickard, Wiley Rein LLP)

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. BISHOP: Will the room please come to order.

MR. ANDERSON: Good morning, and welcome to the International Trade Commission's Conference in connection with the Preliminary Phase Antidumping Duty Investigation No. 731-TA-1314 concerning Phosphor Copper from Korea.

My name is Michael Anderson and I am the Director of the Office of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my right, Elizabeth Haines, our Supervisory Investigator; and Michael Szustakowski, our Investigator; and to my left are Attorney Robin Turner and John Benedetto, our Economist; and Mary Klir our Accountant and Auditor; and Philip Stone, our Industry Analyst; and finally, Lita David-Harris, our Statistician.

I understand that the parties are aware of the time allocations, and I would remind speakers not to refer in your remarks to business proprietary information, and to speak directly into the microphones.

We also ask that as you respond to any questions, or you provide your testimony, please provide your name and affiliation for the record so the Court Reporter can pick up all this information.

All witnesses must be sworn before presenting

testimony. I understand parties are aware of the time allocations. Any questions regarding time allocations should be addressed to the Secretary.

Are there any questions?

(No response.)

MR. ANDERSON: Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that all witnesses for today's conference have been sworn in. There are no other preliminary matters.

MR. ANDERSON: Very well, Mr. Secretary, let us proceed with opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioner will be given by Usha Neelakantan, Wiley Rein.

OPENING REMARKS OF USHA NEELAKANTAN

MS. NEELAKANTAN: Good morning. I am Usha Neelakantan from Wiley Rein, and I am here on behalf of Metallurgical Products Company, the Petitioner in this investigation.

We welcome the opportunity to explain today how the U.S. phosphor copper industry has been materially injured and is threatened with additional material injury by dumped imports from Korea.

Compared to many of the other cases that have come before the Commission, this case is very

straightforward. Phosphor copper is an alloy of copper and phosphor that is generally produced to JIS and ASTM standards.

Phosphor copper is used primarily to manufacture copper tubing and brazing rods, and is also used by brass mills, foundries, and in products produced by copper and brass melting.

Demand for phosphor copper is generally driven by construction and, more precisely, by copper consumption. Over the last few years, copper consumption has remained stable, and this trend is expected to continue in the foreseeable future.

Phosphor copper is interchangeable, regardless of source, and is sold on the basis of price. When given a choice, purchasers will almost always choose to source their product from the producer with the lowest price. And with only three producers of phosphor copper in the United States, the U.S. market has traditionally been very competitive.

Any suggestion that U.S. producers are unable to produce the same product, to the same specifications, and at the same high quality as foreign producers is, simply put, completely untrue.

Keeping these key conditions in mind, the evidence of material injury is significant. Between 2013

and 2015, imports of phosphor copper from Korea increased by almost 30 percent, and Korean import market share also increased. At a time of stable demand, U.S. producers should have been able to maintain their market share, but instead U.S. market share declined.

Evidence on the record also demonstrates that Korean imports of phosphor copper consistently undersold U.S. producer prices. As the volume of unfairly priced Korean imports increased, U.S. Producers were forced to lower their own prices as they attempted, often unsuccessfully, to maintain sales.

As you will hear from the President of Metallurgical, Mr. Goodman, while some customers attempted to remain loyal to their long-time U.S. supplier, Metallurgical as blatantly told that they would have to match Korean prices in order to keep their business. Korean imports thus suppressed U.S. prices, and U.S. producers struggled just to cover their costs.

The continued increase of subject imports at unfair prices had a direct negative impact on the U.S. industry's performance. Almost every financial performance indicator declined, including commercial shipments, production, capacity utilization, and profitability.

Metallurgical is still in business largely because of their pre-2012 profits which were originally

intended for future investments and upgrades to their facility. But instead of being able to improve their production process and expand their sales, Metallurgical has had to use those savings just to stay in business. This cannot be sustained. The situation that the U.S. industry finds itself in today as a result of Korean imports is just too dire.

The material injury currently being experienced by domestic producers occurred at a time when demand was stable. Subject imports threaten further material injury if not restrained by an antidumping duty order.

Bongsan Company Limited, the only producer of phosphor copper in Korea, has captured the entire Korean market and is now focused on exports. As Mr. Goodman will explain shortly, he has toured Bongsan's facility in Korea and can attest to the significant excess capacity that will allow the Korean producer to ramp up production and shipments to the United States.

Indeed, questionnaire responses indicate that there are substantial quantities of Korean phosphor copper bound for the U.S. market in 2016. And given the industry's current vulnerable condition, even modest volumes of additional subject imports will have a devastating impact on domestic producers and workers.

In the absence of relief from Korean imports,

U.S. producers will be forced to further curtail production, lay off workers, delay or cancel investments, and even shut down completely.

On behalf of the U.S. phosphor copper industry and its workers, we therefore respectfully request relief from dumped Korean imports of phosphor copper.

Thank you.

MR. PICKARD: Good morning. This is Dan Pickard from Wiley Rein. I think how we will proceed is Mr. Goodman's got a written statement, and then he has also brought some PowerPoint slides which you should have, and we will review some product issues and conditions of competition, and then there's another set of PowerPoint slides where I will just go through some major legal issues in the case. And then we don't plan on using the full hour, and that should open it up for questions.

So unless there are any questions from staff, Mike, do you want to start?

STATEMENT OF MICHAEL H. GOODMAN

MR. GOODMAN: Good morning. I am Michael Goodman. I am the President of Metallurgical Products Company, a 107-year-old family business in West Chester, Pennsylvania.

Sitting to my right, to your left, is my daughter, Erica, who has been with the company for five years, and represents the fourth generation of family to

work at the company.

I have been with Metallurgical for more than 43 years. My grandfather started the company in 1909, and my father was President of the Company for 30 years before I took over. Metallurgical currently has 24 employees. Our employees are like family. Many have been with us for decades, some as long as 30 years, and the average employee has been with the company for 15 years.

I am here today because my company and its employees have been injured by imports of phosphor copper from Korea. Without something to stem these unfair imports, I'm afraid I may be forced to shut down Metallurgical and lay off our workers.

Phosphor copper is a simple product. It is an alloy of copper and phosphorus, and it generally consists of phosphorus up to 15 percent, and the balance is copper. It is sold primarily in shot and ingot form.

Phosphor copper is used in copper and brass melting. It is used as a deoxidizing additive, an alloying additive, and is also used to make brazing alloys. Brazing is a process of joining two pieces of metal together.

Phosphor copper is produced to two standards: JIS H2501 and ASTM B-644, Alloy 3A. Metallurgical is easily able to meet and exceed these standards.

Phosphor copper is a difficult allow to

manufacture. It is a more capital-intensive product rather than a labor-intensive product. This is because of the phosphorus.

Phosphorus is difficult to handle primarily because it burns on contact with air. In making phosphor copper, there is some phosphoric acid that's generated. Everyone who melts metal has to capture and treat the fumes that are created by the melting process.

In phosphor copper manufacturing, besides the fumes from metal melting there are also fumes generated from adding the phosphorus that must be specially treated. The phosphorus fumes are acidic, so the equipment must be made from stainless steel so that it is acid resistant.

Metallurgical does all this in a manner that is environmentally compliant and friendly. For example, phosphor copper shot is made by dripping the molten metal into water.

We have an on-site water treatment plant to treat this water. The water from our production process is cooled, neutralized, filtered, recycled, and reused. We don't discharge any water. It is all recycled. It's all reused. The phosphoric acid that we capture in our mist eliminators is concentrated and it's sold to a fertilizer manufacturer.

Over the last several years, demand for phosphor

copper has remained relatively stable. Given this, we would have expected our production to, at the least, also remain stable.

But instead, our capacity utilization rate has fallen and so has our market share. This decline happened despite the fact that we have ample available capacity to supply the U.S. market.

The phosphor copper market in the U.S. is very competitive. Phosphor copper is sold on the basis of price. The U.S. industry consists of three phosphor copper producers and customers shop all three for the best price.

Before 2012, we had no problems competing with other phosphor copper producers, not just in the U.S. but throughout the world, and we were consistently profitable. Our phosphor copper met or exceeded customer expectations and specifications, and was always shipped on time as promised. We consistently reinvested our profits in the company to ensure that we were using the most up-to-date technology and equipment.

But there has been a change. During the past few years, we've seen our profitability decline primarily due to unfairly priced phosphor copper from Korea. Prior to 2012, very little phosphor copper was imported into the United States and the Korean material was absent from the U.S. market. This all changed in 2012 as the volume of Korean

imports in the U.S. market increase substantially.

The story actually begins in 2011 when a new group began purchasing at one of our largest customers, the Harris Products Group. We have been supplying phosphor copper to Harris for 35 years, and until this time had been their primary supplier.

In November of 2011, we submitted our offer for 2012's business. When it came time to award the business, we were told that we would receive less business than in previous years, and a portion of 2012's business would be purchased "offshore."

That was the term they used, "offshore." This wasn't about quality or dependability. It was about price. We were told that the offshore price was lower than ours, and that this warranted Harris giving a foreign competitor a portion of business that Metallurgical had been supplying for years.

In the beginning of 2012, all that Harris would tell us was that the offshore price was much lower than ours. We decided to investigate and went to Korea in May of 2012.

Let me also mention that prior to this time Korea had an import tariff on phosphor copper. This kept Metallurgical and other foreign producers out of the Korean phosphor copper market, and enabled Bongsan Corporation--the

Korean phosphor copper producer--to grow without competition.

One of our goals for this trip as to learn about the Korean phosphor copper producer Bongsan, their quality, and their pricing.

What we found was that prices in Korea were 45 to 50 cents a pound over the London Metal Exchange copper price. At the time, our price to Harris in the U.S. was 35 cents. With 45 to 50 cent premiums in Korea, and our price at 35 cents, we didn't see why Harris had decided to buy from "offshore."

In the fall of 2012, we began discussing Harris's 2013 business. During these discussions we were told that the Korean price was 25 cents per pound over the price of copper, and that this price was delivered to Harris's plant.

We just didn't believe this, especially after seeing and being told first hand from Korean customers that they were paying 45 to 50 cents a pound over copper. We just didn't believe that they could or would sell at such a ridiculously low price, and we thought Harris was just trying to get us to lower our price.

When it came time to visit Harris, I personally went with our salesman. I asked Harris to please keep in mind that buying products made in America helps Americans attain and retain jobs. Our workforce is higher skilled,

and this ensures higher quality. By buying American, you can put money into the pockets of working Americans without additional cost. And I said to them: Work with us and you can count on us working with you.

After I said this, their purchasing manager looked me in the eye and he said, "The offshore price is 25 cents, and that's a delivered price." It was only because I was there in person and the buyer looked me straight in the eye that I knew he was telling the truth.

I left the meeting quite shocked. There was no way that we could match these prices. How could Bongsan do this? And why would they do this?

That was the beginning of our struggle with imports from Korea. In 2013 and 2014, we started losing large volumes of sales. Our losses became particularly acute during the summer of 2015.

We had purchased a subscription service to monitor imports into the United States and we learned that another of our customers, Lucas-Milhaupt, had also begun importing phosphor copper from Korea. Soon afterwards, another company, Totall Metal Recycling, began importing Korean product. Up to this point, Harris and Lucas-Milhaupt were importing for their own use.

Totall Metal began importing for the purpose of reselling as a distributor to both large and small users.

Totall stores phosphor copper in their warehouse and offers it for sale at low prices.

Totally as experience in the copper industry so they know which companies buy phosphor copper and are often already familiar with those companies' buyers. Totall has undercut our prices and has made the Korean imports available to large and also small users. Many customers have remained loyal, but tell us that we have to match the lower price to retain their business.

One thing you may hear is that U.S.-produced phosphor copper is inferior to Korean-produced product in terms of quality. This is completely untrue. Our product is produced using the same production process and to the same product specifications as the Korean product.

There is only one producer of phosphor copper in Korea, Bongsan, and when I was in Korea in 2012 I had the opportunity to visit and to tour Bongsan's facility. I can tell you from first-hand experience that there are no meaningful differences between their production process and ours.

Like us, their product meets or exceeds industry standards for phosphor copper, and their product is completely interchangeable with ours. The only difference is that their product is sold at unfairly low prices in the United States.

Today it has gotten to the point where if the increasing trend of low-priced Korean imports continues, Metallurgical will be forced to go out of business.

We have already cut our costs as much as possible, and we have reduced the number of employees. We began 2015 with 28 people, and during the course of the year lowered our head count by 15 percent to 24. Selling lower volumes at lower prices means that we are unable to cover our costs.

We are surviving on profits made prior to 2012 when we were not harmed by unfairly priced Korean imports and operated profitably. This could be the end to a 107-year-old family legacy, not because we were reckless but because we were denied a level playing field that existed in the marketplace prior to 2012.

Without an order, I have no doubts that Korean imports into the United States will continue to increase. I know from touring Bongsan's facility that they have substantial excess capacity that will continue to be directed at the U.S. market.

While being protected by the import duty into Korea, Bongsan was able to develop a sophisticated manufacturing facility and capture its entire domestic market. Having done this, Bongsan is now focused on exports. The U.S. market is a large and attractive market,

and Bongsan will continue to ship unfairly priced phosphor copper here if they are not restricted from doing so.

In conclusion, I am here today fighting for Metallurgical's loyal employees and the other U.S. phosphor copper workers who rely on companies like Metallurgical for their livelihood. Imports of phosphor copper from Korea have caused injury to the U.S. industry and its workers. Without an antidumping duty order, Metallurgical will have to shut its doors and these workers will soon be out of jobs.

I have also brought with me a few slides that I think will be helpful in understanding our company and the production process.

I realize there's no projector, but that you have copies of the slides, but I just thought the verbal presentation is a little on the dry side and that it would be helpful just to get some pictures and a visual impression of what phosphor copper is and what Metallurgical does.

So the first slide simply reiterates what I said earlier, that we were founded in 1909; that we are family owned. We have 24 employees. Our main product is phosphor copper, and that we have a modern, up-to-date production facility.

The second photograph is a photograph of our building from the street, and it is located just outside of

Philadelphia in West Chester, Pennsylvania.

The next slide is just our employees enjoy coming to work, and they are like family members to us.

So in making phosphor copper, we start out with copper. The other raw material is phosphorus, and that comes to us in drums, on pallets, and phosphorus is stored under water in the drums so that it doesn't burn.

And we melt the copper, and then we add the phosphorus. Right behind the employee with the white hard hat is a picture of the power supply that operates our melting furnace. We have two of those. And they are both just two years old. I mean, they're solid-state and state-of-the-art equipment. It's not that we operate with equipment that is old, and antiquated and dated. Most of our equipment is less than five years old.

So in addition to melting equipment, we have a 28,000 cfm ventilation system. And this is what most companies in the melting industry have, some type of a ventilation system to capture the molten metal fumes that are given off during the melting process.

But for making phosphor copper, you also need what's called a mist-eliminator system. And the next photograph is a picture of our mist-eliminators. And they capture and treat the phosphoric acid mist that is generated from adding the phosphorus and working with the phosphorus.

And this is expensive equipment due to the fact that it is made entirely out of stainless steel so that it is acid-resistant.

So after we have alloyed the phosphorus with the copper, we pour that alloy into shot or ingots. And the next photograph, number nine, is a picture of our furnace and the molten metal being poured out of the furnace.

So we either pour the metal into shot or waffle, and the next photograph, slide 10, is the phosphor copper ingot or waffle casting. So the molten metal flows into an ingot mold on a conveyor, and the molten metal travels down the conveyor, and as it gets to the end of the conveyor it's had time to cool, and at that point it's collected and packed in drums.

The next slide is just a photograph of the phosphor copper shot, or just pellets. The next slide is phosphor copper in ingot form. That material, they're packed into steel drums, slide 13. And then the drums are loaded onto a truck and shipped to customers.

So the next two slides are copper tubing slides. Our customers make copper tubing. They wind some of the tubing into coils. And if you go into Home Depot or Lowes or whatever, this is what you see on the shelves being sold.

And the next slide is just copper tubing in straight lengths. And as much as it's pretty easy for us to

understand what copper tubing is, here we have it in our homes. Not as many people are familiar with brazing, so slide 17 is just a photograph of brazing rods. And brazing is a process of joining two metals together.

The next slides just shows a metal joint being brazed. So the wire that's coming down from the upper right-hand part of the slide is the brazing rod. And what's happening here is a copper T is being brazed to a piece of copper pipe.

So the copper is heated with a torch, and the brazing rod melts and fills in the area between the T and the piece of copper and forms a--joints the metal together so that when liquid water runs through the copper it doesn't leak.

During 2012, this is me standing in front of one of the larger phosphor copper consumers in Korea. And the next slide, slide 20, is a picture that we took during our visit actually to Bongsan. I am on the right-hand side of the slide, and the second person from the left is our plant manager, Greg, who accompanied me and went on the tour of Bongsan with me.

And during that tour, I mean we saw their facility, and what we saw was very similar to our facility. They do things in a very similar manner to the way that we do things.

And then the last slide is just our ISO registration certificate. And ISO is the international quality standard that most manufacturing companies throughout the world become registered to. And we became registered in 1996. We have had our ISO registration for 20 years. So quality isn't something that we just recently took upon ourselves.

So I thank you for your time this morning, and I hope that the photographs brought a little more light to who we are and what we are doing.

STATEMENT OF DANIEL B. PICKARD

MR. PICKARD: Good morning. Again, this is Dan Pickard.

I wanted to just very briefly go through some of the standard legal issues. And I would say from the beginning we don't think that there are any particularly novel or complex legal issues in this case. It's pretty straightforward.

In regard to Domestic-Like Product, we have suggested a Domestic Like Product co-extensive with the Scope definition.

We expect that you may have some questions in regard to copper phosphides, which we will be happy to answer after we finish with the direct.

Just a couple of initial points, the copper

phosphide issue appears to have arisen through questions by the Department of Commerce as part of their initiation process. What I think you'll hear Mr. Goodman say, should there be any questions in this regard, is that they don't identify themselves as a copper phosphide producer. None of the other participants in the U.S. industry hold themselves out as copper phosphide producers.

They sell in the United States and internationally, and the product is, not to put words in his mouth, to the best of his knowledge has never been referred to as a copper phosphide product.

And while I certainly am not a chemical engineer, some just kind of basic Internet research seems to indicate that phosphor copper and copper phosphide have distinct chemical formulas as far as identifiers by cast numbers, have separate cast numbers.

Public information seems to indicate that they go into different end uses, and that they're even sold in fundamentally different basic forms. But we'll be happy to answer any questions that you might have with regard to Domestic-Like Product definitions.

Domestic Industry. It doesn't appear that there are many open questions in regard to this, that there are three basic domestic producers.

Conditions of Competition. Arguably one of the

most important conditions of competition are that both the U.S. and subject merchandise are sold to the exact same specifications, which increases the importance of price in purchasing decisions. And we're happy to provide additional information in regard to that, as well.

I think I would also note that it may be relevant to the Commission's analysis that the Koreans have a tendency of selling at the highest standard so their product can be used both--can be used in all applications. I think Mr. Goodman will be happy to discuss that further.

Demand, as was indicated earlier, has been relatively flat. As an indicator of general demand drivers, there's residential and nonresidential construction. Through our conversations with Mr. Goodman, it appears that statistics available through the Copper Development Association appear to be--and that information is also publicly available on the Web--appear to be more specific indicators of demand level. And CDA statistics indicate that 2013-2014 demand has been pretty flat, pretty stable. And that is the expectation for 2015 and 2016 as well.

And I would note that it was during this period of relatively stable demand that you see a significant shift in market share away from the domestic industry, and captured by the subject merchandise.

I would also point out that you have almost no

nonsubject imports in this case, as well.

As far as Conditions of Competition, you have ample available domestic supply. As you will see, you have got low reported capacity utilization rates, which have been falling over the POI.

And then in regard to the Statutory Factors, you have relatively clean HTS number, and it shows an approximately 30 percent increase in the volume of imports over the POI.

And while I know that there will likely be another APO release over the next couple of days, it seems like the questionnaire statistics tie very closely with the official import statistics, and also demonstrate the significant increase.

In regard to Negative Price Effects, the data that has been collected today to date also appears to demonstrate consistent under-selling by U.S. prices--or consistent under-selling of U.S. prices by Korean imports.

We see then price suppression and it's probably most obvious in regard to an examination of COGs as a percentage of net sales increasing over the Period of Investigation.

And then Impact. Obviously we can't go into proprietary information, but you see declines in pretty much all of the major indicia of financial performance. And I

think also, interestingly, that you probably see more confirmed lost sales and lost revenue allegations in this case than you do in a normal case.

And then, just quickly to wrap up, this is as strong a Threat case as it is a Material Injury case. You can see that import statistics in 2016--and this is slide 10--as comparison to year-to-date 2015 show a marked increase in the volume of imports. And this also appears to be substantiated by the questionnaire responses which show significant orders for the beginning and middle of 2016.

So with that, in conclusion, this is our position that it is a relatively straightforward case. You see products that are sold to the same specs with the significant increase in the volume of imports, both absolutely and by market share.

You see both under-selling and price suppression. And then you see both indicators of material injury and threat of material injury.

And with that, we will be happy to answer any questions you have.

MR. ANDERSON: Thank you, Mr. Pickard. I also want to thank you for being here and coming down to Washington, D.C., today, and appreciate the PowerPoint. I felt like I was getting a tour. So that was very helpful, the visualization.

So we would like to start with questions from our staff, and I will turn it over to Mr. Szustakowski.

MR. SZUSTAKOWSKI: Hello, and thank you for being here today, Mr. Goodman and Ms. Schaffer, for traveling. Like Mr. Anderson said, it is helpful to see the slides and get an idea of some of the production processes, especially for a new product. This is novel for us and always, you know, in some other cases when we get something new we get to learn about it and maybe ask some, you know, unusual questions, or obvious questions. So I appreciate your patience and understanding while I try to sort through and have a better understanding of this industry.

One of the things that Mr. Pickard mentioned was that the phosphor copper has a different chemical formula than copper phosphide. And in the petition, it provides the chemical formula for copper phosphide. I believe it's at page 4.

If we could also get the chemical formula for phosphor copper, that would be helpful. And just so you guys have a bit more context here, yesterday we spent a little bit of time talking--or two days ago we spent a little bit of time talking to a metallurgist and trying to understand, you know, the differences between phosphor copper and copper phosphide.

And according to this person, he was saying that

actually that they are the same, and that the copper phosphide--and I'm not a chemist or a metallurgist, so, you know, please bear with me--that copper phosphide Is when phosphor copper has the 15 percent phosphor saturation point, and that it's almost like a subproduct from phosphor copper.

So we're just trying to understand that a little bit better, because the petition kind of lays down and says these are completely different products. That's kind of what Mr. Pickard was saying today.

So to the extent that you all can provide some additional details on these distinctions between these products, and if it's something that you can't answer in detail now on may be a scientific basis, if there's something in the post-conference brief that can help us understand that better, that would be great. Because like I said, it's a new product for us and we're just trying to understand these definitions.

If you would just do like Mr. Pickard mentioned doing some Internet searches, not that Wikipedia is ever an authority on any sort of subject, but if you look at that, it actually uses, you know, copper phosphide and phosphor copper interchangeably in one of its entries.

So we're still trying to sort through this, and your assistance with that would be greatly appreciated. And

if there's anything you want to share right now about that, I'm all ears.

MR. GOODMAN: Michael Goodman, Metallurgical Products Company. Based on what you just said, I think that the explanation that your metallurgist gave you is probably, you know, quite accurate.

And when we manufacture phosphor copper, the product is called "15 percent phosphor copper." And the reason for that is that 15 percent is the maximum solubility of phosphorus in copper. So In other words, the copper won't accept more than 15 percent phosphorus.

The customers that buy this product are adding it to copper, but they really just want the phosphorus. So if you could put let's say 50 percent phosphorus into copper, the customers would probably buy 50 percent, five-oh percent cop-per, not 15 percent.

When you make the alloy and the phosphorus content approaches 15 percent, what happens is that you do get what's called "free phosphorus" in the alloy. And this could be definitely in the form of a phosphide. And all a phosphide, from my understanding, means is P-3, three molecules of phosphorus.

And when we manufacture the product, not just Metallurgical but all manufacturers, including the Koreans, we usually aim for about 14.8 percent phosphorus. And what

happens in the alloy, if you put 15 percent, or 15.1 percent in, is the alloy does have this phosphide material, what we always call "free phosphorus," and over time that migrates to the surface of the alloy and it oxidizes. It just turns blue, and it becomes damp. It absorbs moisture from the air.

So phosphor copper producers try to keep the phosphorus as high as possible, but generally around the 14.8 percent range. In--being in the marketplace and some of the customers just generally refer to it as phosphorus copper, phosphor copper, copper phosphorus, but there isn't a separate distinct product that's called "copper phosphide" that competes with us. And we don't compete with a different industry that makes copper phosphides.

MR. SZUSTAKOWSKI: That's all very helpful. Thank you. I'm sorry, and just to reiterate the one point, in the post-conference brief if there is a difference between the chemical formulas between the two, because you're saying that the copper phosphide has the 3--

MR. GOODMAN: Three molecules of phosphorus.

MR. SZUSTANKOWSKI: The three molecules of phosphorus, that if there's a difference between that and-- if there's a difference between that and the phosphor copper, just so we can, you know, just see what that is, that would be helpful.

MR. GOODMAN: Cu2P.

MR. SZUSTAKOWSKI: Oh, Cu2P?

MR. GOODMAN: Um-hmm.

MR. SZUSTAKOWSKI: Okay. And is the Cu2P, is that true whether it's a 8 percent phosphor, or a 14.8 percent, and that it becomes Cu3P when it's--

MR. GOODMAN: I think near the saturation point there may be some Cu3P in the alloy.

MR. SZUSTAKOWSKI: Okay. Did you want to say something, Mr. Pickard?

MR. PICKARD: Yes. So we'll certainly flesh it out more in the post-conference brief. But what we've seen is---and we'll put documentation in with our post-conference brief. And we also did a supplemental submission.

So it appears that phosphor copper is--and again these are from publicly available sources--is either Cu--I'm sorry, CuP or CuP2, while copper phosphides are generally, but they're also a bunch of other chemical formulas that are publicly available are listed as Cu3P.

We've also noticed that through the CAS system, which seems to give identifications in regard to distinct chemical formula, or chemical products, that they've been assigned two different numbers. And we've also identified kind of end uses for pure, what appear to be pure copper phosphides which seem to be sold in kind of a powder form,

and at least one end use is going into batteries.

What we're exploring now is whether kind of as you get to the saturation point, whether phosphor copper may contain elements of copper phosphides, which is what I think Mr. Goodman was talking about. But, yeah, we will certainly flesh it out to the best of our ability in the post-conference brief.

MR. SZUSTAKOWSKI: Okay. Thank you.

Also, when we were looking at the Tariff Schedule, under Chapter 28 it includes HGS No. 2848001000 as a phosphide, whether or not chemically defined, excluding ferophosphorus. That last part, excluding ferophosphorus, does that mean that phosphor copper for the petition is not the same because it does contain some iron? Is that the distinction between the two?

Just looking at that chapter, we were trying--I was trying to understand like why is it that in Chapter 74 it has this product, and then if it contains more than 15 percent phosphorus we you have to jump to Chapter 28 and it has that ferophosphorus distinction.

MR. PICKARD: I'm sorry, Mr. Szustakowski, could I get that HTS number again?

MR. SZUSTAKOWSKI: It's HTS No. 2848001000.

MR. PICKARD: We'll answer in our post-conference brief. I believe that the distinction doesn't have to do

with the iron so much; it has to do with nominal phosphor content. And I believe the other HTS number has--represents imports of copper with phosphorus up to 15 percent as a nominal value. And I think Mr. Goodman will tell you that it's possible to get slightly over 15 percent.

So we believe that all the imports are coming in under the HTS number listed in the petition, but we can further distinguish what's covered by the Chapter 28 HTS number.

MR. SZUSTAKOWSKI: Thank you.

So in the petition and during your prepared testimony, you mentioned the three different end uses for phosphor copper, it deoxidizes, alloy additive, and a brazing rod. So can you just rank order the size of those markets in the U.S.? What's the largest consumer of phosphor copper, then the second largest, and third largest?

MR. GOODMAN: Michael Goodman. By industry?

MR. SZUSTAKOWSKI: Right, by the consumers of phosphor copper--

MR. GOODMAN: I think the largest consumers would be copper tube manufacturers.

MR. SZUSTAKOWSKi: So they would be using it as alloy additive, or a deoxidizer, or--

MR. GOODMAN: As a layman, you think of copper tubing as being pure copper. But technically it's, the

alloy has, its copper development association, CDA Alloy 1-22. And the technical name, it's called DHP copper, which means deoxidized, high phosphorus copper.

So that when a copper tube manufacturer is making the tubing, they melt the copper, and then they add a certain amount of phosphor copper to the molten copper for the purpose of deoxidizing, removing oxygen from the melt. After the oxygen is removed, they add a little bit more so that they end up with phosphorus in the actual copper tubing. And they want a residual of phosphorus, a very small residual, usually in the area of .02 to .04 percent, because that gives the copper the workability that enables them to actually draw it into tubing.

So if they made the copper without the phosphorus content, they can't draw it into a tube.

MR. SZUSTAKOWSKI: I see. And so the tubing manufacturers consume the largest volume?

MR. GOODMAN: Consume the largest volume.

MR. SZUSTAKOWSKI: Then after that?

MR. GOODMAN: It would be the brazing rod manufacturers.

MR. SZUSTAKOWSKI: Okay.

MR. GOODMAN: And then the balance of the copper melting industry would be the third largest consumer. And by balance, that's made up of companies that make brass and

bronze ingots, copper powder manufacturers, copper and brass foundries, and then just any other type of specialty copper product that's made by the melding process.

MR. SZUSTAKOWSKI: Would it be possible in your post-conference brief to not just rank-order them, but just give a relative size of the share of each of those markets?

MR. GOODMAN: Sure. Yes.

MR. SZUSTAKOWSKI: That would be helpful. Again, this is new for us, so trying to figure out who does what.

And so the domestic industry, not just your firm but to your knowledge the domestic industry, the other two U.S. producers, they sell to all end users of this in the U.S.? There's nobody that says we have to have Korean product, or imported product because it's specialty somehow? Do all three U.S. producers sell to all these consumers of phosphor copper in the U.S.?

MR. GOODMAN: Yes, they do. We've competed against the other U.S. producers for all the years that I've been in business.

MR. SZUSTAKOWSKI;' Do the U.S. producers specialize in selling to any particular sort of end user? Is Metallurgical Alloys known for, you know, we make the best for brazing, and Millard, they're great for casting? Does somebody, do they develop preferences over time for specialties?

MR. GOODMAN: I don't know that customers have preferences. I know that over the years Millard Alloys has made the claim that they specialize in supplying the brazing industry. But we all supply all industries.

MR. SZUSTAKOWSKI: And your testimony has been that the consumption or demand in the U.S. has been relatively flat for phosphor copper. So is that because, you know--why is it? Is there less copper being used in the U.S.? Or are the downstream products, are they facing more import competition? Do you see more copper tubing come in that's being imported and there's pressure on those manufacturers?

Why is it flat and not growing?

MR. GOODMAN: Actually, the copper tubing producers have an antidumping order against some of the foreign copper producers.

MR. SZUSTAKOWSKI: But I guess my question is, why is demand flat?

MR. GOODMAN: You know, I really don't know other thank you know, we go by what I went by, is two things. Number one is the statistics that are published by the CDA. And I think they come from the government surveys where the government surveys manufacturers, and manufacturers are asked to supply their production information.

I believe the U.S. Bureau of Census does that.

And then, you know, there are certain customers where we have annual supply contracts, and what they've consumed from one year to the next seems to be just pretty constant. And I think, you know, possibly, you know, maybe construction in general might be up, but there might be some substitution where people use plastic in construction to replace copper.

MR. SZUSTAKOWSKI: Mr. Pickard, you mentioned that from what you've seen with the questionnaire responses that those data tend to track the official import statistics. In your brief, unless you have an opinion about this now, it would be helpful if you were to, you know, say whether or not the Commission in your opinion should be relying on official import statistics versus questionnaire responses for some reason. I have a similar impression that right now the questionnaire responses do have substantial coverage. That's the preference of the Commission, in order for staff to rely on those data. If you want to put a mark down on that and, you know, let us know one way or the other why we should be looking at one set of data versus another, that would be helpful.

MR. PICKARD: We'll be happy to do so.

MR. SZUSTAKOWSKI: And so it seems clear we have a questionnaire response from the Korean producer Bongsan, so to everyone knowledge does that cover the entirety of the Korean industry, and there's no dispute about that?

MR. GOODMAN: Michael Goodman. No, there's none on my part.

MR. SZUSTAKOWSKI: So where do you get your copper and your phosphorus from? Like what are the sources? Are they domestic? Are they foreign?

MR. GOODMAN: All our copper is purchased domestically. And it's a commodity, and freight is a factor. So generally from the East Coast area of the United States, maybe as far north as Boston, and as far south as South Carolina and west to Ohio. That's because we'll compete with somebody else, let's say, in Chicago. And a supplier of copper finds that the freight is lower to Chicago than it is to Philadelphia.

But we use high-grade copper scrap. And everybody at this point that makes phosphor copper throughout the world uses phosphorus that comes from either China or Vietnam. But there is a U.S. producer of phosphorus, and they were acquired by a fertilizer manufacturer. So all of their phosphorus production is captive for use in fertilizer.

MR. SZUSTAKOWSKI: Are there special handling requirements that you have for the phosphorus? So it sounds like you import phosphorus? Is that right?

MR. GOODMAN: Yes.

MR. SZUSTAKOWSKI: It sounds like it's potentially

pretty tricky to handle, given that if it is exposed to air it can ignite.

MR. GOODMAN: Well, it--yeah, there's quite a bit of phosphorus that is--that is shipped just in general commerce, for example in the United States it's shipped from manufacturer to the fertilizing manufacturing plants.

In terms of importing the phosphorus, there are DOT standards for example for the drums that specify how the drum has to be constructed. But nature is also somewhat helpful. And phosphorus is a solid at room temperature. So when the phosphorus is manufactured at the production plant, it's heated so that it becomes a liquid. And it becomes a liquid at just over 100 degrees Fahrenheit. So it will get heated to maybe 120 degrees Fahrenheit, so it's the liquid, added into the drums, and then they put water on top. And then the phosphorus just solidifies and takes the shape of the drum because it cools and is a solid at room temperature.

So you have a block of phosphorus in the drum with some water on top. And as long as it is stored under the water, it's perfectly safe. And it doesn't explode. It just burns.

MR. SZUSTAKOWSKI: Okay. That's reassuring. Can you publicly briefly describe what sort of, you know, maintenance your facility undergoes? Again, our

conversation with this metallurgist was saying that phosphorus is pretty nasty stuff, and, you know, compared to other furnaces, you know, you have to use special refractory bricks, and special cement for, you know, the lining of the furnace compared to maybe a steel producer.

MR. GOODMAN: Actually, the furnace linings that we use are very similar to the furnace linings that are used by other companies that melt copper and brass. There really isn't any difference in furnace lining or furnace lining life. But where the maintenance really comes into play is the fact that when you add the phosphorus to the copper, there is some fumes that are generated.

And that is collected, captured, and treated. And all that treatment equipment has to be made out of corrosive-resistant material. So ours is made out of stainless steel. And that equipment, you know, requires periodic maintenance, and probably more maintenance than the typical type of equipment. But that's just something we've put out in a maintenance program. We have a maintenance staff of three people.

MS. SZUSTAKOWSKI: Is there just like regularly scheduled maintenance, like every two or three months you have to go through a certain regimen?

MR. GOODMAN: Actually it's a little more--we have certain things. Some of our environmental equipment

has to be checked daily. So we have a daily checklist for certain things. Weekly, monthly, and then we might have a semi-annual check that's more in-depth. But we're pretty organized and sophisticated preventive maintenance.

MR. SZUSTAKOWSKI: Is the equipment ever taken offline for a period of time?

MR. GOODMAN: Well, you know, we for example will change the filters where -- but most of our melting is done off peak, which means in the evening hours and through the night, because of electric cost, and just off peak melting is much less expensive than melting during daytime, when demand for electricity is high.

So for example, when we're doing our melting at night time, we can do our maintenance during the day time and don't actually lose any production to do maintenance.

MR. SZUSTAKOWSKI: During the last -- since during the Period of Investigation, how we refer to 2013 through 2015, have you had any unscheduled maintenance periods or times when the facility was down and wasn't available to produce, and if that's proprietary, feel free to answer in the post-conference brief. I'm just looking to see if there's any sort of instances of supply disruptions, whether it's for your firm or if you have knowledge of other U.S. producers experiencing that?

MR. GOODMAN: I'm not aware of any supply

disruptions, either from our company or from our competitors.

MR. SZUSTAKOWSKI: Okay, too be clear, supply or production disruptions.

MR. GOODMAN: Right. There have been no supply disruptions. I mean we've never been called by a customer and said your competitor can't deliver; can you help us out? The one -- we have one instance where we had a customer in the Midwest that ran out of material, and it was a two day shipping point for us, and we bought a small amount of material from a competitor located in the Midwest, who could get it there overnight to them. But that --

MR. SZUSTAKOWSKI: That was because they might not have in their inventory --

MR. GOODMAN: Well it means we didn't have the materials. It took -- it was a two day delivery and they allowed themselves to run out.

MR. SZUSTAKOWSKI: I see.

MR. GOODMAN: But there haven't been any disruptions.

MR. SZUSTAKOWSKI: Okay, thank you. So you're saying much of your equipment that you have in place is about five years old or so. Have there been changes in the production process that, you know, you needed to invest in this equipment to stay current with the most advanced

production process or --

MR. GOODMAN: The general process has not changed at all, you know, in years. However, you know, we've made enhancements to the production process. For example, in the melting, you know, we use electric induction melting, and in electric induction melting there's a power supply and a furnace.

So what the power supply does is that it transforms the high tension power that you buy from the electric company into a form that will melt the metal in the furnace. It used to be that the power supplies had moving parts, and you know, now they're all electronic. Instead of moving parts aside, you see circuit boards. We've updated to the electronic power supplies just because they're just more reliable.

MR. SZUSTAKOWSKI: Have your domestic competitors, are you aware of them making the similar sort of upgrades, where you know --

MR. GOODMAN: I don't know. They don't tell us.

MR. SZUSTAKOWSKI: Okay. I don't know if that's maybe like, you know, it comes out like a press release. Like hey look at this new facility we have and new equipment. We're top notch and buy from us because, you know. It's a marketing strategy somebody might use but --

MR. GOODMAN: Unfortunately, you know, it's

still, you know, our competitors are able to supply the marketplace and the customers just they ask for what's the best price. They're really not interested in the fact that you have a newer production facility or a newer furnace.

MR. SZUSTAKOWSKI: Okay. When you were discussing the price when you were first caught wind of the Korean imports and understanding their domestic price, I think you were referencing it as a premium over the LME copper; is that right?

MR. GOODMAN: Correct.

MR. SZUSTAKOWSKI: How does that work? Is that how your contracts work, where -- you know, how do you price this and how does it relate to the LME copper price?

MR. GOODMAN: So with regard to the copper, the price of copper is determined in the United States by the commodity exchange that's called COMEX for commodity exchange, and the rest of the world prices their copper on the basis of the London Metal Exchange.

There's some differences in how the markets are run, but for the most part the two prices end up -- are very similar, and the main reason for that is that there are now London Metal Exchange warehouses in the United States, sometimes the exact same warehouse as the COMEX warehouse.

So that if the London Metal Exchange got significantly higher, they would just take the copper and

sell it from the New York, the COMEX market, the U.S. market to the London market, and wouldn't even have to move -- maybe they'd move it from one end of the warehouse to the other.

So the two prices are pretty close to one another. But you know, copper goes up and copper goes down, and most of our customers buy quite a bit of copper. You know, the copper tube producer that is buying one truckload of phosphor copper might be buying seven or eight million pounds of copper.

So they're pretty aware of where the copper prices are and it's significant to them. So what they do is they say let's just take the price of copper out of this and give us a premium that you'll see us the phosphor copper for over the price of copper. So a customer will give us an order and it will be at a certain premium over the price of copper, and then they'll tell us on the day that you ship it, when the market closes use the closing price. That's the standard industry way of pricing copper is usually when the market close.

So use the market close on the day of shipment plus whatever premium we agree to. So when we're negotiating with customers, we're really not negotiating about the price of -- that copper's going to be. We're negotiating that premium.

MR. SZUSTAKOWSKI: And so the contract is such that it's based on the day of shipment? So you can -- I mean do you negotiate long-term contracts for a year or are these spot sales? Like how does that work in that, you know, you could have a contract negotiated and then at a certain point in time the price is, you know, based on the copper price.

MR. GOODMAN: Right. Well, we don't have any contracts that extend beyond a year. So all contracts are a year or less. Most -- if we have a contract, most of them are year-long. We do have -- we have one customer that gives us quarterly contracts, and generally it's for the duration of a year and it's at a set premium over the price of copper.

However, the contracts typically have a clause that if during the course of the year, someone approaches the customer with the lower premium, that we have the opportunity either to meet that premium or if we can't meet it then the customer has the right to buy lower-priced material from another supplier. So they tend to be slanted towards the customer.

MR. SZUSTAKOWSKI: Meter release provision, right?

MR. GOODMAN: Right.

MR. SZUSTAKOWSKI: Understood, thank you.

Because you were referencing 2012 and the activity then and that's when you first saw this increase in volume of imports in 2012, can you help us understand, what did the -- is it your contention that that's when the injury started was 2012 to the domestic industry and did things then get worse or -- I'm trying to understand, because we tend to look at trends here, and I just want to understand when we're looking at the 2013 data, are you saying that, you know, we were already injured in 2013 because of imports from Korea or is 2013 a base year where we should say that's -- that's how the domestic industry would typically operate and these are the results we should see?

MR. GOODMAN: Well --

MR. PICKARD: Just walk him through chronologically what happened.

MR. GOODMAN: So the chronologic what happened is that in I guess part of 2010 at one our larger customers, it was the Harris Product Group, it was a family-owned business similar to Metallurgical, and it was owned by the Harris family and I guess we had been a supplier at that time for like 30 years, and I guess there was just a family atmosphere, and you could -- when you went to visit them, even though there might have been 200 people that worked at the company, Mr. Harris made it a point to know suppliers personally, have a relationship with his suppliers.

Then he sold the company to Lincoln Electric Company and it just became more corporate. The buyer that we had dealt with for probably 25 years, you know, retired and they brought in -- they brought in new people, and then the new people really just said we're going to find better prices for this material.

They went out and I guess did Internet searches or scoured the marketplace and somehow discovered that they could buy material from Korea. I believe that in 2011, they had some material come into the United States to their plant and as a trial, so to speak.

So I think that if you were to look at the import statistics, you would see that there was some material imported in 2011, probably if so only from Korea. I think they made the determination during 2011 that the material met their requirements and we're going to -- we're going to buy some of this during 2012, only because the price was so low, was so low. There was a financial incentive.

So they began buying this product in 2012 and at this point, did the damage -- there was damage. Our business was cut in half there, but it was localized and then in 2015 during the summer, a second company, one of Harris' competitors, also started importing directly from Korea for their own use.

Then this Totall Metal Recycling began importing. That's really kind of the straw that broke the camel's back so to speak in that Totall doesn't do any manufacturing. It doesn't use phosphor copper themselves, but they simply began warehousing the material and then soliciting the entire marketplace and offering low priced, under-priced material to somebody that uses 2,000 pounds versus somebody that uses thousands and thousands of pounds.

MR. SZUSTAKOWSKI: Did you ever sell to Totall Metal before?

MR. GOODMAN: No.

MR. SZUSTAKOWSKI: So this is a new market entry? They weren't a customer? They weren't a distributor of your product?

MR. GOODMAN: They weren't a distributor of any finished product to my knowledge.

MR. SZUSTAKOWSKI: And your firm and to the extent that you know for the other U.S. producers, do you tend to exclusively sell to the actual end user, the consumer of the product or do you sell to distributors that often? I'm trying to understand like Totall Metal and them being a new market entrant and how, you know --

MR. GOODMAN: So for the most part, the majority of the sales are to end users. There are -- I guess there are some smaller users that are typically foundries. So

foundries are companies that make casting. We're talking brass foundries, brass and bronze castings, and the main raw material ingredient for a foundry is a brass ingot. It's an ingot that meets the specifications for the alloy that's being cast.

So there are people who make those ingots and they ^^^^ they phosphor copper in larger quantities and act as distributors to the foundry industry that buy in smaller quantities. And then Totall Metal Recycling it is in the business of copper scrap recycling and selling copper scrap to the companies that consume copper in the United States, which would be our customers.

And so they have knowledge of the customer base. They have knowledge of the copper melting industry and just out of the blue all of the sudden, you know, we've been monitoring import statistics and we see oh, look at this. Totall Metal Recycling is now importing phosphor copper from Korea. So they import it, they bring it into their warehouse and they just solicit people and say hey, we have lower priced phosphor copper for you.

MR. SZUSTAKOWSKI: And for the other two importers you mentioned, the -- was it Lucas-Milhaupt and --

MR. GOODMAN: Harris.

MR. SZUSTAKOWSKI: Harris. Are they both -- what do they make?

MR. GOODMAN: Both make brazing alloys.

MR. SZUSTAKOWSKI: Pardon?

MR. GOODMAN: Brazing alloys.

MR. SZUSTAKOWSKI: Specifically that's all they make?

MR. GOODMAN: That's what they make.

MR. SZUSTAKOWSKI: You were referencing the JIS and the ASTM standards. What's the difference between the two standards? Like why would -- does a single customer buy at both standards or are there certain customers or end uses where you would use a JIS versus an ASTM standard?

MR. GOODMAN: Well, ASTM stands for American Society for Testing Materials. So the ASTM or American standards, and JIS stands for Japanese Industrial Standard. So JIS is a Japanese-based standard and the ASTM is the American standard. But the JIS standard has a little higher -- their first alloy is a little higher grade, higher purity phosphor copper than the ASTM standard.

The copper brazing customers tend to specify the JIS standard. They might have their own standard that they published, but it mirrors the JIS standard. So almost everything that's made and sold meets that standard, whether we make it or whether one of our competitors makes it in the United States, in Europe or in Korea.

MR. SZUSTAKOWSKI: Any experience with

customers, you know, testing your product and saying, you know, we're going to reject this --

MR. GOODMAN: No. We don't -- it's very -- we just don't have material rejected. It doesn't happen. We have our own in-house lab. We test everything before it leaves, but we never have material rejected.

MR. SZUSTAKOWSKI: Okay, and in the testimony and also in the presentation it says that, you know, the Korean product is manufactured to meet or exceed the JIS standard. Likewise your product, does it also exceed these standards?

MR. GOODMAN: Well, if you make material to the JIS standard, almost by default you exceed it, because when they -- the JIS standard says that the copper and phosphorous has to be 99.75 percent combined. So that 99.75 percent of the material needs to be copper and phosphorous. But when you go to make that grade, it never comes out to 99.75. It comes out to 99.9 or better.

So when you make the product, you always exceed the standard. So it's written so that it's easy to exceed. So if for some reason you don't, you still meet the -- there's just a little wiggle room there.

MR. SZUSTAKOWSKI: So it's more like a floor and basically you don't want to be at the floor. It's easy to --

(Simultaneous speaking.)

MR. GOODMAN: But when you make -- when you try to meet that standard, you almost -- you have to use relatively high purity copper and the phosphorous, you know, is pure phosphorous. You just automatically, you know, exceed the standard.

MR. SZUSTAKOWSKI: And the copper you're using, you're saying it was recycled copper product. I think copper can be recycled infinitely almost.

MR. GOODMAN: Yes but --

MR. SZUSTAKOWSKI: And that's true for the Korean producer too? Do they use --

MR. GOODMAN: Similar material. Yep. In copper recycling, when you think about recycling, there are two distinct types of recycled copper and recycle materials. Generally, when you think of recycled material, when the average person thinks of recycled material, they think of something that's recycled because of obsolescence.

For example, your car becomes unusable. It goes to a scrap yard and they shred it up into steel and it goes to a steel mill. There's copper that's general from obsolescence also. You have new plumbing put into your home and the plumber takes out the old copper. He goes and he sells that because it's of value.

But the copper that we use is not that type of

copper. It's copper that is what we call production scrap. So it's new copper that is used in -- by a manufacturing in the production process of actually making new copper. So it's new high purity material. It's really of a different category than of obsolescence type scrap.

MR. SZUSTAKOWSKI: That's helpful, thank you.

(Pause.)

MR. SZUSTAKOWSKI: So your Bongsan trip that you took, I'm always curious about this, when a foreign producer lets --

MR. GOODMAN: Okay.

MR. SZUSTAKOWSKI: --a competitor in their doors and lets them look at their facility. How was that trip facilitated? Like what was the --

MR. GOODMAN: Okay. So the way it's facilitated is that if you look at the slide towards the end, I guess unfortunately, you know, Bongsan is interested in exporting phosphor copper outside of Korea to other markets, and the person in the middle of the photograph is the person that got us the opportunity to visit Bongsan, and he's in the middle with the blue shirt and his collar up.

He is our distributor of phosphor copper in Europe, but he is from London and he was approached by Bongsan and they said to him we know that you sell phosphor copper and we'd like you to sell our, you know, our

material. They were soliciting him for -- to be a distributor, and we've had a long-term relationship with them and they said we want you to come and see our facility. He said well can I bring my colleague and they said yes. So that's how we got the invitation.

MR. SZUSTAKOWSKI: Did they know that you were a U.S. producer?

MR. GOODMAN: Yes uh-huh.

MR. SZUSTAKOWSKI: Okay.

MR. GOODMAN: And we said to them you can come and see our facility, and he did, actually did come at one point.

MR. SZUSTAKOWSKI: Just to visit.

MR. GOODMAN: Just to visit.

(Simultaneous speaking.)

MR. SZUSTAKOWSKI: No purchasing requiring someone else or --

MR. GOODMAN: Just a visit, yes.

MR. SZUSTAKOWSKI: Okay, and there's an ISO certification at page 21?

MR. GOODMAN: Yes.

MR. SZUSTAKOWSKI: Are all U.S. producers ISO-certified to your knowledge? Is it something that's a requirement in the industry?

MR. GOODMAN: Well it's not required. Two of

the three are ISO-certified.

MR. SZUSTAKOWSKI: Who isn't?

MR. GOODMAN: H. Kramer in Chicago is not ISO certified.

MR. SZUSTAKOWSKI: And is that something that a customer will, you know, would they refuse to buy something because it's not ISO certified?

MR. GOODMAN: Generally no. You know, what happens is customers survey -- customers survey their suppliers for quality, and when they send you the quality survey, it kind of says if you have ISO certification, you check the box that says yes and then that's the end of the survey, because it means that your quality meets a certain standard.

And if you're not ISO certified, you usually have to keep continuing, you know, with the survey. But that doesn't mean that you can't produce a quality product or that you don't have a quality system. It just means that you haven't had an outside registrar come in and validate your system and certify it to that standard.

MR. SZUSTAKOWSKI: That's actually all of my questions for a new industry. That was really helpful. Thank you Mr. Goodman for taking care of all this.

MR. GOODMAN: You're welcome.

MR. SZUSTAKOWSKI: Appreciate it.

MR. ANDERSON: Okay. Thank you Mr. Szustakowski, and now we'll turn the time over to Ms. Turner.

MS. TURNER: It's still good morning. I want to -- it's Robin Turner with the Office of the General Counsel. First of all thank Mr. Goodman and Ms. Schafer for coming down to chat with us today. It's very helpful to actually get some perspective on a product, particularly when it's a new product.

I'm sure your counsel has indicated to you this, but a lot of our questions and starting with asking about the product are because that's where we start. We have to start with defining what is the product that's most -- that's like or most similar to the subject imports, and then from there define a domestic industry and define based on that whether there's injury or not.

So it all starts with an understanding of the product and whether the product that's like or most similar to the subject imports, the subject imports being of phosphorous copper is what the scope has been defined by you.

So first in terms of understanding that product, you've indicated there's three uses for it, and in terms of looking through your materials, I believe it's Exhibit 1-6 to the Petition as well as 1-19. There's another one as

well, but these are the company product descriptions where you've got 15 percent phosphor copper and indicate that that's used as a deoxydizing -- used in deoxydizing alloys, whereas as eight percent phosphor copper is used primarily in the production of aluminum.

So I wanted to get a little better understanding. Are there, depending on the phosphorous, because I understand eight percent and 15 percent are the sort of standard industry levels of phosphorous content. Is there different uses based on those two? If you could elaborate on that a bit?

MR. GOODMAN: Yep. So the marketplace for the phosphor copper alloy is the marketplace for 15 percent phosphor copper. That's the standard product that's used in copper and brass melting. But the aluminum industry has developed an aluminum silicon alloy and they have found that phosphorous acts as an excellent grain refiner for that alloy.

So what a grain refiner does is just shrinks the grain size, and by shrinking the grain size in this aluminum alloy, it just gives it -- it makes it stronger. So there are -- there's a specialty usage in the aluminum industry by companies that make, it's Aluminum Alloy 390, and they use phosphorous as a grain refiner, and they buy the phosphorous from the copper phosphorous producers because the alloy has

a tolerance for copper.

The copper doesn't contaminate the aluminum and they add the phosphor copper to their aluminum so that the phosphorous refines the grain. Many of them like to buy eight percent, only for the reason that aluminum -- copper melts at 2,000 degrees Fahrenheit in round numbers, and aluminum melts at 1,000 degrees.

So the melting point of the phosphor copper is about 1,980, close -- just under 2,000. But when phosphor copper has eight percent phosphorous content, the melting point drops by 500 degrees. So it gets closer to the melting point of aluminum and just makes it easier for them to melt that alloy. So that's why there's eight percent phosphor copper, and it's just a specialized usage from the aluminum industry and if for some reason --

It is possible that a different aluminum alloy at some point could be developed that didn't use phosphorous that used -- might just go away, but you know, right now that seems to be an alloy that's popular.

MR. PICKARD: They're roughly what eight percent is to the marketplace?

MS. TURNER: That's was one of my next questions.

MR. GOODMAN: Well, it's in our questionnaire. We have broken our sales out but --

MS. TURNER: Okay. I mean that's -- if it is proprietary, then don't put it on the record here and in your -- if it's in the questionnaires, but also you can put it in your post-conference submission too.

MR. PICKARD: Right. But put it not specific to my client, but just to give you kind of a ballpark. I think our best estimate is that eight percent is probably single digit marketplace.

MR. GOODMAN: Oh yeah.

MR. PICKARD: But to put it -- would you say 95 to 5 percent, or is it more than that for 50 percent?

MS. TURNER: It's a small share though.

MR. GOODMAN: It might be less than five.

MS. TURNER: Is this a new -- is this a new sort of -- fairly new usage?

MR. GOODMAN: Well usage I guess is one that, you know, all of you are very familiar with. You just don't know that you're familiar with it, and it began with the production of the Chevy Vega, and actually the Vega --

MS. TURNER: Well, that's not so new. Some of us actually know what you're talking about.

MR. GOODMAN: Right. The Vega was a --

MS. TURNER: Only a few of us here maybe.

MR. GOODMAN: Right. The Vega actually was a failure, and they had all -- but they were using this -- the

Vega was one of the first automobiles that was produced with an aluminum engine block, and it -- they just -- it failed. They just didn't get good life out of the Vega engines. Then later I believe the Germans developed the technology to produce aluminum engines and now the U.S. producers are producing most of it, but they're for automobile engine blocks.

MS. TURNER: Okay, okay. So basically it's something that had been used for a while. It's just a small percentage of --

MR. GOODMAN: Very small, yeah.

MS. TURNER: That's very helpful. I also from your explanation then, I take it in terms of the brazing, is I'm also looking at the slides, which it's helpful to see why in terms of copper what they're using the brazing rods for, having done a little bit of stained glass, where you actually use something like a brazing rod though out of lead maybe.

Then the fact is -- the fact that that heats at a lower temperature is I take why, with having the phosphorous in it --

MR. GOODMAN: That's exactly right.

MS. TURNER: --is what, because otherwise the copper itself would melt as you were trying to put the two together, or the piping would and that's not what you want

to do.

MR. GOODMAN: Well you said that you were the attorney.

You sound like the metallurgists.

MS. TURNER: No, no. I just have been doing this a long time with many different products. So then I understand that you've proposed a, and this might be something more for Mr. Picard, but you've proposed a revision to the scope, to include an upper level, I believe that was at Commerce's request, but the upper level is not 15 percent; it's 17 percent.

So I guess what I'm trying to get a handle on, you probably somewhat anti-circumvention purposes. On the other hand, if you've got 17 percent, you've indicated you get over 15 percent. In fact, you try to stay at 14.8 or so.

MR. GOODMAN: Right.

MS. TURNER: That if you get over 15 percent, it burns off. So is it burn off? It wouldn't burn off in your production though. I mean wouldn't it be after the fact. I don't understand. Maybe if you could explain, because if it burns off after, I guess, after the production then the product would be not at 17 percent the import product; it would be still at 15 percent.

MR. PICKARD: Do you want to go first or do

you want me to?

MR. GOODMAN: Well I guess the primary concern here is just the anti-circumvention. But technically, you know, you can't have 16 or 7 percent in phosphorous. We just were concerned that the possibility of them somehow coming up with a different product just to circumvent the order was the issue, and also the issue of actual measurement can be -- they say that it's 15.1 percent phosphorous, therefore it's over 15 so it's not covered. Those are the issues.

MR. PICKARD: And does it burn off during the production process?

MR. GOODMAN: It burns off at the end of the production process.

MR. PICKARD: So Ms. Turner, just to kind of clarify a little bit, so it's not exactly 15.0 exactly, that there is some slightly over 15 percent phosphor content which -- but that does burn off through the production process at the tail end. So we were asked by Commerce to over overspec by a little bit to capture kind of the very highest range.

MS. TURNER: Okay. So the product though, from what I'm hearing though is in -- technically you don't believe that if a product is 17 percent, it's possible to actually have a product that has a 17 percent content

because it would have burned off? It might be slightly in the measurement of 15.2 or 15 point something. But the product still is -- it's just not possible to actually produce something at that level, okay, okay. So it's more of a measurement, potential rounding of a measurement issue as opposed to somewhat of a different product. Has there been any -- you've got 15 percent, you've got eight percent which the eight percent is for a very specialized aluminum product. Have there been other attempts to have like a ten percent or a 12 percent content for some other use?

MR. GOODMAN: So generally no, and we have one customer, and we've broken that out on our questionnaires that buys 13.5 percent phosphorous. So we just put less phosphorous in for that one customer, and they also buy 15 percent and for some reason it's just easier for them, for the product they make, for one specific product they make to add it at the 13-1/2 percent range. It's a very small, minimal user.

I mean but the main product that use is 15 percent, and the reason that customers don't want a lower amount of phosphorous would be if we said we can't supply 15 percent anymore; we can only supply eight percent, the customer would have to buy twice as much product.

MS. TURNER: Okay.

MR. GOODMAN: So they want to buy as little as

possible.

MS. TURNER: Because it's being used as the deoxide, and they need enough phosphorous in it for --

MR. GOODMAN: They need it for -- they need the phosphorous, they don't need the copper. So by buying eight percent, they're buying less phosphorous.

MS. TURNER: Okay, okay.

MR. GOODMAN: They'd have to -- to get the same amount of phosphorous, they'd have to buy twice as much product.

MS. TURNER: Okay. Well that explains. In terms of your production then, when you're producing a 15 percent product versus you're producing the small quantities of eight percent or the small quantities of 13.5, is that something that, you know, you have to start with a whole new -- I mean the batch? You have to clean out things and --

MR. GOODMAN: No, we don't have to clean anything out.

MS. TURNER: Okay.

MR. GOODMAN: It's just that it's technically a batch process, where you make a batch and you pour the batch. In making the phosphor copper, you melt the copper, you add the phosphorous. It's just for making 13 percent, you have a little bit less, and for making eight percent you add a little bit -- a little less than that.

MS. TURNER: Okay.

MR. GOODMAN: But the rest of the process is the same, it doesn't contaminate anything. It doesn't require any type of a big changeover.

MS. TURNER: One of the -- so those are some of, you know, our having a better understanding of phosphorous copper, so that we know what the domestic or the subject imports are and the --

MR. GOODMAN: The only thing that's come in is 15 percent.

MS. TURNER: Okay, okay. So the eight percent hasn't come in?

MR. GOODMAN: No eight percent has come in.

MS. TURNER: Okay. In terms of the questions about copper phosphates and, you know, the uses of that and, you know, I understand that there's a different chemical composition, the CU2P versus the CU3P. So I mean, you know, that I do understand there are differences on that aspect of it.

For uses, in reading the submission that was made to Commerce on the -- regarding the scope of the domestic like product, there was an SQ-13 which has -- indicates that the application is "supplied as a high purity material whose uses include the manufacture of batteries."

Are there other things that -- well first of

all, does phosphorous copper get used at all for the manufacture of batteries?

MR. GOODMAN: No, just in copper -- products that are made by the melting process of melting copper and brass.

MS. TURNER: Copper, brass and aluminum?

MR. GOODMAN: Right.

MS. TURNER: Okay. So it's not used -- do we know what they're used in the -- the copper phosphates are used in the manufacture of batteries? I mean --

MR. GOODMAN: Well you know, I've been in the business for 43 years. This has never really been an issue that's come up before. So it's going to --

(Simultaneous speaking.)

MS. TURNER: --it being considered to be part of the same --

MR. GOODMAN: Right. Where it's just unrelated to what we do.

MS. TURNER: Okay, okay. I mean, you know, I'm just wondering what -- what it would be actually used for in that. Well, if there's anything I know you do have a number of materials here in terms of catalogues and all. If there's anything else you can shed light on what copper phosphates is used for that would be distinct from --

Well, either distinct or the same as the use

for phosphorous cooper that would be helpful because, you know, we probably will have to go through our six factor test, and one of those is uses and uses then has to do with interchangeability of a product. So just have a, you know, a better understanding of what copper phosphates are used for would be helpful.

MR. PICKARD: Sure. We'll be happy to do that, and again for the record, this is Dan Picard. So we did a relatively modest Internet search. I'll tell you the only thing that we found so far was the information that was attached that -- I think it's Exhibit SQI-3 to the March 22nd submission.

MS. TURNER: Yeah, that's the one I'm looking at.

MR. PICKARD: Which talks about it being sold in a powder form and used in battery production. Currently, I don't have any more kind of insight into exactly how it's used for battery production, but we'll see what else we can get for you.

MS. TURNER: And yeah. I guess ABSCO, I take it then the other two manufacturers, you don't think the other two manufacturers of phosphorous copper produce copper phosphates?

MR. GOODMAN: No, they do not.

MS. TURNER: Okay, okay. In terms of -- I

think I maybe have exhausted my domestic like product domestic industry questions. The other questions that I have have to do more with the volume of imports. I'm just looking to see -- well actually I did have one on -- you say you import phosphorous, actually before we get to volume of imports. So you import phosphorous. Primarily what countries?

MR. GOODMAN: Two countries, China and Vietnam.

MS. TURNER: And has it always been those two countries? I mean --

MR. GOODMAN: No historically it was the U.S. and -- I guess when it first started in the business Canada, but primarily from the U.S. and --

MS. TURNER: That was the change because of --

MR. GOODMAN: So the U.S., the U.S., there's a U.S. -- there were actually two U.S. manufacturers of phosphorous, and they merged, and then later they were acquired by a company that manufactures fertilizers. So fertilizers are, you know, that you put on your lawn or whatever they have phosphorous in them, and all the phosphorous that's produced in the United States it's captive. It's owned by the fertilizer company and they don't sell any on the open market.

MS. TURNER: And China and Vietnam, I mean

these two?

MR. GOODMAN: When you think about that, you think about China and Vietnam as two distinct countries, and they certainly are. But if you were to look on the map, the phosphorous that comes from China comes from western China, and it's right adjacent to Vietnam. And so it's the same -- it's really from the same region.

MS. TURNER: But are there -- I mean aside from that, I mean are there throughout the world is that just their big suppliers of phosphorous, or are there other places that it could be --

MR. GOODMAN: They're really -- they're probably the only suppliers. There's phosphorous that's produced in Russia, but we haven't been able to source any of that. There's also, there might be some that's made in Europe, but it's made with phosphate rock that comes from China.

MS. TURNER: Okay, and that's because of basically where the actual natural mineral comes from?

MR. GOODMAN: Right.

MS. TURNER: Okay, okay. That's interesting. In terms of the volume of imports, in looking at Exhibit 1-9, which is I believe the official import statistics, 1-9 to the Petition, there is -- it comes from the ITC Dataweb basically is where the -- there's an increase not only for

Korea in imports, but there's imports from other countries as well in 2014.

Can you explain just why 2014 had all of a sudden it seems -- I mean we understand the Korea issue, but there seems to be a couple of other countries that there is a bleep here, two of China, Japan and India that also increased in 2014. So I'm just wondering what was going on in 2014 that all of a sudden there seemed to be more imports from more sources coming in, not just the increase from Korea?

MR. GOODMAN: Well, what I can tell you is that there was nothing that was going on in terms of our ability to supply phosphor copper, supply the product to the users. There were no supply disruptions. We were perfectly capable of supplying the marketplace, and I assume our competitors were also, because it was a competitive, the same competitive conditions that always exist existed during that time.

But what I can't tell you is where the material came from, where it went to and why. There wasn't a lot. There was -- it was relatively small amounts, I guess. We're aware of two or three shipments as compared to three more shipments from Korea a month, two or three for the entire year.

But the information that we got from our

subscription service doesn't identify where it originated and doesn't identify who the producer was. So we at Metallurgical don't know. I don't know whether you have other information.

MR. PICKARD: No. So to the Dataweb data appears to indicate that there's a slight uptick from two or three non-subject sources in 2014, which then essentially disappear in 2015.

MS. TURNER: Yeah.

MR. PICKARD: I don't think we're generally seeing that also reported in the questionnaire responses, and I obviously want to be mindful of BPI. But I don't have any additional insight into whether maybe the HGS number captured something that wasn't properly characterized, or if there was something else going on. We can take a look into it and if we get that information, we'll get it for you.

(Simultaneous speaking.)

MS. TURNER: I mean it's just -- it's -- you know, we do see the increase and there is the question as to, you know, why Korea actually is even, you know. You do have other sources, not you but I mean there are other sources of the material throughout the world. You know, we understand Korea and the allegations that Korea is underselling, and that is why Korea has -- you've walked us nicely through what's happened from 2011, you know, up to

the present time with Korea.

I'm just, you know, seeing that India, Japan and China in 2014 decided to all of the sudden increase the imports here, meant there was other competition going on with the Korean imports, at least in that year but then they've disappeared. So we're wondering did you see in the marketplace as well we're you're getting competition, you know, reports in 2014 that your suppliers or your purchasers were buying from other sources?

MR. GOODMAN: The only awareness that we actually have is we saw the material coming, very little material. But we saw it coming in on the -- from the import reporting service information that we subscribed to. But we to this point never heard India or Japan or China mentioned. I think, you know personally there's probably a better chance that it was described incorrectly than it was the same product.

But I think that if material -- first, we're not opposed to imports. We're just opposed to unfairly priced imports. So if something -- if imported material came in and it wasn't unfairly priced, I don't think you would see us here. It's possible that that material wasn't something that was much less expensive, that caused the buyer to buy on the basis of price as with the Korean material.

MS. TURNER: Yeah. It's something that, you know, it sticks out a little bit here and we're just trying to get a handle, particularly as well since otherwise the only importer seems to be Korea, and the only imported product seems to be Korean. The fact is, is this doesn't -- it is a product that is made in other countries as well.

MR. GOODMAN: Yes.

MS. TURNER: So the fact you haven't had, you know, Chinese, Japanese or Indian, which we often see as imports to the United States. If it's going to come in from Korea, it can just as easily come in from any of those other, you know, countries. We're just again trying to get a handle on the data and why we haven't seen imports, you know, from the other countries, aside from the underselling issue.

MR. PICKARD: Sure. I'll just maybe to follow up. Obviously being Petitioner's counsel, the vast majority of the cases that we do have to do with China, and when we had our initial conversations, I expected to hear a China story like we do in most cases.

But what I heard from Mr. Goodman really was how Korea represented the vast majority of imports, which was also reflected in the HDS data. Then what we also heard, as far as in other international markets including Japan and Western Europe, that the Koreans are also kind of

the most export-oriented and active in those markets too, as far as some of the most aggressive participants.

MS. TURNER: Okay. Well that's helpful too, in terms of whether they export a lot relative to some of the other countries that maybe do not.

MR. PICKARD: Yeah. It's my understanding that there's growing export orientation. I think there really are questions in regard to the full extent of capacity. But what's, and I don't know if Mr. Goodman wants to expands upon, but it's our understanding that a large part of some of the price crashes or the price decreases that have taken place in the Asian markets have been predominantly due to increased exports from Bongsan there, and that they're getting more aggressive as far as their price offerings in Europe. I don't know if there was anything in addition you wanted to add to that.

MR. GOODMAN: I would just add that's a correct statement.

MS. TURNER: Well, and then actually I have a follow-up to that. I was obviously going to ask on the flip side, you know, my understanding is you export -- you had noted that you export product and in terms of your exports, have you, you know, if you can say without disclosing, I mean what are your primary export markets and have you actually also seen Korean product? Have you in those

markets? Are you basically getting affected?

Not that we have to look at the U.S. market. We're not looking at that. But we're also trying to just get a general picture of what's going on in the world.

MR. GOODMAN: So at this point, where we see competition in export markets is from this company from Korea. I mean historically when we exported, it would either be one of our U.S. competitors or a European producer. Not too much the Japanese producer of phosphor copper. I mean it's seen that his business was primarily domestic or to a Japanese company that's set up to make copper tubing somewhere in Asia to supply an Asian market.

But recently, it's just this Korean company and our export sales in certain areas, in Asia in particular have declined because of competition, low-priced competition from them.

MS. TURNER: Now you were actually exporting to the Asian market in addition to Europe? I mean you noted you had a distributor in Europe you were using?

MR. GOODMAN: Yes. We had a distributor in Europe. We've had a sales agent in Korea for years, and we supplied the Korean market before 2005, before this company went into business. Then our Korean business stopped because of an import tariff in Korea prevented a foreign producer from supplying, because the tariff just made us

uncompetitive.

MS. TURNER: If you would in your post-conference brief include information on that import tariff, the Korean import tariff?

MR. PICKARD: Sure, and the other thing I was going to say is since we're getting pretty close to some proprietary information, we'll also provide additional. How's that, in order to protect proprietary information, we'll also get you ^^^^ I understand obviously legally you focus on U.S. production operations.

But it's relevant to see what other export markets may be relevant for your consideration, what other export markets they're seeing increased competition from the Koreans, and we'll do that confidentially in a post-conference brief as well.

MS. TURNER: That would be helpful. So I believe I've got all my questions. One just comment, and I would imagine you'd do this anyway. But in your post-conference brief, if you could indicate whether there's been any anti-dumping and countervailing duty orders placed on this product in third country markets, and if you also want to -- you know there were some changes to the U.S. law last summer, if you think that any of them are something that we should be taking into account. So please discuss it in your post-conference brief as well.

MR. PICKARD: We'll be happy to do so.

MS. TURNER: Thank you.

MR. ANDERSON: Thank you Ms. Turner, and now we'll turn it over to Mr. Benedetto.

MR. BENEDETTO: My name is John Benedetto with the Office of Economics here. Thank you all very much for coming today. Some of my questions might get into business proprietary information. If so, just please say so and follow-up in the spot-conference brief, and I'll try to be quick.

So from the slides, you've given us the two -- the pictures of the two forms that it's in, which matches what the pricing products we sent out in our questionnaires. These are the two predominant forms, is that correct? Is there anything else or is this pretty much it?

MR. GOODMAN: Those are the predominant forms. We sometimes will package the shot, but it's a tiny market.

MR. BENEDETTO: And this question maybe proprietary, but is pricing different in different markets? Like is it different when you sell to the brazing market versus when you sell to the tube market, or is it the same?

MR. GOODMAN: It's the same.

MR. BENEDETTO: It's the same, okay. Is the Korean tariff still there, or is that gone now with --

MR. GOODMAN: The U.S. signed a free trade

agreement with Korea.

MR. BENEDETTO: Yeah. Are you going to be able to sell into Korea now, or are they -- is the pricing there now lower in Korea, or if that's proprietary, again I don't want to --

MR. GOODMAN: Well, we have sold to Korea.

MR. BENEDETTO: Okay.

MR. GOODMAN: But then the Korean producer lowered their prices. So we do a little bit of business there, but not, not a lot.

MR. BENEDETTO: Do you know if Bongsan is related to any of its Korean customers at all?

MR. GOODMAN: Yes.

MR. BENEDETTO: Oh, they are.

MR. GOODMAN: They are.

MR. BENEDETTO: If you would have any more information about that, that would be interesting to know that. But in the brief or anything like that.

MR. GOODMAN: Okay.

MR. BENEDETTO: Following up on a question from Mr. Szustakowski, when you were answering when you were talking about demand, you said that like there's an anti-dumping order on, I think you said copper tube. What's your impression of how healthy your customers are? Are they doing okay? Are they stable going forward? Are they going

to be around for a while?

MR. GOODMAN: Most definitely.

MR. BENEDETTO: And these are copper tube manufacturers you're talking about here or the brazing as well?

MR. GOODMAN: Yes.

MR. BENEDETTO: Okay. Now when you said in one of the slides, I don't have it here -- oh, it's in Mr. Picard's Slide No. 5, "a more precise indicator of demand is copper consumption." By that you mean -- just to be clear, you mean copper product consumption right, not actual copper consumption? In other words, copper's an input in phosphor copper right?

So when you say -- so when you say a precise indicator of demand is copper consumption, you mean products made from copper right, like copper tube and brazing, not actual copper?

MR. GOODMAN: Right.

MR. BENEDETTO: Okay. We've had some trouble with this in some cases recently, where so our pricing data are going to be for a product. You were talking a little bit about how the pricing is done based on a premium over copper. So first of all, that's a premium over just the copper right, not over the copper and the phosphorous?

MR. GOODMAN: Just over the copper.

MR. BENEDETTO: Just over the copper. But the pricing data we have will actually be the entire price premium plus copper?

MR. GOODMAN: Correct.

MR. BENEDETTO: So I know copper prices have been going down over -- maybe a lot over the period. How can we separate what the effect of falling prices is due to the Korean imports versus due to just copper prices falling? Shouldn't we be able to figure out from like these sort of rough numbers you've given us of 25, 35 and 45 cents?

(Off mic comments.)

MR. PICKARD: So I think it makes a price depression analysis more complicated, right, because it's premium off of a base, and if there are significant changes to the base, it becomes more difficult to understand kind of the causal connection. But I think it becomes -- I think there's a couple of things here.

So one, the underselling obviously looks to be pervasive from the data that we've seen so far and that's probative, and then we've got what appears to be pretty significant lost sales and lost revenue allegations and some fairly significant anecdotal evidence in regard to either losing lost sales because of lower-priced Korean product or forcing U.S. producers to lower their prices.

But I think specifically to your question, how

do you -- when you collect the data like the Commission does, how do you look at kind of causation for price effects? I think then price suppression becomes more probative, and then you can take a look at COGS as a percentage of net sales, and then I think that's instructive, to be able to say whether there's a cost-price squeeze going on or not.

MR. BENEDETTO: Anything else you have in the post-conference brief on that would be very helpful.

MR. PICKARD: Happy to do it.

MR. BENEDETTO: So other than -- so you outlined the specifications, the ASTM and the Japanese one. Other than that, are there any -- is there any additional qualification type things that a purchaser will go through with you? I mean you said like they don't need to see your factory or anything like that.

Is there anything else, anything else that they need to do with you to qualify you, or is it just we met ASTM and that's good enough for them is what's the --

MR. GOODMAN: I think that's what some purchasers will do, other than say if it meets the specification, fine. Others might try a trial shipment, but that's basically the end of it.

MR. BENEDETTO: And then just one last question on lost sales, and again this might be proprietary,

the answer might be proprietary. You talked a little bit -- the story you told was very interesting about what happened over 2012 to 2014. Would you say -- it sounded there like you have been losing sales through losing contracts, as opposed to when you were talking to Mr. Szustakowski, you said like you've got meter releases clauses basically in your contracts.

Are you losing both from the meter release, you know, stipulations under meter release, or are you also losing -- or is it mostly through losing contracts when you lose sales to the Koreans?

MR. PICKARD: You do this in proprietary.

MR. BENEDETTO: Yeah go ahead, if you want to, yeah.

MR. PICKARD: We'll do it.

MR. BENEDETTO: Okay. So you want to answer it in proprietary. Okay. Thank you all very much for commenting and that's all my questions.

MR. PICKARD: Thank you.

MR. ANDERSON: Thank you, Mr. Benedetto. Now I'll turn it over to Ms. Klir.

MS. KLIR: This is Mary Klir from the Office of Investigations, and I'd also like to thank this panel for coming today. I have a few more questions on raw materials, if you're not sick of that yet, and it's very possible these

will be considered business proprietary. So just let me know if it's post-conference or not.

So for your purchases of copper and specifically copper, but also phosphor, are these typically contract purchases for your raw materials or spot or accommodation?

MR. GOODMAN: Both are spot buys.

MS. KLIR: Okay, and I don't think you want to say this publicly, but I was curious about who your main suppliers are for the copper? You've mentioned where they come from.

MR. PICKARD: Right.

(Off mic comment.)

MR. GOODMAN: Okay. Just from large producers of copper scrap.

MS. KLIR: Okay.

MR. GOODMAN: Without mentioning any names.

MS. KLIR: Yeah, but specific purchases? You already have some that you tend to buy from more often, or is just a mix? You can answer post-conference.

MR. GOODMAN: We have probably seven or eight primary suppliers and there are other people that we buy from occasionally. We tend to buy from the same people on a repetitive basis.

MS. KLIR: Okay.

MR. PICKARD: And just to clarify Ms. Klir, are you looking for a list of his suppliers in our post-conference brief?

MS. KLIR: If you wouldn't mind, yeah. Thank you. So no contract purchases; it's all spot, just to make sure I understand. Okay. This has to do with your cost of goods sold information. So looking at it from that perspective, you know, proportions within cost of goods sold.

You've talked about, you know, the final goods tend to have 15 percent or eight percent phosphorous, but it may look different when I look at your raw material costs. So I'm curious, like on average, what proportion of your raw material costs would reflect copper and then phosphorous and then, if applicable, just other raw materials?

MR. GOODMAN: I guess first of all, the only raw materials are --

MS. KLIR: Copper and --

MR. GOODMAN: Copper and phosphorous.

MS. KLIR: Okay.

MR. GOODMAN: And it's roughly 85 percent of the raw material cost is the cost of copper and 15 percent is the cost of phosphorous.

MS. KLIR: Okay. So it looks just the same as the final good essentially, okay. One more question on raw

materials. So, you know, obviously you were talking about the fact that your final goods price is tracked to the price of copper.

So either now or in post-conference, please discuss your firm's experience with increasing and decreasing prices of copper, and the lag between purchases of the raw material and its use in the production and sale of phosphor copper.

So I'm interested in how this timing difference may have affected the profitability of your firm in the Period of Investigation?

MR. GOODMAN: Right. Well first of all, it's a very good question and to answer your question, the timing hasn't affected our profitability at all, and the reason is because we, I guess you use what we call a risk management or a hedging program for our copper. So we take no market risk whatsoever. That's our company procedure and policy.

So any time that we purchase copper at a fixed price and don't have a sale for that copper, it's our policy that we offset the risk by selling a futures contract on the commodity exchange. We use primarily the COMEX. But we take no risk, market risk whatsoever.

So we may own copper but because of our hedging program, it's unpriced. It's not subject to the loss of -- we're not subject to a loss if the market goes

down, because of the fact that if we lose money on the physical copper that's in our plant it's offset by the futures transaction.

MS. KLIR: Okay, and within your financial data, where would that futures -- where would the hedging contracts be?

MR. GOODMAN: It's in cost of goods sold.

MS. KLIR: Okay, so it's within the raw material?

MR. GOODMAN: In the raw material cost.

MS. KLIR: You blend it in together, and this may be business proprietary, and I think this is actually something in the questionnaire, but how long do the raw materials exist in your inventory?

MR. GOODMAN: Well, a relatively short period of time, in less than a month.

MS. KLIR: Okay.

MR. GOODMAN: But I think you have in some of the information that we submitted, ending inventories, you can take any inventory, divide it by the sales volume, you can see inventory turns.

MS. KLIR: Right, and I think I asked a specific -- there is a specific question on time and inventory as well. Just a few more questions on export markets. We were talking about that earlier. Is the demand

different in export markets in the United States or is it similar?

MR. GOODMAN: Very similar.

MS. KLIR: Similar, and for exports, is there any product mix difference of any kind?

MR. GOODMAN: It's not different at all. No, it's primarily 15 percent phosphor copper, some eight percent.

MS. KLIR: Okay, okay. That's all I have for now. Thank you very much.

MR. ANDERSON: Thank you Ms. Klir, and now we'll turn it over to Mr. Stone.

MR. STONE: Thank you. Philip Stone from the Office of Industries. I wanted to follow up with Mr. Goodman on an answer that he had earlier. You talked about the different qualities of copper, that you use a higher quality copper. Is that what's sometimes referred to as cathode copper?

MR. GOODMAN: So the material that we use is not cathode copper, although we could if we -- there have been times that we have, because lack of availability of scrap. But in terms of the chemical composition, it mirrors the chemical composition of a copper cathode.

MR. STONE: Okay, and do the other domestic producers use the same quality copper or similar to the best

of your knowledge?

MR. GOODMAN: To the best of my knowledge, yes.

MR. STONE: Okay, thank you. No more questions.

MR. ANDERSON: Okay, thank you Mr. Stone. Ms. Haines.

MS. HAINES: I have no questions, but thank you. It's been very helpful testimony. Thank you.

MR. ANDERSON: Okay, I will visually scan the panel here and see if anybody has any follow-up questions.

(No response.)

MR. ANDERSON: Okay. If you'll indulge me with just two quick follow-ups, and my colleagues have done an excellent job of helping me cross off a couple of questions off my list. But and this may be for your post-hearing submission, I mean post-conference submission.

Looking at the capacity utilization data from the questionnaires, I would invite you to comment on the beginning and end levels and any other factors. If we're looking at an industry that's in a stable market or growing market, in light of the numbers which we can't talk about here, it would be helpful to put in context what we're seeing coming from the questionnaires as far as capacity utilization, if that makes sense.

Okay. The other question I had is in your post-conference brief too, if you can elaborate a little bit more on what it would take to interchange either you or your competitors to change from producing phosphor copper to copper phosphides. In other words, what's involved in time, investment, employees, equipment and so forth in a real sense if you were to enter that market, and then vice-versa?

If these other firms you say are distinct from your industry that are producing copper phosphides, if you have any sense of what it would take for them to enter into your market as far as a supplier of those two products?

MR. PICKARD: We'll certainly do research on that. I think there's an issue here where you kind of don't know what you don't know, and I think to the best of my client's ability, this proceeding was really kind of the first time that they had heard of kind of copper phosphides as really kind of an issue parallel to their own industry.

I'm not sure if he even knows any copper phosphide producers. Do you know anybody who makes copper phosphide?

MR. GOODMAN: No, I don't.

MR. PICKARD: So it becomes a little bit more difficult to say well in an industry that you've got no information about it and don't know any of their industry participants, how long would it take you to do what they do?

But you know, we'll get you the best information that we have?

MR. ANDERSON: Okay. Well it's helpful to clarify it. To the extent that you were to consider it, what would it take in time and investment and so forth to enter that market?

MR. GOODMAN: Understand I'd be starting totally from scratch, with the same knowledge that you probably have maybe less, I don't know.

MR. ANDERSON: And I'll turn to Mr. Stone here to tell us. He's our chemist. And then finally the last question, maybe you can elaborate a little bit here is I think it was Mr. Picard, in your statement, you were saying that the Korean tend to produce to the highest level, I think is what you said.

Could you elaborate on that and what that means for, as we look at pricing and imports? When you say "produce at the highest level," can you elaborate on that?

MR. PICKARD: Sure, and it might make -- actually I have more sense for Mr. Goodman talking about it from -- not that lawyers don't love the sound of their voice, but to actually hear from the industry. I think the question goes to the fact Bongsan producing the JIS standards and how that also allows them to sell into ASTM applications.

MR. GOODMAN: We do the same thing, in that if you have material that meets the highest standard, then what you have in inventory can be shipped to any customer. So it just -- you might save a little bit of material, a little bit of money on raw materials by producing something that wasn't to the highest standard, but we find that those cross -- you lose in carrying costs of inventory. So we and I think my competitors also tend to have material that meets the highest standard, so that it can go to any customer rather than carrying larger inventories.

MR. PICKARD: All right, and not to put too fine a point on that Mr. Anderson, but I think my -- what I was suggesting was when you have various specifications, it raises the issue regarding attenuation, possible attenuation of competition. What I was suggesting is by having product that's made to kind the highest standard, it could be sold into any and all applications, which is what we've seen the Korean producer do in the United States. Does that make sense? Okay.

MR. ANDERSON: Yeah, that's very helpful both of you, and then just to round out that questioning, is it your understanding that your customers view the Korean imported product as on par in quality, aside from the technical standards? But what's the customer perception of the imported product from Korea versus your product or the

other U.S. producers' product?

MR. GOODMAN: For the most part, customers see it as on par interchangeable. There's just that the benefit is the price. It's less expensive.

MR. ANDERSON: Thank you. Thank you for indulging me on those, and with that, I think unusually here we can just wrap up and you can do your closing statement. If you need a minute or two?

CLOSING REMARKS OF DANIEL B.PICKARD

MR. PICKARD: No, I don't think that's necessary, nor do I think a lengthy closing statement is necessary. How about just to sum up to say as always, thank you very much for your time and attention to this. I don't even think it's necessary to kind of sum up everything that was discussed.

We'd highlight a couple of just key issues. We've got a relatively small domestic industry where the Petitioner is a multi-generational family business that what you've heard testified here today has been committed to investing in its company, and making the investments necessary to be as efficient as possible.

What this -- from my perspective this is pretty close to a textbook case, in that you have products that are sold to the same spec. So really questions in regard to interchangeability are relatively simple to

answer. Both the importer data, which looks like from first blush you've got great coverage on, both from kind of a foreign producer and from an importer perspective, which also seem to match very closely to the HGS number.

So all of the import sources that we've seen so far, being mindful of the fact that there's going to be another APO release, demonstrates significant increases in the volume of imports over the POI, and obviously we'll get into this more in our post-conference brief.

Appears to also demonstrate a fairly significant shift in market share that with the absence, as Mr. Turner pointed out, there was a tiny blip of some non-subject imports in 2014. But by and large, almost imports at the end of the Period of Investigation are Korean imports.

What we see is a large shift of market share from the domestic industry to the Korean product. The underselling data that we've seen so far shows significant, pervasive underselling.

We see anecdotal evidence of this, including in the lost sales and lost revenue allegations, where you've got several respondents indicating that they're buying Korean product that they otherwise would have bought from the U.S. industry, and they're buying because the Korean product is lower-priced.

We'll get into the proprietary information obviously in our brief, but then you're seeing the negative price effects caused by this underselling in the financial performance of the domestic industry.

I would say there's an abundance of material injury evidence, and similarly those factors which track very closely to the threat factors are also there as well, that there's, as I said in my opening, as much of an argument for a threat case as there is for a material injury case.

Imports are continuing to increase significantly in 2016. This is shown through the ITC's Dataweb data, through that HGS numbers, and it's also backed up by what you're seeing in the importers' questionnaires when they're asked about shipments for first, second and third quarter for 2016.

So with all of that in mind, we respectfully request a finding of a reasonable indication of material injury by the Commission. And again, we really appreciate your time. Thank you so much.

MR. ANDERSON: Okay. Thank you very much for that. So in closing on behalf of the Commission and our staff, I want to thank you all for being here today and helping us understand this industry and this product and the conditions of competition. It's been very helpful for us.

As you heard, this is a new area for us, so it's been very helpful.

A couple of key dates to put out here on the investigation to bear in mind. The deadline for submission of corrections to the transcript for this proceeding and for submission of post-conference briefs is Monday, April 4th, and if the briefs contain any proprietary business information, a public version is due on Tuesday, April 5th.

The Commission has tentatively scheduled its vote on this investigation for April 21st, and it will be reported -- we'll report our determinations to the Secretary of the Department of Commerce on April 25th, and the opinion by the Commissioners will be issued on Monday, May 2nd. So with that, again thank you very much for being here today and this conference is adjourned.

(Whereupon, at 11:49 a.m., the meeting was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Phosphor Copper from Korea

INVESTIGATION NO.: 731-TA-1314

HEARING DATE: 3-30-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 3-30-16

SIGNED: Mark A. Jagan
Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Gregory Johnson
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter