UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation Nos.:**
POLYTETRAFLUROETHYLENE (PTFE)	**) 701-TA-588 and**
RESIN FROM CHINA AND INDIA	**) 731-TA-1392-1393**
	(Preliminary)

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

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IN THE MATTER OF: : Investigation Nos.

POLYTETRAFLUOROETHYLENE (PTFE) : 701-TA-588 and

RESIN FROM CHINA AND INDIA : 731-TA-1392-1393

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Courtroom B

U.S. International Trade Commission

500 E Street SW

Washington, DC

Thursday, October 19, 2017

The Conference commenced, pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission.

APPEARANCES:

Staff:

Elizabeth Haines, Supervisory Investigator
Sharon Bellamy, Records Management Specialist
Tyrell Burch, Legal Documents Assistant
Mary Messer, Supervisory Investigator
Jennifer Catalano, International Trade Analyst
Samantha DeCarlo, International Trade Analyst
Andrew Knipe, International Economist
Fernando Gracia, International Economist
David Boyland, Accountant/Auditor
Nataline Viray-Fung, Attorney/Advisor

Opening Remarks:
Petitioner (Nazak Nikakhtar, Cassidy Levy Kent (USA) LLP)
Respondents (Matthew M. Nolan, Arent Fox LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Cassidy Levy Kent (USA) LLP
Washington, DC
on behalf of
The Chemours Company FC LLC
Denise Dignam, North American Fluoropolymers Business Director, The Chemours Company FC LLC
Douglas Hayes, North American Sales and Development Manager, The Chemours Company FC LLC
Simone M. Genna, North American Regional Business Manager, Teflon PFTE & Melts, The Chemours Company FC LLC
Richard Hoeck, Technical Services Senior Consultant, The Chemours Company FC LLC
Erin Simek, North American Price Coordinator, The Chemours Company FC LLC

In Support of the Imposition of Antidumping and Countervailing Duty Orders (continued):

Deirdre Maloney, Senior International Trade Advisor, Cassidy Levy Kent (USA) LLP

James R. Cannon, Jr. - Of Counsel

Nazak Nikakhtar - Of Counsel

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:

Arent Fox LLP
Washington, DC
on behalf of
Gujarat Flurochemicals Limited ("GFL")

Matthew M. Nolan - Of Counsel

Andrew Jaxa-Debicki - Of Counsel

Kutak Rock LLP
Washington, DC
on behalf of
The PTFE Processors Alliance

Michael J. Haley, Global Business Manager, Whitford Corporation

Richard Baillie, President, Baillie Advanced Materials LLC

(continued)

Andrea Arlati, Vice President, Industrial Plastics & Machine
Jared McTague, General Manager, Flontech USA LLC
Terence Neville, Director, Flontech USA LLC
Lizbeth Levinson - Of Counsel

Rebuttal/Closing Remarks:
Petitioner (James R. Cannon, Jr., Cassidy Levy Kent (USA) LLP)
Respondents (Matthew M. Nolan, Arent Fox LLP; and Lizbeth Levinson, Kutak Rock LLP)

I N D E X

I N D E X

P R O C E E D I N G S

MS. HAINES: Will the room please come to order.

Good morning. And welcome to the U.S. International Trade Commission's conference in connection with the preliminary phase of Antidumpinging and Countervailing Duty, Investigation 701-TA-588 and 731-TA-1392 and 1393, concerning Polytetrafluoroethylene, PTFE, Resin from China and India.

My name is Betsy Haines, supervisory investigator in the Office of Investigations, filling in for Michael Anderson, who is attending the remedy hearing on Large Residential Washers, and I will preside at the conference.

Among those present from the Commission Investigative Staff are Mary Messer, supervisory investigator, Nataline Viray-Fung, the attorney, Andrew Knipe, economist, Fernando Gracia, economist, David Boyland, accountant, Jennifer Catalano, industry analyst, and Samantha DeCarlo, industry analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business or proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of

the court reporter.

All witnesses must be sworn in before presenting testimony.

Any questions regarding the time allocation should be addressed to the Secretary.

Are there any questions? Very well.

Madam Secretary, let us proceed with the opening remarks.

MS. BELLAMY: Opening remarks on behalf of Petitioner, Nazak Nikakhtar, on behalf of Cassidy Levy Kent (USA) LLP.

OPENING STATEMENT OF NAZAK NIKAKHTAR

MS. NIKAKHTAR: Good morning. I am Nazak Nikakhtar with Cassidy Levy Kent.

First, I'd like to thank you all for being here on this extremely nice day, when you could be outside, to consider this case and to hear from members of the U.S. polytetrafluoroethylene, PTFE, industry.

In 1987, DuPont filed antidumping petitions covering imports of PTFE from Italy and Japan. Those orders were in effect for over two decades. The order against Japan was terminated in 2011 and the order against Italy was terminated in 2016.

Those proceedings covered imports of granular PTFE.

The scope of the investigations today cover PTFE in granular, dispersion and fine powder forms. PTFE is commonly known as Teflon, a registered trademark of The Chemours Company. Also all producers of PTFE have their own specific trade names.

The key physical characteristics of covered PTFE are their chemical inertness, heat and chemical resistance, electrical insulation properties, low coefficient of friction and functionality over a wide temperature range.

You will hear today that these forms of PTFE, granular, dispersions and fine powder, are used in overlapping applications. They're sold to the same distributors and end-user customers. Their prices all overlap.

They are a single like product.

You will also hear that PTFE from China and India are interchangeable. They compete with each other. And septic imports have been simultaneously present in the U.S. market over the entire 2014 to 2017 period.

The Commission should cumulatively assess the volume and effect of these imports.

Petitioners have suffered material injury throughout the period of investigation. The record before you shows import volumes from China and India have been significant, whether measured on a cumulative basis or

whether measured individually.

The record also shows that imports have increased relative to domestic consumption and relative to production.

The record also shows that competition in the U.S. takes place on the basis of price. This is an extremely important factor in the market, and from 2014 through the first half of 2017, dumped and subsidized imports captured an increasing portion of U.S. producers' market share, forcing domestic industry shipments to decline.

Indeed, market penetration by dumped and subsidized imports has been widespread. And when you look at the underselling data, you will see pervasive underselling across all products.

You will hear testimony of Petitioner's repeated attempts to raise prices unsuccessfully. You will hear testimony of customers requiring Petitioners to lower their long-term contract prices pursuant to their meet and release clauses to match the low Chinese and low Indian prices.

During 2014 through 2017, U.S. price -- U.S. producers' prices steadily fell in absolute terms and prices declined relative to cost of goods sold.

U.S. producers consistently lost sales and

suffered declining revenues at specific customer accounts in head-to-head competition with subject imports.

We go from a position of profitability at the beginning of the period to losses at the end of the period. The domestic industry's workforce, hours worked and wages paid all declined as a result of the increasing volume of subject imports and the industry's reduction in output.

In fact, this is a high fixed cost industry that depends on 24/7 operations to spread their fixed costs. But during the investigation period, the industry's reduction in output, cost capacity utilization rates fall to levels that eroded profits.

The magnitude of revenue losses you see in the record before you, as a result of depressed prices and output reduction, are obviously unsustainable.

When the Commission examines the record vis-a-vis the statutory factors we describe here one by one, the evidence will show that the U.S. PTFE industry is suffering material injury.

And we also believe that immense Chinese and Indian capacity, their export orientation and their aggressive prices pose a serious threat to the U.S. industry.

So for all these reasons, we ask the Commission to make an affirmative determination and we look forward to

your questions. Thank you very much.

MS. BELLAMY: Opening remarks on behalf of Respondents, Matthew M. Nolan, Arent Fox LLP.

OPENING STATEMENT OF MATTHEW M. NOLAN

MR. NOLAN: Ladies and gentlemen of the Commission Investigative Staff, good morning. It's nice to see you all again. I think I've been here way too many times and I'm sure you're tired of seeing all these trade lawyers come in, but I guess it's good for job security; right? I've not seen this much activity in front of the Commission in a while, so good and bad.

Of course I am Matt Nolan appearing on behalf of the Indian producer Gujarat Chemicals, but also this morning opening up for the Respondent group. We have several witnesses and industry experts with our group today, so I encourage you to ask questions and get the facts straight, because Petitioners surely do not paint an accurate picture of the U.S. market.

First, let's talk about industry support. Petitioners claim to represent the industry today, but the other major producer, Daikin, did not join the petition, is not here today and there are serious industry support issues which you need to examine closely based on the record.

Second, Petitioners seem to claim that all PTFE

is pretty much the same stuff, a uniform product. But clearly, it is not. Even a cursory reading of the Petitioner's own public marketing and product specification literature on their Web site indicates that PTFE is a chemical base which can be tuned to dozens of different uses and highly specific applications, and these uses span multiple industry sectors, where demand for PTFE is driven by demand for that industry's end products.

If the oil industry is depressed, then demand for PTFE in that industry is going to be depressed.

It is important to understand that PTFE is not one product, nor is it a commodity. It is not readily or uniformly applicable across a wide range of uses, unless it's specially produced to those applications.

It is relatively price-inelastic. Price is not the primary driver here in customers' minds. Quality, consistency, availability and demand in the downstream industry for the products that it is incorporated into are the key drivers.

An accurate assessment of the industry or impact of imports on the U.S. PTFE market in industry must take into account that it is not a single commodity product and that its users occupy several distinct segments. Not all producers make the same products, as you will see from the questionnaire responses.

There are significant price differences among types and grades of PTFE. These differences both reflect and contribute limitations onto interchangeability of different prices or grades and types of PTFE products.

But apart from examining these product issues, fundamentally, the Petitioner's case fails when examined closely. First, where is the flood of imported merchandise? From 2014 to 2016, subject imports actually declined and declined faster than nonsubject imports.

The increase you see in interim 2017 was also accompanied by a significant increase in U.S. exports of this same product.

Ask yourself why. Did the market pick up? Probably. Even so, total imports fell as subject merchandise merely replaced imports from places like Italy and Russia and The Netherlands, where imports declined significantly for different reasons.

Ask where is the volume effect here? Where is the market share effect here? It simply does not exist.

The modest import volumes are tied to general market demand conditions in different sectors served. Where are the price effects? Import prices are somewhat lower, but there are good reasons for those differences. And the petition grossly exaggerated those pricing differences.

Moreover, as you know, underselling alone does not equal a price effect. And the data on the record will not support a finding of price effects.

The truth is that overall demand was soft for much of the POI, which limited imports and domestic performance. Any downturn in Chemours' performance 2014 to 2017 are attributable to factors like the severe slowdown in the oil and gas industry, the somewhat slowdown in the automotive industry and other sectors.

Major buyers of this product simply did not require as much. And even in a soft market, Chemours has advantages as the principal established PTFE supplier. It's called Teflon because they have the patent on Teflon. We don't call it something else. We all know this is Teflon.

The market reflects that many purchasers only, only buy U.S. origin material, and they will not switch.

And Chemours does not just make PTFE. It spends more time, energy and funds on its titanium dioxide business and its Chinese PTFE operations, which it complains about. It has its own PTFE plant in China. And of course, all PTFE is made from TFE, and TFE is used in multiple products.

So if demand for TFE and other products takes away capacity for making PTFE, you can't blame the

undercapacity utilization for PTFE on anything other than a shortage of the key ingredient.

In the end, there is no reasonable indication of injury or threat from subject imports here. We look forward to proving these facts. Thank you.

MS. BELLAMY: Those in support, please come forward.

MR. CANNON: Good morning. We will go right to it and we will hear first from Rich Hoeck.

STATEMENT OF RICHARD HOECK

MR. HOECK: Good morning. My name is Richard Hoeck. I'm the technical service senior consultant for The Chemours Company, a position I've held since 2005. Prior to that, I worked for Chemfab Corporation, I was there for 15 years, which in 2000 was purchased by Saint-Gobain.

While there, I used fluoropolymer dispersions to make tape, film and coated fabric.

I'm very familiar with the production of PTFE, its chemical composition, as well as with the uses of PTFE in downstream products.

This morning I would like to tell you about the different types of PTFE, how we make PTFE and the various products that can be made from PTFE.

PTFE comes in three primary forms, granular, dispersion and coagulated dispersion, which is also known

from our company as fine powder.

These forms come in a continuum of particle sizes and density, but regardless of form, they all share the same physical characteristics. For example, PTFE is very slippery. It performs in both high and low temperature applications, so it can be used from minus 40C up to as high as 260C on a continuous basis.

It has very good chemical resistance. It can be used to contain other polymers and solvents, and a wide variety of oxidizers.

PTFE is also an excellent electrical insulator.

There are many overlapping applications for PTFE in its different forms. As shown in the slide, you can see that granular and fine powder are both used in multiple applications, such as gaskets and pipe liners, dispersion PTFE is used in different types of coatings, and like granular and fine powder, is used for film and electrical insulation.

End users that purchase PTFE for these applications will often purchase more than one form or use others in their operations.

Film in particular demonstrates this overlap.

To make a film from granular, PTFE is loaded into a cylindrical mold and compressed. The compressed billet is removed and placed in an oven, where it is heated

to its melting point. Then the material is cooled very slowly under controlled conditions and once cooled is placed on a lathe and the film is shaved off. This film can be anywhere from 1000th of an inch to an 8th of an inch in thickness.

PTFE fine powder can also be used to produce film, for fine powder a lubricant is added to the powder and the materials extruded through a film die, forming a fibral network to produce a sheet. This sheet is then subsequently calendared down to a thickness from 1000th of an inch to 10,000ths of an inch. This is how plumber's tape is made and also how high-performance insulation electrical tape is made.

This type of material can be further processed to make a porous sheet that's used in waterproof garments and in filtration.

You can also make a film from PTFE dispersion. The process uses a carrier which is made out of metal or other high-temperature polymers. The carrier is dipped into the PTFE dispersion so that both sides are coated. It's dried, heated to melt and center the PTFE. And the carrier is dipped multiple times to create the thickness that the customer would like to produce, the process it would like to produce.

At the end of the process, the film is then

removed from both sides of the carrier, and because you're putting it down in different layers, you can impart different properties to that particular film. And these films can have a 50 micron film, for example, can have anywhere from 8 to 12 layers in it.

There are end users that purchase all three types of PTFE to make film, because they're producing different types of film for various applications. Nevertheless, each application typically requires two or more of the properties of PTFE, high or low temperature performance, chemical resistance, electrical insulation, or to provide low coefficient of friction.

Turning to the production process, all forms of PTFE start with the production of tetrafluoroethylene, or TFE. TFE is produced by reacting fluorospar, sulfuric acid, and chloroform together. In order to create PTFE, this TFE monomer must be polymerized to produce granular PTFE. We use a suspension polymerization process to produce dispersion PTFE, or fine powder, we use a dispersion polymerization process.

These are two key differences in the methods of polymerization. Suspension polymerization requires higher agitation rates and vigorous agitation and uses little or no surfactant. Dispersion polymerization takes place using a more gentle agitation with even more surfactant. The

suspension polymerization process produces a thin elongated particle that look very similar to rice in the raw state.

The dispersion polymerization process produces a white liquid, where the PTFE particles are dispersed in water.

At Chemours we use different reactors to perform these two processes, but these reactors are installed in the same site because TFE is unstable and dangerous to transport. We have a single control lab that does the analysis on all three products, and all machinery is maintained by the same workforce.

I've discussed the properties of the three types of PTFE and how we make them and what is made out of them. As we've seen, they are made from the same raw materials, share many of the same production processes. PTFE in all three forms have similar physical properties and have overlapping applications in a wide variety of finished products that require particular properties of the PTFE.

In fact, the same sales force sells all three forms of PTFE to many of these applications. Excuse me.

For these reasons, PTFE in all three forms should be considered a single like product for the purposes of this case. Thank you, and I would be pleased to answer any questions the Commission may have.

MR. CANNON: Jim Cannon. Thank you, Rich.

We have some samples so I'm going to pass these down to Rich.

Rich, I want you to describe them for the record and then we'll pass them to Ms. Catalano, and you can all take a look.

MR. HOECK: So again, I'm Richard Hoeck.

And the samples contain two different forms of granular. One is free flow, one is fine cut. These were product descriptors used in the previous case for granular.

In this jar is PTFE dispersion, and as I discussed, PTFE dispersion and fine powder start their life in the same process. It's either stabilized in liquid or it's made into a powder. So those are the three types that we discussed and two types of the one.

MR. CANNON: Thank you, Rich.

They are labeled; right?

MR. HOECK: Yes.

MR. CANNON: I don't want to spill PTFE all over the ground. It's okay, it won't hurt you.

The next witness will be Doug Hayes.

STATEMENT OF DOUGLAS HAYES

MR. HAYES: Good morning. My name is Douglas Hayes. I'm the North American sales and development manager for the Chemours fluoropolymers business. I've been in this role about two years. Prior to that, I was

the North American business manager for the fluoropolymers business, responsible for all sales and marketing activities in the region. I've worked at Chemours and before that DuPont since 1980. And I joined the PTFE side of the business in 1990.

I lead a team of about 20 people that sells all of the different products in our fluoropolymers portfolio. That would influence not only the PTFE dispersion granular, fine powders, but also our melts fluoropolymers, lubricants, coatings, surface protection materials, ion exchange, membranes and others.

Our sales force sells all the different grades of PTFE to customers who then fabricate different types of products out of them, including things such as films, tapes, tubing and many other types of products.

These customers are generally very sophisticated in their ability to process PTFE. Many of our customers buy more than one type of PTFE. For example, producers of tape and film, for example, might buy PTFE in granular form, fine powder form and dispersion form.

Demand for these products are definitely driven by the downstream market demand. For example, a common application of PTFE is thread seal tape, plumber's tape. Demand for this product obviously increases as installed plumbing systems happen down the value chain.

So -- but long term, growth of PTFE is growing roughly at FDP rates.

At one point in time we had a very, very large share of these products in the marketplace, and high prices. I mean, we invented these materials. But over time, competition increased, we would expect that. We would expect prices to moderate. None of this is a surprise. That's normal business.

But what's happened in PTFE really is unique versus any of the other products in the portfolio that we sell. We successfully obtain nominal price increases routinely in the other -- in the other products in our portfolio, particularly when our costs increase. We go to our customers with requests for price increases. We negotiate increases with them. And they generally will allow us to get some incremental increases.

But in the case of PTFE, it's been a totally different story, very much a downward spiral. An enormous amount of excess global capacity, particularly from China, is just putting constant pressure on pricing in the U.S. market.

The PTFE that we sell definitely competes head to head with the low-priced PTFE from China and India. Their products in a lot of ways are generally interchangeable with our PTFE.

But even when our stuff offers superior performance, the prices offered by the Chinese and Indians are so low that customers will choose to try to find a way to make them work.

For example, their willing to accept lower yields because the raw material is so much cheaper that even with lower yields, the finished products cost less to produce.

Customers may even change their processing conditions or even redesign their processing equipment to accumulate these materials because they're just so much cheaper.

This has been going on for the past five or six years, causing prices to fall and competition to intensify. There is so much overcapacity in China and India that there is no what we would call supply and demand dynamic anymore. Everyone is just rushing to push their material and try to gain share to fill their plants.

Unlike the Chinese and Indian manufacturers, Chemours offers sophisticated technical services by folks like Mr. Hoeck. In fact, we're acknowledged as being the leaders in that regard. Customers have told us repeatedly that none of our competitors offer the same type of technical support as we do.

Yet despite having the best technical support

and service, this doesn't really insulate us from the competition because their prices are so low. We may get a premium in terms of share position, but we're not getting the premium with regard to price.

There are several different ways that we set price with our customers. We typically set prices with our large end-user customers on an annual basis. And typically, we would negotiate prices during the fourth quarter of the customer's fiscal year.

So for example, on January 1, prices would be effective. We would negotiate prices based on a forecast quantity that the customers would tell us we expect to buy this much next year from you, or we're willing to give you X percent share of your business. You know, those could be two of the different ways that we negotiate price.

Volume is typically not fixed because customers -- as I said earlier, it's driven by the downstream demand. So volume typically is not a fixed take-or-pay type of deal because customers adjust their orders depending on what the demand is coming in from their customers.

At some accounts, rather than a volume forecast I mentioned, we could be awarded a particular share. A customer might, for example, award us 50 percent of their business at a particular price, giving the balance of what

they need to other suppliers.

It's really difficult, if not impossible, to enforce these agreements. In many cases, we have seen our sales volumes at certain accounts decline significantly, and we suspect that these customers are ordering a greater share of their requirements from the much cheaper resins coming in from China and India.

Although most of our sales are made with a contract, spot market pricing in deals are still a key part of our sales process.

Several of our customers will only commit a certain percentage of their needs to any given supplier under a contract, leaving the rest to be available to be purchased on a spot basis.

When it comes to renegotiate for the next year, customers use what they can buy on the spot market as the basis for what their expectation is for pricing for the following year, for what they're willing to give in a contract.

So for example, I'm routinely hearing things such as, well, we're seeing less than four bucks out there for what you sell or we're seeing less than three bucks or now we're seeing in the low $2. So that's setting now the bar for what their expectation is if they want -- if we want to do business with them.

It's not that we haven't tried to raise prices. We have tried repeatedly to raise prices over the past several years. And a few of our larger accounts who have been using our materials for many, many years, we've been successful getting some moderate price increases.

But broadly speaking, when we've gone out to our customers and talked about trying to get prices up, these requests have been flatly rejected, and in many cases, we've lost, if not just some of the business at these customers, all of the business.

I keep coming back to the reason for this constant pressure on price is the glut of capacity that exists out there, particularly in China and India. Over the last three to five years, importers from China, as well as India, have been offering basic PTFE resins at very, very low prices. There are several large Chinese manufacturers that are simply buying market share to try to fill this capacity.

And more recently, we've seen from India aggressively pricing at or below the Chinese prices in some cases.

Because it's so cheap, the customers are making great efforts to try to find a way to use these products. Even if they have to modify their process or take lower yields to do so.

So we have lost volume and we've had to continually lower prices.

Since I've been in this business, one U.S. producer, Asahi Glass, which was located in New Jersey, ceased production in the United States because they couldn't compete. We don't want to be that next Asahi Glass. We want our business to survive.

And in order for our business to survive, we need to be able to compete on a level playing field.

On behalf of Chemours and its employees, I ask that you make an affirmative determination. Thank you.

MR. CANNON: Jim Cannon.

Thank you, Doug.

Next we'll hear from Si Genna.

STATEMENT OF SIMONE GENNA

MR. GENNA: Good morning. My name is Simone Genna. I go by the nickname Si. I'm the North American regional business manager for the Teflon PTFE melts and products for The Chemours Company. I've been in this position since 2008, first working for DuPont and now with Chemours.

My overall responsibility involves the production and sales of PTFE in the United States and Canada, which includes directing the sales force, setting prices for products and frequent interaction with

customers.

As a result of that, I do have personal knowledge and direct knowledge of the conditions of competition in the U.S. PTFE market.

I provided a declaration that's attached to the petition, and I'd like to address our recent experiences in more detail.

Chemours uses two channels to sell PTFE into the market. The first one is where we serve large end users and customers, selling them directly. These customers are typically large volume purchasers and the relationship we would have with them would involve not only significant commercial interaction but also technical interaction.

The kinds of products that our customers make are things like gaskets, seals, linings, films, insulated wire, tapes and parts. And those things find a wide variety of uses in things like automotive applications, aerospace and a lot of industrial, chemical handling kinds of equipment, because of their corrosion resistance and temperature properties as discussed earlier.

At the direct accounts that we serve, we have experienced direct, head-to-head competition from both the Indian and Chinese importers of PTFE. The e-mail correspondence and call reports that I referenced in my declaration clearly show that Chemours has been losing

sales and market share at these accounts.

In addition, our list of lost sales is long.

We've suffered significant lost sales due to the dumped and subsidized imports.

For example, attachment A in the declaration is an e-mail from GFL America to one of our direct accounts, announcing a new price for PTFE resin in mid-2016.

As a result of this offer, we lost business at that account and we've not been able to recover it from the second half of 2016 until now.

Attachments B and C are call report and e-mail correspondence, also from the fourth quarter of 2016, regarding two different of our end-user accounts.

In both cases, GFL offered PTFE made in India at prices which were too low for us to match. In one case, we did lower our price by a dollar a pound, but that still resulted in lost volume at that account.

By the end of 2016, it was reported by several sources that GFL was underselling our prices by 20 to 25 percent.

In addition to our direct sales, we sell a substantial volume of PTFE products through our distributor, Fluorogistics. Fluorogistics has for many years distributed products sold under the Teflon brand, generally supplying those accounts that are smaller than

the ones we sell to directly.

And as such, Fluorogistics interacts with many more different accounts, mostly smaller, where we also compete -- they compete head to head against the imported PTFE from China and India.

We work with the distributor to help them respond to competitive prices that they are confronted with from the imported products, and there are e-mails and call reports attached to my declaration that document those where we had been forced to cut the prices. We have been forced to cut prices at our large accounts. And Fluorogistics has been forced, based on the same pricing pressures, to cut prices at their accounts. And in many cases, that results in us having to reduce our price to the distributor in order to keep their volume against those imports.

Another example in attachment H to my declaration, I included various examples of the kind of correspondence we have with the distributor. And in a December 2016 e-mail, the president of the distributor reported, and I quote, "We are reducing our 6CX forecast, since we're not sure we'll get business in 2017."

He went on to say, "We are selling the slow moving material this month at a low price, but I have my doubts about staying in the game there."

If our distributor cannot stay in the game against the imports from China and India, Chemours cannot stay in the game.

Although there are imports from other countries, the imports from China and India offer, by far, the lowest prices in the market. Imports from China and India compete at both our large accounts and with our distributor sales through Fluorogistics.

The e-mail correspondence and call reports that I referenced are examples, but there are many more cases in which we've been told that our prices are not competitive.

We have customers that still purchase from Chemours. Many have significantly reduced the volume of their purchases from us. Other customers have been lost entirely. And while others have used these extremely low prices to force us to lower our prices.

As my colleague Mr. Hayes mentioned, it's not as if we haven't tried to raise our prices, but even in spite of those attempts, it's extremely hard to get that price increase from a customer when the Chinese and Indian suppliers are offering so much lower prices.

We cannot compete with these imports that are dumped and subsidized, and I ask the Commission to reach an affirmative determination so that we can compete with them on an even playing field. Thank you.

MR. CANNON: Jim Cannon.

Thank you, Si.

Next we will hear from Denise Dignam.

STATEMENT OF DENISE DIGNAM

MS. DIGNAM: Good morning. Thank you for allowing me to speak with you today. I'm Denise Dignam. I'm the business manager for the North America fluoropolymers business at The Chemours Company. I started my career in 1988 at DuPont as an engineer and moved into various marketing and business roles for the next 20 years at DuPont. And then I moved to Chemours with the spin.

I've been overseeing the PTFE business for Chemours since the beginning of 2016, along with various other products that Doug referred to in the fluoropolymers portfolio.

What I'd like to do with you this morning is discuss the impact of low-priced PTFE from China and India and what it's done to our business.

The volume of these imports has been steadily and substantially increasing, and the rise in volume of PTFE at below fair value has caused us to lose substantial volume of sales.

PTFE falls into a category that we call the fixed category in Chemours, which means sales do not fall within the profitability targets. It's the only business

within fluoro products that falls into this category.

This isn't because demand of PTFE in the U.S. market is shrinking. In fact, PTFE from a material perspective has some of the best properties for various application. Demand is stable. Rather, our sales volume and profitability have dropped in the PTFE segment because of the oversupply of cheap products from China and India that have expressed prices in the U.S. market and captured our market share.

I'd like to give you an example that we can address confidentially in more detail in our post conference brief.

GFL is the largest Indian PTFE producer and exporter to the United States, and its business strategy of penetrating the U.S. market has been extremely aggressive.

First, by selling PTFE at dumped and subsidized prices and, second, by hiring an ex-Chemours employee to specifically target our customers and capture our sales.

This has resulted in India's market share nearly doubling from 2014 to 2017. China's dump sales have similarly caused it to capture a significant share of the U.S. market. Both countries' market shares are steadily increasing at the expense of U.S. producers.

Unfairly traded imports have driven our business to substantial financial losses. At the prevailing price

level set by imports from China and India, our profits have fallen year over year to the pace we cannot make a positive profit.

Our sales revenue has declined and our costs in comparison to sales revenue have increased.

We have been unable to cover our fixed costs because of lower capacity utilization. This is a high cost -- high fixed cost business, which means we have to maintain at the very least 70 percent capacity utilization in order to achieve even a positive gross profit.

Our questionnaire response to the Commission bears this out.

In this business, it doesn't make sense to have an asset where you're operating under 70 percent utilization, but that's where we're at now. Our capacity utilization has deteriorated to the point where over the period we have had to take accounting adjustments for idle mills.

Basically, we've had to absorb current expenses of having idle capacity. And it's just not sustainable.

We have been in dire situation in our PTFE business which has been bleeding money. Over the last couple of years, we took drastic efforts to cut costs, reducing our workforce, stripping R&D resources, scaling back investments in technology, business services. This

still has not resulted in achieving a positive profit.

In 2016, we were in a dire situation as our PTFE business was bleeding money. We considered a range of alternatives, which were pretty drastic. We decided to adopt a short-term business strategy to stay afloat.

We implemented a specific and rather aggressive strategy called reengagement to gain back customers that we had lost.

We increased production to spread our fixed costs and we cut our prices to capture more sales volume. We basically have done everything we could to stop the losses.

But despite these measures, we've been unable to earn a positive rate of return and, of course, these drastic reductions to essential operating costs can only be a short-term approach to stop the bleeding.

Our reengagement strategy allowed us to recuperate some lost sales, but not enough. PTFE prices from China and India continued to fall. No matter how much we lowered our prices, those prices from China and India continued to be lower.

As a result, we are unable to recapture a significant portion of our market share, no matter how hard we tried.

We provide in our petition examples of

consistent and pervasive underselling through the period of investigation. As the record before you shows, head-to-head competition with low price Chinese and Indian PTFE products have depressed our prices, caused our per-unit revenue to steadily fall, and our industry continues to earn inadequate profits, despite cost reductions.

We filed this case because we've invested significantly in the PTFE business. Our company's innovation led to the development of PTFE. And our business brings real value to the U.S. economy.

We generate jobs here, and we supply downstream producers with American-made products. But unfair trade from China and India has hurt our business. We need to obtain relief and level the playing field in order to survive.

We need the Commission to address the conditions that have been created by the significant levels of dumped and subsidized imports that are destroying the U.S. industry. Otherwise, we are at a point that we will need to take more drastic actions that will further impact our U.S. manufacturing.

Thank you for your time and attention.

STATEMENT OF JAMES R. CANNON, JR.

MR. CANNON: Jim Cannon.

Thank you, Denise.

So you have before you the public slides. I would just like to quickly go through those.

If we turn to slide number 2, so we are making an argument that there is one like product. The scope of the case includes all three forms of PTFE, and we believe that the evidence will show that PTFE in all forms shares all five of the factors that the Commission traditionally looks at.

Go ahead, number 4. Slide number 4.

So in terms of the testimony you already heard from Rich, a very important one in this case is the overlap in use. And as you see, all three forms are used across all the different types of uses of PTFE.

This to us is important because there are no clear dividing lines, which has been a key to the Commission's decisions on like products in the past. In fact, the product ranges in a continuum of applications.

Go ahead to slide 5.

Next, turning to the conditions of competition. In the original case, in 1988, the Commission found that first, this is a high-cost industry. There's high fixed costs. So as you heard testimony, low capacity utilization, as low as 70 percent, puts great stress on a business. They simply cannot operate that low and make

money.

Secondly, the Commission found that imported and granular PTFE resin are generally interchangeable. On this record, on the evidence before the Commission in this case, you will find they are even more interchangeable today than in 1988.

Thirdly, price in 1988 was considered to be the second most important factor in purchasing decisions after quality. We believe the record will show now that those two are at least equal. If price isn't even more important. Quality, or you might say the table stakes. It's what you need to have to be in the game at all. All the major players have sufficient quality for the majority of uses to be able to participate. Therefore, competition takes place on the basis of price.

Go ahead to number 6. In terms of the volume of imports, the Commission focuses both on the absolute volume and on the volume relative to consumption and U.S. production. And what you see over the three full years is that relative to U.S. consumption, imports have increased.

What you see over the same period, 2014 to 2016, is that versus domestic producer production, imports have increased from maybe 40 percent to roughly 60 percent.

So albeit demand may have somewhat declined, imports have obtained a larger share of the U.S. market

over this period.

Go ahead to slide 7.

In the six months, moreover, imports have surged. Imports are up 50 percent in the first half of 2017, versus the first half of 2016.

Now, these are census data. So far, in terms of what's been collected in the record and what we've seen in the questionnaires, there's essentially inadequate coverage to use the importer data.

And so we have a situation particularly where Chinese importers have not -- they're not here. The Chinese producers are not represented. They have failed to give you the data that we need.

So we are left to use census data, and we think that's what you should be doing in this case.

But what the census data show is the surge is enormous, and we think that should be an important factor for the Commission to take into account.

Let's go to slide 8.

Next, regarding the pricing data, obviously, all the data are not in. This is a public chart. We have stripped out the prices, we have stripped out the product. Just to get an idea, however, you heard testimony that the prices offered by GFL were 20 to 25 percent below U.S. producer prices.

For this product, I think your final pricing charts are basically going to show this trend.

What you're going to see is imports from China and India are consistently lower across almost every quarter than domestic producer prices. All right, next.

Negative impact on the industry. You heard testimony that imports are being sold at prices well below domestic prices. That means as a result, they have captured market share.

Moreover, Chemours shipments and domestic industry shipments in the aggregate have declined over that period. The falling sales volume is a direct cause of the inadequate capacity utilization that Denise just described.

Chemours' operations, without adequate market share, without adequate sales, without adequate output, Chemours' operations are below the level that they need for profitable operation.

Next.

Here's -- depicts -- the top line, that's the trend in shipments. The bars are the trend in capacity utilization. This is the heart of the injury to the U.S. industry. They cannot cover their fixed costs. If they cannot get greater capacity utilization.

Next.

In addition, they are forced to lay off workers

over this period. The Commission Investigative Staff report will contain information on PRWs, production-related workers, reported in the questionnaire. We've not only laid off PRWs, we've laid off sales force, we've laid off nonproduction technical personnel. There's been a negative impact on our R&D personnel. We've had a negative impact across the company. And this results, of course, in cutting costs.

But at a great cost to the business and the workers in West Virginia.

Next, please.

You also heard testimony that Chemours was forced to take an idle mills accounting adjustment. FAS151 explains in the summary the purpose of this adjustment. It is basically an adjustment that occurs when conditions are, "so abnormal as to require treatment as current period charges."

So this is an abnormal adjustment, an accounting adjustment. It is a major thing for the business to have to do an idle mills adjustment. They had to do it twice in this period because of the unfairly traded imports.

Next slide, please.

Here are the operating profits, okay. Again, we've taken out, for confidentiality, we've taken out the scale. We'll put it all back in in the postconference

brief.

But what you see is we lost money in 2015, coming off a marginally profitable year in 2014. We lost even more money in 2016, and we are still losing money in 2017.

You just heard testimony from Denise that in 2017, they cut costs, they ramped up production, they did everything they could to try to operate at an efficient level. They cut their prices in order to sell more product. Having failed to be profitable by holding the line on price and resisting and letting accounts go to unfairly traded imports. They tried the alternative.

They said all right, this isn't working. So they took drastic steps. They cut workers and costs. They cut prices, and they tried the alternative. And they are still losing money.

And the magnitude of the losses over the three-year period is substantial. We'll show you the numbers in our postconference brief.

Next slide, please. Turning to the threat of injury. You heard testimony there's global excess capacity. This was the market where PTFE was invented. There's an Indian plant located in a special economic zone, and you've heard lots of testimony that they are using low prices to get into the market.

So turning first to the next slide, to the special economic zone. GFL is located in an SEZ. The Commerce Department has found in past cases, that can provide subsidies as high as 18 percent. They get a host of other subsidies. They get tax benefits. They get duty drawback benefits. They don't have to pay import duties.

They are export-oriented. They are located in this zone specifically in order to take advantage of these tax benefits and export their product.

Next.

You heard testimony about China's capacity. So in 2015, China had, I can't really see the scale that well, but something less than 120,000 metric tons, capacity. They have increased 38.5 percent, either through this year or by the end of next year, in terms of their production.

So in a market in which there is excess capacity, they're building more.

Turn to the next slide.

If you compare China's capacity to the entire U.S. market, it looks like this. So in addition to material injury, the domestic industry in this case is threatened with injury.

I left out one item. Cumulation. As a legal matter, we think you should cumulate. We will address it if you have any questions. With that, our presentation is

complete and we're happy to take questions. Except I'll have to jump up and grab my pen because I left it at the other table.

MS. HAINES: Thank you very much for your testimony.

We will start questions with the supervisory investigator, Mary Messer.

MS. MESSER: Thank you. Can I be heard with this? I can't -- I can't tell if I'm close enough to this or not.

Thank you for your testimony. I appreciate you coming here today and presenting testimony. We appreciate the opportunity to ask questions.

I guess I'll start off with a statement, Mr. Cannon, I believe you made, that our importer questionnaire coverage isn't adequate, that we should use the official import statistics instead.

Will you please -- can you give us an idea as to how clean those HTS numbers are, whether or not we've got other merchandise in those numbers? Also, whether imports of the subject product is being brought in under other numbers that we might not be covering if we use the official import stats.

MR. CANNON: Jim Cannon.

Yes. And I take that as an invitation to give

you something in writing on these topics.

But the first HTS number is purely for granular PTFE. The breakout was created after the old case. And it's very clean.

The second HTS number includes dispersions and fine powder, and there might be a very small volume of micropowder. Or I should say micronized powder. I understand micropowder is a trademark.

But those volumes would be, we think, tiny. And so the -- we believe that the census data are representative. And this is based on comparing the census data with the peers or the ship's manifest data from data mine. So I think what we can do is show essentially side by side to get some confidence about the census data as a reasonable substitute. It's also the case that's what the Commission traditionally uses when there seems to be inadequate coverage.

MS. MESSER: Going back to your description and scope of the merchandise. In the description you indicate that the micropowders are excluded from the scope. Can you give us an indication why you decided to exclude that? Is it produced in the United States? Is it imported?

MR. CANNON: Jim Cannon.

So you don't want to just hear me talk about this all day. Who wants to talk about it? Rich, do you

want to talk about micronized powder?

MR. HOECK: So the micronized powder is really a designation for what would be more specifically defined as a low molecular weight material that's either produced to a low molecular weight or it's material that's postprocessed to reduce the molecular weight from materials that we're talking about today, to create a product that the best way to measure it is it actually will flow when you heat it up to its melt point in a test that's specific to the industry. There's an ASTM standard that talks about that.

And so micronized powders or fluoro-additives are used as additives in other materials, not as a part -- not as something that you can make apart specifically. Is that --

MS. MESSER: Is that -- which HTS item is that? Is that product being imported, first of all? And if so, which HTS number would that be coming in under, and roughly how much?

MR. CANNON: Jim Cannon.

That comes in in the item of "other." So it's, what is it, 3904.61.0090, is where the micronized powder would be, which is the same category that holds fine powder and dispersions. But we don't think there's much volume there.

In other words, we don't think -- first of all,

it's very small, and secondly, it's not going to change the trend in the sense of whether it's fair to use those data or not.

MS. MESSER: Is it being produced in the United States?

MR. CANNON: Yes. We make micronized powder, don't we?

MS. NIKAKHTAR: This is Nazak Nikakhtar.

If we can get slide 2, we can elaborate on the question.

MR. HOECK: So in the definition, common physical characteristics, the granular dispersion and fine powder that we're discussing today don't have a melt flow. Their melt flow is zero.

The micropowders by definition have a melt flow from .1 or greater.

Overlapping applications. The micropowders are used as additives to impart properties to other materials, like inks and other plastics, for slip or release. So those two particular areas would -- we think that it's different.

MS. MESSER: All right.

MR. HAYES: Doug Hayes.

To answer your other question, there are several manufacturers of fluoro-additives in the United States.

We're one of them. And there's several others.

MS. MESSER: So I'm hearing from you also that then there are different end uses and customers for this product; is that correct?

MR. HAYES: Yes. You wouldn't use micropowders or fluoro-additives to make a part. You would add it as an ingredient to another material that you would then make something out of. You can't make a part out of it by itself.

MS. DIGNAM: Denise Dignam. I think just in short, what we're saying is it doesn't meet any of those criteria.

MS. MESSER: Pricing? Is it higher-priced I'm guessing, then?

MR. HAYES: There's multiple grades of these materials that could be very low prices to very high prices, depending on what the -- what the use is and what -- if it's being used for inks, it might be in one price range. If it's used in an additive for a plastic to make semiconductor parts, it could be much different pricing.

So the prices range all over the place.

MS. MESSER: Okay, thank you.

That kind of segues into my next round of questioning, which I would like -- perhaps, Mr. Cannon, you

may want to address this, to respond to the opening statement by the Respondents that there are different prices for different types and grades. I heard testimony about many of the other factors that we look at, but I didn't recall hearing something specifically about prices as related to different end uses.

MR. CANNON: Okay. So you've got pricing data on five different products, and they are discrete. But if you were to look at the full range of products, what you will see is a range of prices.

So as we just talked about with regard to micronized powder, with regard to the three products that are in scope -- granular, dispersion and fine powder -- there are a range of prices and a wide range of applications.

What there is not is clear dividing lines between those. There is not -- there is, in fact, a continuum, right. So there is a range of product offered to a range of different end uses with a range of prices. And they overlap all over the place.

And so this is like other -- many other cases before the Commission, in which you find that you can't really neatly draw lines between these products. You saw the slide with the overlap in end use. But within those, within that overlap, it's true that there might be a

different -- a range of prices.

So granular -- in part because imports entered the U.S. market, what, 30 years ago, in granular. It was the easiest to produce. It has the most large-volume commodity, style, applications. So they took that portion of the market first and then gradually moved upscale, started making dispersions, started making fine powder.

So what you see is that there used to be a lot of sort of differential between, say, fine powder and granular in the price. What's happened over time is that has collapsed, and the prices have come closer and closer together.

So what we now see in contrast to 1988 is a continuum of price points and of different applications. And we don't think that the record will show clear dividing lines or that you should find them.

With regard to -- maybe that's -- is that what you wanted?

MS. MESSER: That was fine. So what I'm hearing from you, perhaps, is that at the upper end of price ranges for the granular might be higher than the lower end of a price range for dispersion or --

MR. HAYES: Doug Hayes.

Absolutely, absolutely.

So using granular as an example, I think you've

all seen those little flat disks you put under heavy furniture to move them along your carpet. That's granular PTFE. That stuff is the cheapest of the cheap, and, you know, there's sort of a pyramid, right. And that's way, way at the bottom.

And then you have the top of the pyramid, which would be granular parts that are molded and then cut into manifolds to be used in the manufacture of semiconductor wafers.

The prices could be 10X for that application, what it might be for those little disks that move furniture. And it's the same across all the different product lines. In granular, dispersion and fine powder. If you add them all together and add them all up, you're going to see fine powders all over, granulars all over, dispersions all over, depending on what the value is.

And I think our struggle is we're operating now, we have the top of the pyramid, but it's just not enough volume to justify running the plants, that's the problem. I don't know if that helped.

MS. MESSER: That does, thank you very much.

MR. HAYES: Thanks.

MS. MESSER: I'd also -- I want to move on now to another issue that was -- or statement that was brought up in the opening statement by the Respondents. And that

your firm is not representative of the industry. I would like for you to respond to that, that Daikin is not here today. I also want to note that the testimony and slides that you've presented are all your company's information.

I'd be interested in hearing your arguments on behalf of -- or for the data for the entire industry.

MR. CANNON: Jim Cannon.

So just briefly, the Commission, it's long been the case, it's like a case -- it's unfortunately a case that I was in. It's long been the case that the Commission doesn't worry about the views of management about the state of the industry of a particular company. You collect the data, are the workers being laid off, is the workforce going down, are the trends changing.

So whether or not Daikin's managers perceive or want to perceive injury, particularly in a case in which they are a major importer, you use their data and build the aggregate domestic industry.

What we presented in the slides, because we were endeavoring to make a public version, was based on our data. But we think when you add Daikin's data to Chemours's data, you will see the same trends, all right. The magnitude might change a little, but the direction will be exactly the same.

So we perceive that Daikin's business, its

income statement, its shipments, its pricing data, will all line up in essentially the same fashion as ours. And when you aggregate the two together, you will see they too are being negatively impacted by imports.

I think that's -- I can't go further publicly.

MS. MESSER: Thank you.

And is your company and Daikin the entire U.S. industry?

MR. CANNON: Yes.

MS. MESSER: Has it been since the period of our investigation?

MR. CANNON: No. And someone testified about AGC; right?

MS. MESSER: Mr. Hayes, I believe you --

MR. HAYES: That's right. But I think that they had already exited, I can't remember, it was maybe 2009, 20 -- it's before these dates.

MS. MESSER: Thank you.

I believe the final question that I have is demand and consumption. I'm hearing contradictory statements from your panel as I did from the Respondents' opening statement, in that Ms. Dignam, I believe you indicated that demand is stable.

And I heard from Respondents in their opening statement, I believe, that it was soft, especially with a

couple of industries, I believe automotive was one of the industries that they mentioned. Oil and gas was another industry that they mentioned, that this item was being used in.

Will you please address those statements and see if we can make some sense out of why the statements seem to be contradictory? What is demand doing?

MR. HAYES: Doug Hayes.

I'll take a shot at this one. I was a little surprised to hear someone say that the automotive industry is down. I mean, what we see from IHS data is that the automotive market is very, very strong.

It's true that oil and gas took a dip. I mean, there's no question about that. And I think oil and gas is starting to come back.

But frankly, if you look -- these things go into so many different types of markets that many of them are just cyclical, and there's moments in time that one of them is down, the other ones are up.

The data that we've seen is pretty consistent that we're seeing aggregately in PTFE, GDP-type growth. That's the data that we see.

I don't know if that --

MS. MESSER: That helps. Perhaps my colleagues may have some additional questions to follow up with that.

I appreciate that. I have nothing further.

MS. HAINES: We'll turn to our attorney.

MS. VIRAY-FUNG: I guess I'll follow up on that question, Mr. Hayes. What do you mean by it's been matching GDP growth? Is that going up, going down?

MR. HAYES: Yeah, sort of 2 to 3 percent annualized on average over the past several years.

MS. VIRAY-FUNG: Okay. I do recall somebody else on the panel saying that demand somewhat declined.

MR. CANNON: Jim Cannon.

That was probably me.

MS. VIRAY-FUNG: It was.

MR. CANNON: So they don't -- they don't see the same data. We're not dealing with a complete data set, because we don't have the actual importer questionnaires.

So, you know, I struggle with this in other cases too. When the Chinese producers basically -- and importers, don't show up, don't provide the data, we don't have shipment data, we end up using imports as a proxy for shipments, to build consumption.

So we often get a little lag time or a little noise in those data. It's not precise.

I would submit that what we'll see in the end here is that parent consumption would be flat or slightly down over the three years, at least the numbers that we're

seeing. That's not their experience in the real world. And I don't want to contradict them. The record should show what they actually experienced.

We are doing the best we can to put together a report to get as close as we can to reality.

MS. NIKAKHTAR: And this is Nazak Nikakhtar.

I would just like to add when the data all come together, I think you will very likely see there has been a stable trend in demands. But what we also urge the Commission to look at is the difference in market share, how the U.S. industry has been losing market share with the stable demand. Certainly there's ups and downs, but you will see the overall trend is stable. And again, what we encourage you to look at is the loss in market share and gain in market share by subject imports.

MS. VIRAY-FUNG: Okay. Thank you.

I'd like to return to this issue of the micronized powder. There was a small discussion earlier about how the lower -- or the upper end of the granular intersects with the lower end of the, I guess, powder. Does it go granular, dispersion and then fine powder? And then where do the micronized powders fit in this?

MR. CANNON: So let me just jump in, this is Jim Cannon.

We had originally defined micronized powder

based on particle size, and we said it was 1 to 25 microns. And that overlapped with the particle size of granular, which starts at, like, 20. And there was a little bit of overlap.

So customs, looking at the scope language, came back to us and said, well, your scope, if you just use particle size, it's not adequate, we can't enforce this, because there will be overlap. And we said well, we had other terminology in there, particularly the words "further processed," meaning that you have to take granular, or fine powder or scrap, or some other feedstock, and process it. And Rich can explain what that is. I think it's called irradiation. You have to work on it to get to micropowder.

So customs thought, well, that's hard for us to enforce, like we don't know if it's further processed when it hits the border. So you need something else to distinguish it.

So we then started thinking, and we discovered or thought about the fact that it is -- it has this different melt point. The melt rate. It actually melts and flows. And other forms of PTFE do not.

And that's a reflection -- well, so like I'm not a chemist. So I'll let Rich elaborate.

MR. HOECK: Rich Hoeck.

So the micronized powder, micropowder, we call

them fluoro-additives, are low molecular weight, one to two orders of magnitude of molecular weight lower than the subject materials we're discussing.

And their process is different, the end use is different, the properties are different from the single product that -- definition we're discussing.

MS. VIRAY-FUNG: What about production? Is it on the same lines, using the same workers?

MR. HOECK: No, it's different.

MR. CANNON: Jim Cannon.

So what process do you use to produce micronized powder?

MR. HOECK: The -- the majority of micronized powder that we work with takes high molecular weight materials, irradiates them using an electron beam, giving them anything from 5 to 75 megarads of radiation, which takes the PTFE molecule and cuts it up into smaller chunks, dropping the molecular weight. The lower molecular weight material loses some of the properties of PTFE in terms of strength and tensile properties, but it enables it to be then mixed into other -- other materials like inks or plastics to import slip or antiblocking. Fancy inks used in a very glossy magazine or an art book may have PTFE micronized powder in them so that when you open the book, it actually opens, it doesn't stick together.

So it's -- it's different. If I made a part out of -- you know, one of the other things that it doesn't have is similar properties. PTFE, as we were discussing, has tensile strength and elongation that are relatively high. Micronized PTFE, if I extruded it and made a part out of it, it would be very brittle and essentially useless as an article.

MS. VIRAY-FUNG: Okay. Thank you.

What about channels of distribution and end users? Are there differences, similarities? I guess I'm looking for the clear dividing line, if there is any.

MR. GENNA: This is Si Genna.

Yes. The end users of the additives would typically be very different customers than the ones who buy the other type of PTFE we're discussing.

MS. VIRAY-FUNG: Is there any overlap?

MR. GENNA: Very little. Again, grease formulators, coating formulators, they might use some dispersion, but they would typically be using additives into other -- other substrates or other materials to develop those things. And certainly, you know, the big uses, the high-volume uses, are usually in thermoplastics, which would not be companies that are typically engaged in processing PTFE in any other way.

MS. VIRAY-FUNG: Okay. And that brings me to my

original question. I was actually talking about price. Mary had talked about, you know, the lower end or the higher end.

Is there a dividing line? Is there -- I mean, where did the micronized powders fit in in terms of price, then?

MR. HAYES: Again, I think you see in the market, not necessarily what we sell, but in the market, you will see fluoro-additives as cheap as the cheapest granular, and you will see fluoro-additives as expensive as the most expensive fine powders.

I mean, it's -- I'm not answering your question well, but it's almost like total overlap. It's the full range. There is no dividing line.

MS. VIRAY-FUNG: Okay.

MR. HAYES: It's very similar to granular, fine powder and dispersion.

MS. VIRAY-FUNG: Let's see, so that covers the micronized.

Are you arguing that Daikin should be included -- this is more for Mr. Cannon.

Are you arguing that Daikin should be included or excluded from the domestic industry?

MR. CANNON: We are not arguing at this point to exclude them from the domestic industry based on the data

that we've seen. In fact, we invited them to join us, I think as recounted in the petition, we invited them to join us in the case, and they declined.

MS. VIRAY-FUNG: Thank you.

MR. CANNON: But they didn't -- I don't know why.

MS. VIRAY-FUNG: Cumulation. We touched on it briefly. Cumulation for threat specifically. I would love to hear any arguments you may or may not have.

MR. CANNON: So in terms of cumulation for threat, you have the main cumulation factor, so geographic overlap and overlap in the market. And we think for straight-up injury, we're going to have geographic overlap, we're going to have overlap in the market at customer accounts.

In terms of cumulation for threat, the principal thing that you add to that is the trend in volume and then in price. And so in terms of prices, they are basically going to be the same or around the same point. And so we think the data will show there's no reason to differentiate between them on that basis.

And in terms of trend in the market, they are both -- it is fair to say that India has increased more quickly than China. But there is not an opposite trend, right. It's not an X. It's not China is declining most

recently and India is going up. It's just that India, as you heard, hired a former employee, got our sales list and went to all our customers and went on the offensive.

Having done that, they increased their sales somewhat more than the Chinese. And by India, I mean principally GFL, who is operating in the United States through a subsidiary, GFL America, and addresses the market in much the same way that we do. In other words, they're not operating through small trading companies. They're operating through a major player, who has contacts at major customer accounts, who has perfectly open access to the market.

So given similar magnitude of imports, trends in their shipment lines and volume and market share, and given similar prices, I think even if you look at this as a threat case, you still should cumulate. And I can elaborate.

MS. VIRAY-FUNG: If you want to elaborate in your postconference brief, please do.

Thank you. That concludes my questions.

MS. HAINES: Thank you.

We will turn to Mr. Knipe.

MR. KNIPE: Thanks to everybody for being here, particularly the folks that traveled from out of town.

I'm going to follow up on a couple things.

Obviously this is a big issue for us, interested in the conditions in which different granularities can be used, are they interchangeable essentially.

And you presented a nice table in your petition and here, I think it's slide 4. If you can, be as specific as possible. So when you say "film," what exactly does that mean? And you have an example where you can use all three, but what kind of film specifically? If I'm an end user, if I am a maker of film X, what can I buy and what applications specifically can I use different types of granularities in? You can address it now or in postconference brief, that would be okay.

MR. HOECK: This is Rich Hoeck, and I'll take a stab at answering your question.

For films, I can make a skived film out of granular and a cast film out of dispersion. I can use both of those types of films in a mold release application. I'm making parts out of complex composites that I have to autoclave, bake at high temperatures. And when I'm done doing that, I want to make sure that it comes out of the mold.

So I will lay down PTFE mold release that could be made using a granular, it can be made using a dispersion type of film.

If I am -- you're probably not going to use fine

powder for that particular application, but there's, you know, mold release, I can use either.

If I'm taking and I'm making a specific kind of wire construction, a lot of high-performance wire used in commercial and military aircraft use a tape wrap process to produce the insulation.

Over the years, the industry has used skived film, has used cast film and has used film produced using paste extrusion products in those wraps.

Now, not all of the constructions are exactly the same, and you are tuning your end process. But originally, there was the paste-extruded films didn't have the thickness control and some other controls early on in the process, and so the cast film was the best for this.

But in the interim, PTFE dispersion cast films and PTFE paste-extruded films have gotten to a place where there's parity, and so a place where, okay, so now I'm using more paste extrusion because that's the new -- a new design has come there.

So I can use any of those films to make the same kind of -- I can make a wire that's used in an aircraft to run power to run signal, control avionics. Those are two -- those are two specific applications.

MR. KNIPE: Okay. Under demand, I think, Mr. Hayes, you mentioned that the footprint for the

chemical in terms of the industry they use it is pretty wide. What are the largest demand drivers? I know you said GDP is significant, but what metrics do you guys look at to figure out where your industry is headed? Anybody.

MR. GENNA: So, again, it is largely all the uses that are in the industrial economy. So to the extent that some trends are present in the technologies and manufacturing and economy, those are really the things that we look at as driving our business.

So we've mentioned things like automotive builds, aircraft builds, could be semiconductor manufacturing, chemical manufacturing, all those kinds of indicators of what the demand signals for PTFE will be.

MR. KNIPE: I think it would actually be really helpful for me if you took this chart and for all the end uses on the chart, if you estimated how much of the consumption is made up by each of these end uses, that would also help me wrap my head around where the demand drivers are going to be.

And then it looks like I'm hearing conflicting thoughts about where demand is headed. It looked from some of the responses that impressions were that demand was increasing, but then I think, Jim, you mentioned that if you -- if you look at consumption patterns, it's decreasing.

So can you talk a little bit about that? What's the discrepancy there? Is it segmented by, like, one particular granularity? Or what are we looking at?

MR. CANNON: Jim Cannon.

So I said that because I'm looking at the APO data that you've collected so far, and I'm just adding up and calculating a parent consumption on what we have. So I'm not exactly seeing the trend that they are describing of 2 percent annual growth.

And I'm just indicating that I know the Commissioners struggle with cases in which -- in which this happens, where the data don't exactly tie with what the witnesses are saying about what they perceive in the market.

So I'm struggling myself to figure out, well, what explains this discrepancy.

I feel like they know the market and they know what is happening. And the way they perceive it.

So I tend to put more faith and therefore worry am I getting the right data here, is there something wrong with the data, especially when I don't have good coverage from import stats.

But putting that aside, I will also say that they are the North American business. The way their company is organized, they're selling in -- out of the U.S.

plant in the Americas. And also, they're selling globally.

So when you talk to them about demand, to some degree, they're reflecting demand outside the U.S., right. And we look at in our cases something very narrow, which is only U.S.

So I would invite, I guess, Si to say whether with respect to the U.S. market, you think that all the same things apply.

MR. GENNA: Yeah. This is Si Genna.

Yeah, assessments of market size and market growth are among the more difficult things that we -- I'm asked to do as part of my job. So I will say, though, that again on an accumulation of all of those kinds of drivers that we understand, looking at imports, looking at things that are going on globally, we can make an assessment that says that the uses for PTFE are generally in slow but growing market areas, and that the overall market, therefore, is in a modest growth pattern.

MR. KNIPE: Okay. Thank you.

MR. HAYES: Doug Hayes. If I could add one more thing.

One of the reasons DuPont spun us off is we were a cyclical business. We have years that are up and years that are down. And it's not unusual to have a couple of years in a row that are not as strong and it's downward

trend from a couple years before that or up.

If you look at the past 10 years and draw a trend line through it, it's GDP growth. That's why when I talk about this business being a GDP growth business, this is what we see. But on the average, it's moving up a couple of percent.

I don't know if that makes sense.

MS. DIGNAM: Denise Dignam.

I think you heard some of the key segments that we participate in. So for automotive, you know, if you think of some of the megatrends of lightweighting, fuel economy, so it's moving to like turbocharged engines, which -- so the environments at which, you know, some of these down, end use applications requirements are that they're the parts -- things are hotter, right, so it's more -- so it's a much harsher environment.

So for things like automotive, there are more demanding applications. In aerospace, more demanding applications.

Same thing for consumer electronics. When, you know, trying to move to a new platform to 5G, you're trying to make things smaller. And, you know, in the other trend that we see, a significant trend that I think has changed since the beginning -- since the end of 2016, if you look at them, and this is something that we can provide, and

it's publicly available data, but the oil rig count, which is a very much a driver for our business, is significantly up. 2017 versus 2016.

So, you know, things like wire for down hole or piping or just sales -- seals and gaskets, this type of demand is actually -- since we started seeing an uptick in October, and, you know, every week, you know, there's reports of how many more rigs have opened. And that's very specific to the U.S. economy with all of the -- you know, shale gas and shale oil.

MR. KNIPE: That's very helpful, thank you.

I will ask the same question of Respondents in the afternoon, but are there certain types, certain granularities that the domestic industry does not provide that imports -- that has to be imported?

MR. GENNA: This is Si Genna.

I don't think that's the case. There is nothing that absolutely requires the importation of those materials.

The main driver there has been price.

MR. KNIPE: Are there certain granularities or certain types that you are selling substantially more or less of? Since January 2014.

MR. GENNA: You know, the product mixes do change over time, but I wouldn't say that it's been a

significantly different shift. And again, some products might be oriented to certain application areas and those application areas are growing faster than the others, we might see some mix shifts, but not a significant change in the overall mix.

MR. KNIPE: Okay. So I think Jim, and you guys might want to address some of the questionnaire responses we got, and I'm guessing that you guys will make the argument later, if you can address that specifically in the postconference brief, that would be helpful.

So I see that some product is filled and some is unfilled. Does that fall under the same HTS categories?

MR. CANNON: It depends on the -- how much it's filled, like what the ratio. Like there's customs rulings about this. So it has to be 80 percent or something PTFE to still fall that in HTS number.

But at least in the old case and in the current environment, there's not really any filled imports to speak of.

Filled imports were covered by the scope language in the old case, because filling is so relatively easy and cheap that if the dumping order only covered unfilled product, a lot of import volume would just switch to filled and would create a huge loophole, so that's why it was covered.

But in the old cases, the sunset reviews and so forth, there wasn't much volume of imports of filled.

Now, without questionnaires, I -- I can't be certain.

MR. KNIPE: Sure. So does that mean that the products that you sell is mostly unfilled?

MR. CANNON: Yes. Jim Cannon.

Yes.

MR. KNIPE: Okay. Couple last questions. When was the EPA's PFOA stewardship program enacted, and what effect has that had on your ability to supply a PTFE resin?

MR. HAYES: So it's Doug Hayes.

I want to say it was 2010-ish, somewhere in there. We have introduced a complete portfolio of products made without the use of PFOA. I don't believe it's had any impact on our ability to supply volume to these customers.

MR. KNIPE: Is that because you were already, for the most part, doing the processes that would have qualified as -- under the stewardship program? Or it doesn't apply to the range of your products?

MR. HAYES: Could you ask the question again? I'm sorry.

MR. KNIPE: Just more on why, why didn't it have an effect?

MR. HAYES: Well, I think we've been doing

research on alternative uses of surfactants and polymerization aids for years and years and years. And I think we were just sort of ready.

MR. KNIPE: Okay. And one more question. Is there a system of classification like ISO for identifying specific grades, or are qualities determined by a qualification or a certification process?

MR. HAYES: It's Doug Hayes.

There's ASTM designations for different things, but that doesn't denote quality per se. Quality is the individual customer requirements for what's necessary for them to make their parts and work acceptably.

MR. KNIPE: Okay, great. Those are all my questions, thanks.

MS. HAINES: Mr. Gracia.

MR. GRACIA: Thank you for being here and helping us understand this market. I just want to start with about asking for raw materials and specifically the raw materials for TFE. What are those raw materials?

MR. HOECK: So TFE -- I'm sorry, this is Rich Hoeck.

TFE starts with fluorospar, which is calcium fluoride. It's a mined product. Then if you go far enough back, sulfur is actually a raw material, because we take sulfuric acid and combine that with fluorospar to create

HF.

In a separate stream, you take chlorine and methane and make chloroform, and then you take HF and chloroform, combine those together to create a chlorofluorocarbon that's known in the industry as F22 or R22. And then it's R22 that's taken the next step further at high temperature and pressure to produce TFE and other monomers.

MR. GRACIA: And could you talk a little bit about price indices for those, what sort of price trends, are there different product mixes that you could combine to still make TFE?

MR. GENNA: This is Si Genna.

It's a very long supply chain, as Rich indicated. And I can't speak specifically to the prices in some of those commodities, but the one most watched is the fluorospar. So the mineral that starts the -- provides the fluorine fundamentally to the whole supply chain.

And we've seen those prices vary. Many of the reserves of fluorospar are in China, and they have taken actions at times to depress the price, which drove certain other providers out of the market. At other times, they have taken actions to restrict export, which has driven those prices up.

So that is an ORE and is a commodity that does

trade by supply and demand. And the way that we manage our raw material supply is to have very long-term contracts to try to hedge and mitigate against those fluctuations.

So we see those costs as typically fairly stable, I think.

MR. GRACIA: So I guess since the beginning of the POI, you would say those prices have remained stable, no increase.

MR. GENNA: Yes.

MS. DIGNAM: Denise Dignam.

Just one other point. In the raw material TFE, there is a very large percentage of the costs, you know, just like with PTFE, that's actually fixed. So it's a very high fixed cost product to make -- raw material, TFE.

MR. GRACIA: Then I guess moving down the process, I assume that due to its volatility, all of this is produced in-house, the PTFE, and it's -- there's no other sort of -- it's all an integrated process, so there's no other process of making PTFE or -- it's all done in-house?

MR. HOECK: Rich Hoeck.

The way we produce it in the U.S. is the monomer is produced on site. It's hard-piped to our autoclaves that produce the PTFE. TFE wants to be something else in a really bad way, and unless you treat it very, very

carefully, it will go there uncontrolled and none of us want that.

MR. GRACIA: So there's no way of purchasing TFE from -- it's all done in-house, okay.

MR. HOECK: We do -- there are ways to purchase TFE. Usually it is -- but in order to purchase it and transport it, it has to be -- it has to be stabilized in such a way that it's not usable as shipped. And then you have to distill it to remove all the things that you have used to protect it. It's extremely difficult to process.

MR. GRACIA: And does Chemours do any of that or is it all --

MR. HAYES: We do ship some of the product that Rich -- it's Doug Hayes, by the way. We do ship some of the product that Rich describes from one of our plants to another one of our plants for in-house consumption. But we -- I'm not aware that we sell any of that outside.

MR. GENNA: This is Si Genna.

It would be in very small quantity. And again, to the point that Denise made, when you're -- you really have to make a significant investment in a TFE plant in order to be able to make any of these polymers, and that usually is all located -- co-located on the same site. That's very much because of the safety considerations.

MR. GRACIA: Okay, thank you. Could you speak

about other inputs, energy, what sort of trends have you seen there?

MS. DIGNAM: Denise Dignam.

I would say our -- the trends we've seen have been for energy is stable. You know, our -- we use site services for most of our utilities. And, you know, it's been stable over the period.

MR. GRACIA: If we could turn to slide 8, this is for domestic prices for a specific product. I was wondering if you could explain the spike at the beginning of 2017 in prices.

MR. CANNON: I cannot do that without saying what product this is. And all of this is APO. So I can answer that in the postconference brief.

MR. GRACIA: That's fine, thank you.

Do you use any sort of industry publications or indices to set prices?

MR. GENNA: This is Si Genna.

No. We typically, again, negotiate with customers on that specific piece of business.

MR. GRACIA: Mr. Hayes, you mentioned in your negotiations, part of the deal could be that you get a market share or there's a forecast quantity or percent share. What sort of trends or what -- in terms of the contracts, what sort of trends have you seen? Has there

been an increase in, you know, we'll offer you a bigger percent share for lower prices?

MR. HAYES: Doug Hayes.

Clearly it's been more about price lately. When we're seeing less customers interested in longer-term fixed price contracts. It was not unusual in the past to negotiate a price and have it fixed for a year or two. We're seeing that far less and less people want shorter -- in general, shorter contracts, more windows for changed based on market dynamics.

MR. GRACIA: And are these prices usually negotiable during the contract or --

MR. HAYES: It depends. You know, depends on what the particular contract says.

Again, there are still a few fixed for the year agreements. Most of them I would say have moved to a point where there is some kind of opener. If the customer, for example, sees that they can get a price from someone for a functionally usable product at X percent lower than what I'm currently paying, you know, I'll bring that to you, you have the right to match that or I don't have to buy from you.

So we're seeing more of that type of trend in contract negotiations.

MR. GRACIA: For the filled and unfilled PTFE,

is there a premium for that, or do you see most of your sales being unfilled, filled? What sort of trend is there in terms of filled versus unfilled?

MR. HAYES: Doug Hayes.

For our business, virtually nothing is filled. We do not in North America really sell any filled materials. It's all virgin.

MR. GRACIA: Do you see imports of filled PTFE?

MR. GENNA: Again, from the data that Jim mentioned, we're not aware specifically of a lot of filled imports, and again we reason that's because the filling process is not the more difficult processing step, so that the use of virgin resin or unfilled resin is then typically filled by operations here in the U.S.

MR. CANNON: This is Jim Cannon.

Let me just -- I think we're like in our ITC world and they don't always understand our vocabulary.

I think, and you guys jump in here, but I think what's going on here is that fillers, who are also called compounders, are basically our customers, right. So we sell them the virgin PTFE, which they fill. In fact, is somebody here a compounder? One of the witnesses this afternoon I think is a compounder, so they will tell you all about it.

We endeavor to supply them, so we compete with

imports to supply fillers. But filled product, which would actually compete with them, right, if there's a dumping order on only unfilled product, then the people that fill using the imports, they are out of luck because they are going to have to now compete against the Chinese.

Because if you don't include filled product in the scope, it's too easy and obvious of a loophole, which is why the Commission included it in the past. They found it was a low cost operation, significantly different than manufacturing, and that it would create, you know, essentially a huge loophole.

MR. HAYES: Doug Hayes.

Yeah. And a large -- a large chunk of our granular sales used to be to the compounding industry. And we sell very, very little now. All of that from the our estimation has gone to the low cost imported materials.

MR. GRACIA: And you mentioned that there have been some contracts that have been terminated or there are -- are there any sort of release clauses in the contracts? And under what sort of conditions would those be?

MR. HAYES: Doug Hayes.

It depends. Again, every one of these contracts is individually negotiated with the customer. And again, what we're seeing more and more, our customers want to have

in these contracts meet or release clauses, which was not customary in the past.

So as prices are falling precipitously, people want to be able to jump on that bandwagon. And they are saying, look, we'll agree to this price. But if someone comes to us and says I have something that will work for you and it's more than 2 percent lower or whatever we negotiate, I want the right to be able to say you can match that price, Chemours, or if you don't, you release me from my obligation and I can go buy. So we're seeing more and more of that for sure.

I don't know if that answers your question.

MR. GRACIA: And I assume that you're accepting more of those?

MR. HAYES: Yeah. I mean, we've been forced to accept more of those, and it's not something I would like to do, but it's something we're being forced to do.

We don't always meet it. I mean, we have to make a business judgment when these things come up, do we want to choose to lower the price again.

But yeah, we -- as a way of doing business, this is the way we have to do it now.

MR. GRACIA: And my last question is for Si. I think you mentioned that there were several accounts, and you can address this in postconference briefs. But in your

postconference briefs, could you talk about exact prices for those accounts and what the proposals were and kind of the underselling of those specific accounts that you mentioned in your exhibits.

MR. GENNA: Si Genna.

Yes, we will. Thank you.

MR. GRACIA: That's it for me.

MS. HAINES: Mr. Boyland.

MR. BOYLAND: Thank you. Thank you for your testimony. I've already sent the company follow-up questions, and I appreciate your time responding to those, and I'll try not to repeat those here.

First question was with respect to the reengagement strategy, that was formulated in 2016. But is it correct to say that the impact of the actual -- it's showing up in 2017. Is that correct?

MS. DIGNAM: Denise Dignam.

Yes, that's correct.

MR. BOYLAND: Thank you.

And this actually does touch a little bit on one of the follow-up questions I had. With respect to the idle mill account, accounting adjustment that you made, for table 3-10 in the questionnaire, that specifically requested nonrecurring items.

And I'm interpreting this to be in that

category. So for the postconference brief, if you could update the questionnaire to basically fill that out to include the idle mill.

MR. CANNON: Yes. We were planning, in response to your questions, to report that amount of those adjustments.

MR. BOYLAND: Thank you, yes.

MR. CANNON: And they did not in any way impact 9-3A as reported.

MR. BOYLAND: Okay. Correct.

MR. CANNON: Because the inventory cost of the product, I mean, the reason you expense it for the idle mills is that you don't attach it to the inventory cost. And so the idle mills adjustment did not impact at all the income statement that you're seeing.

MR. BOYLAND: And I was interpreting this as under absorbed fixed costs that the company was recognizing, because it was below a threshold, and that you're recognizing it immediately in the income statement, as opposed to, you know, capitalizing it into inventory.

So in that sense, it is reflected in the --

MR. CANNON: No, actually it doesn't. It hits like a higher business unit, so it doesn't hit the PTFE business unit in their costs. The idle mills adjustment is not made, at least in our financial statement that we

filed, it's not included. It's nowhere in COGS.

MR. BOYLAND: That's a good point. If it's not included in table 3-9A, for informational purposes, it's fair to fill out 3-10 and indicate the amount. But it would be good to clarify that it is not actually included in the --

MR. CANNON: Maybe we should include it.

MS. DIGNAM: Denise Dignam.

I would say that you are correct that that's exactly the point, that you're not carrying it in inventory and the intent is to capture that in the -- in the business in the current period.

The way that we account for idle mills is it falls below gross profit, and so the way that we did the below gross profit was more of an allocation of the what we call MPE, manufacturing period experience, that's where it goes.

So it really should be added to 3-9 or 3-10.

MR. BOYLAND: So it's currently not. Thank you.

Kind of on a related question, in the previous R134A case, the term "turnaround" was used. Is that the same for your operation, that you have an extended maintenance period?

MS. DIGNAM: Denise Dignam.

Yes. We have every two years, we have scheduled

turnarounds.

MR. BOYLAND: And I'm not sure if I asked this question before. But if you could specify when that occurred during the period, or if it occurred.

MS. DIGNAM: I believe it was 2014 and 2016.

MR. HAYES: April and May.

MR. BOYLAND: During the period, were there any other unusual disruptions in production that would have impacted cost?

MR. HAYES: Doug Hayes.

Yeah, we had -- we had one what I would say more unusual than not outage, although it was I want to say maybe 20 days.

But we carry safety stock. We have -- it's not unusual to have several days here, several days up and down. That one was a little bit unusual. But we were able to get through it without impacting any of the customers. So from that extent, it wasn't really injurious in any way.

MR. BOYLAND: Related to the question of vertical integration. Are you vertically integrated back to HF and chloroform? Is that as far back as it goes?

MS. DIGNAM: Denise Dignam.

We're backward integrated into HF. So we buy chloroform, we buy fluorospar.

MR. BOYLAND: Gotcha, okay.

MS. DIGNAM: We buy fluorospar and we make HF. So we have an HF plant in La Porte, Texas, and then we have an R22 plant in Louisville.

MR. BOYLAND: With respect to the fixed costs, for the posthearing or post conference, could you identify the primary fixed costs that you're considering fixed, and in terms of having to run at a certain level of capacity to absorb?

MS. DIGNAM: Denise Dignam.

Yes, certainly.

MR. BOYLAND: Thank you.

And with respect to the -- you noted costs that you had shed during the period, PRWs, R&D, technical support, et cetera. Were those part of the fixed costs, or would those be considered fixed costs?

MS. DIGNAM: Denise Dignam.

Yes. So manufacturing people would show up under direct labor, and then some of the other, so salespeople, technical service would be in selling expense.

MR. BOYLAND: So PRWs in terms of reducing the cost profile would be the most direct impact, in terms of reducing total fixed costs?

MS. DIGNAM: I'm sorry, can you --

MR. BOYLAND: The PRWs themselves, reducing that would have had the most direct impact on fixed costs, total

fixed costs.

MS. DIGNAM: That's correct.

MR. BOYLAND: And the other items would be selling and variable, not necessarily falling into the manufacturing side.

MS. DIGNAM: Correct.

MR. BOYLAND: This is sort of a general question with regard to PTFE. You referred to a glut of PTFE. Does that also include a glut of TFE? Is there an upstream capacity issue that's also involved?

MR. HAYES: Doug Hayes.

Again, because -- because these plants are captive use of TFE, there needs to be enough TFE to run the plants. So from that perspective. But because you don't sell TFE, I don't know that we can answer the question as there being a glut of it.

The glut ends up being consumed into making PTFE.

MR. BOYLAND: Gotcha. Gotcha. I mean, the point being TFE is not a product that's being sold commercially.

MR. HAYES: That is correct. And it's not constrained. So I mean, we're not limited in our ability to manufacture our products by not having enough TFE, for example.

MR. BOYLAND: Okay.

This might be a postconference question. With regard to byproducts, could you identify the byproducts that are produced and how they were reported in the P&L, how they were accounted for.

MS. DIGNAM: Denise Dignam.

Sure, we can do that.

MR. BOYLAND: Thank you.

And sort of a general question. I mean, this is more of how the company perceives itself with respect to the other U.S. producer.

Do you consider -- is there a -- how do the two differ, in terms of production, marketing? Are there significant differences between the two?

MR. CANNON: I'm Jim Cannon.

I'm sorry, can you repeat the question?

MR. BOYLAND: I'm kind of interested in how the company would perceive itself in terms of differences between it and the other U.S. producer. The other primary U.S. producer.

MR. HAYES: Doug Hayes.

I guess our -- our pride comes in the fact that we invented these materials. I think if you would talk to our customers and have them rank where do we -- where are we on the totem pole versus anyone else from the quality

perspective, from a core values perspective, from a integrity perspective, I'm proud to say I think that we would always come out number 1.

Not to belittle anyone else, but we just have a lot of pride, and we consider ourselves the leaders. And I think we operate in that way.

MR. BOYLAND: From a manufacturing perspective, is there anything that you're aware of that would distinguish the two companies in terms of the level of vertical integration? And this could be a postconference.

MR. GENNA: Yeah, this is Si Genna.

Again, Daikin has been a longtime participant in this market and we consider them to be as much like us as any competitor.

They may have other approaches to manufacturing, but we don't see them as significantly different in terms of what it takes to bring that product to market.

MR. BOYLAND: Thank you.

MR. CANNON: So this is Jim Cannon.

So I understand the question differently and we'll respond in the postconference brief.

MR. BOYLAND: Thank you. Those were all my questions. Thank you very much.

MS. HAINES: Thank you.

Ms. DeCarlo?

MS. DE CARLO: Hi. Good morning. Thank you for your time. I just have a couple of follow-up questions.

We briefly touched on the POFA phaseout and everything and that did not affect your production.

Is that because you guys took advantage of your -- the DuPont trademark, the echelon technology? Is that still a phrase used? It was -- or is that completely gone and it's a new way of doing it?

MR. HAYES: Doug Hayes.

So let me take that one. Echelon was a phraseology that we use when we were still manufacturing products with PFOA. But we were subsequently removing the PFOA from aqueous dispersions.

That's not a relevant thing anymore.

MS. DE CARLO: All right. And in the news lately, because of the PFOA phaseout and on your Web site, you talk about the gen X phase-in and everything. Have the recent news and all that entails, has that affected production at all at your plants?

MR. HAYES: This is Doug Hayes.

No. We are fully within all permits and operating fully, and there's been no impact to operations as a result of what you're seeing in the media.

MS. DE CARLO: My next question is about the R-22. So my understanding is that it's also known as HCFC,

and that are production for use in air conditioning units is done. And the ban is supposed to be completed by 2020.

Because of this ban, let's say the production of the TFE, because it is so integrated, do you see businesses kind of changing their production to make PTFE now because it is not a refrigerant? Do you see that happening?

MR. HAYES: So R-22 is a legacy refrigerant that's being eliminated, as you say. But there -- it will be allowed to continue to be used as a raw material for the manufacture of TFE and, therefore, PTFE.

MS. DE CARLO: Right. And have you noticed other businesses who were primarily in refrigeration business of making -- of using that -- going on to the next step of making TFE for PTFE?

MR. HAYES: I can't say that we've seen that, no.

MS. DE CARLO: Okay. And then back to the micronized powders real briefly, just to make sure I understand. So the micronized powder would basically come in under a different HTS heading than the granular powder. So the granular powder is 20 microns because it has not been irradiated. Then it would not meet the qualification of the micronized powder. That's correct?

MR. CANNON: Jim Cannon.

Correct.

MR. HOECK: Rich Hoeck.

Yes. I'm not an HTS expert, but chemical -- the properties are such that they're not the same.

MS. DE CARLO: Without irradiation --

MR. HOECK: Correct.

MS. DE CARLO: Size does not matter.

Then also a brief question about additives used in the PTFE. It was stated that PTFE is usually greater than or equal to 95 percent in these products. Can you explain, like, what type of additives, maybe where it falls into the chart. How do we quantify these copolymers and imports and everything? Do these things get imported or are they just primarily produced in the United States? Is there any insight?

You can include that in a post conference -- or yes, postconference brief.

MR. GENNA: This is Si Genna.

We will try to clarify that.

MS. DE CARLO: Okay. Thank you.

MR. CANNON: This is Jim Cannon.

So if you look at the customs rulings, we've found in an extensive search essentially, like, one or two where anything was being added. You guys can correct me if I'm wrong, but by and large, these modified, really is what we're talking about, right, modified PTFE is almost always,

like 99 percent PTFE, and it rarely goes below that, in terms of the volume of sales.

And even more rarely would fall low enough where Customs in their rulings would say, you've added enough other product to move it out of this HTS number.

However, when you file a petition, one of the concerns you always have, and certainly Commerce and Customs come back on this, is to identify every possible HTS number.

So they asked us, so we added others and finally we said okay, there's a little bit of volume that slipped out of these HTS numbers and they got in the other two. I think we identified two in the petition, we had two others.

And our perception is that there is little to nothing there that would be our product, although I always have to say that without knowing what's in the -- since we don't have very good importer questionnaire data, I'm not entirely certain. But at least I feel comfortable about that.

And I think Rich, if you want, could address kind of how much of the -- this perspective that there's really -- when we're talking about additives, it's really very small amounts being added to the PTFE. And we're using additive in the sense in the scope language, but I think in our discussion, we talk about that as being the

modified PTFE.

MR. HOECK: So there's two ways that we can talk about modified PTFE. If you look at the ASTM definitions for granular, dispersion, fine powder, these polymers have to contain at least 99 percent on a monomer level, 99 percent TFE. There can be up to 1 percent of another co -- another fluoro monomer in there, and you can still call it PTFE.

Those are known in the -- generally known in my circles as a modified PTFE. They contain small amounts of comonomer, not as an additive per se but actually reacted into the backbone of a polymer.

So that's -- that's -- when I hear somebody say modified PTFE, that's what I think.

In terms of additives, where you're adding another nonfluorinated material, it can be added for cost, I'm filling it with glass because I can get -- it's lower cost when I add glass. But I also gain something in that. I may gain better wear and abrasion resistance by adding that. I may add brass. I may add carbon for strength or for electrical connectivity.

So there's other things that you can add and the precise levels of those is a continuum. And depending on what end products you need, what your end product performance is.

Does that --

MS. DE CARLO: Yes. Thank you very much. That's it for all my questions, thank you.

MS. HAINES: Ms. Catalano.

MS. CATALANO: Well, it seems like we've had a lot of chemistry questions today. Even though I'm at the end, I might still have some more.

First, I want to put my comment on the scope. And I'm really happy to see a chemical abstract number in the scope and I'm happy to see a chemical formula in the scope, because it really helps our business that we have here at the Commission, whether that be the MTBs or GSP or whatever we have going on, it helps really communicate.

So I'm going to ask a few questions about the scope, and today we've talked about granular, dispersion and fine powder. But also listed in the scope are billet and other primary shapes. And I'm wondering if you can comment on what that would include.

MR. HOECK: This is Rich Hoeck.

MR. CANNON: This is Jim Cannon.

That -- we provided a draft petition before we filed that had those words, and we took them out. So you just made me like reveal trade secrets to the other side here. Now they know I file drafts before I file. Anyway, I'm outed.

MS. CATALANO: And I'd like to also ask about Mr. Hayes, in your testimony, you mention that there are -- when the other -- when the imports are coming in, that the U.S. industries have adapted, and what they have adapted is they have adapted their processes to use the raw materials from foreign -- foreign sources.

And I'm wondering if you could comment on what you mean by adapting processes.

MR. HOECK: So this is Rich Hoeck.

Our product may have a particular shrinkage factor or a particular performance that we have worked hard to design into our product that the competition may not have the ability to meet that.

So if when you process somebody else's material and it means that the dimensions that come out of your process are different than they were when they processed my material, I may have to modify the mold, I may have to say oh, it's coming out bigger because it doesn't shrink as much because that may be something that I want. So I'm going to have to shave off material.

In one particular case that I'm familiar with, the customer was using import material and the yields of their part were lower because of -- lower quality, but the scrap rate was higher but it wasn't high enough to cancel out the lower price.

So that's the kind -- does that answer your question?

MR. GENNA: This is Si Genna.

Because I'm probably less technical than Rich, I think that the parameters that customers would typically adjust as well -- there are some of them which are economic and some of them are time, temperature, the rate at which the heat and cool things, and those kinds of levers are typical to a process that a customer would use and those are the types of things they may be making adjustments to, the type of tooling and the time and temperature aspects of the process.

MS. CATALANO: So my next question has to do with the PTFE wet raw polymer. And my question about that is, could you talk a little bit about how this is used in downstream applications and which HTS number that would fall under, the first HTS I'm guessing?

MR. GENNA: This is Si Genna.

I'll defer the HTS question.

But in terms of what you'll referring to as raw wet polymer, that is basically an intermediate stage of a granular type of product, and it requires further processing to be useful for pretty much anything.

So in other words, there would be further processing required in order to make it useful for

anything. And that's why it ended up in the previous case.

MR. CANNON: So this is Jim Cannon.

So in the case against Italy, after the dumping order was put in place, the Italian producers started shipping raw wet polymer to the U.S., to a U.S. subsidiary, which I think they chop it. Is that -- they chop the raw wet polymer to get granular. So it's like a low value add minor operation. And Commerce did an anticircumvention ruling and said that that is circumventing.

So it's just one step back from granular. And so based on that, we included that language in our scope, sort of, you know, upfront rather than waiting for it to happen and filing an anticircumvention case.

As to the HTF classification, I will have to answer that in writing. Off the top of my head I don't remember, unless Deirdre knows.

MS. MALONEY: Deirdre Maloney.

I believe it was in the other category, the 9-0. Because it's considered a dispersion; correct? Yeah. That's my understanding, but we'll look into it. Thank you.

MS. CATALANO: So it's my understanding as well that the micronized powder would fall in the 3904.61.0090 category. Is that correct?

MR. CANNON: Jim Cannon.

That's what we think.

MS. CATALANO: Okay. And I know there were some testimony earlier that the amount of this micronized powder would be tiny. Does anyone want to hazard a guess as to what percentage that might be? Are we talking 1 percent? 15 percent? 20 percent?

What would the order of magnitude -- and it's an estimate, of course. What do you think that would be?

MR. CANNON: So I would invite -- that was probably my word. Therefore, I will invite any of the folks in the market who want to say, like, how big in the market is micronized powder.

MR. GENNA: This is Si Genna.

I'm asking these kinds of questions. It's very difficult to gauge precisely. But your question refers to of the entire PTFE market? Yeah, I think that we would see, you know, an order of magnitude of 10 percent or less by volume. That's strictly a guess. That's in total.

So again, we're not specifically aware of -- there's large amounts of the final micronized powder product being imported. That's within the U.S. How much is then of the virgin PTFE of various forms and sources is then micronized and sold in the market. So that would be talking more about the market presence of it, not necessarily the impact proportion.

MR. CANNON: So this is Jim Cannon.

So there are other companies in the U.S. that make micronized powder. Many. And so in the import statistics, in the peers data where you get ships manifests, we just don't see a lot of description saying micronized powder. The market itself, it sounds like it was larger than I thought, 10 percent. But there are U.S. people who convert those imports into micronized powder, which would then be not the -- would be not the subject of the case.

Ultimately, we're making no allegation that micronized powder from India or China is being dumped. So we're not -- you know, our starting point here, the scope of the case at Commerce, we're not including it. So we therefore think it shouldn't be part of a like product in the U.S.

And we moreover think it's different in physical characteristics, it's different in end uses. We've already established there's overlap in price. So we don't get every factor. But we think there's enough that you should consider it in a different like product as well.

It's not made in the same manufacturing process, it doesn't use the same process. It's not in the same facility. It doesn't share the same marketers and so forth.

MS. CATALANO: Right. And kind of where I was thinking is because it's tiny, then the official import statistics for the other category would be a fair estimate, if we don't have import -- get import data.

MR. CANNON: Yes. And that's actually where I started out with Ms. Messer this morning. I think the other category is sort of the best that we have.

MS. CATALANO: Thank you. That is all my questions.

MS. HAINES: Ms. Messer?

MS. MESSER: Thank you. I just have a couple of follow-up questions.

The first jumping off Ms. Catalano's question, but going to the compounders, I'm interested in your position as to whether or not these firms that compound simply compound the compounders of the product, I guess include additives, basically, whether or not those firms are part of the domestic industry.

MR. CANNON: Our position is no. And, in fact, the Commission in the prior cases and in the sunsets found by virtue of the finding that filled and unfilled are a single like product, and that context, found that the value add to produce filled and the nature of the manufacturing process, the value add was minor and the nature of the manufacturing process was nothing like a chemical plant

that makes PTFE.

Mixing together these -- adding some pigment or even brass or bronze rather to PTFE is fundamentally different in nature than operating a PTFE manufacturing facility and all the factors. And for that reason, I think the Commission in the past took this view that it's such a minor addition that the product is included within the like product.

MS. MESSER: Thank you.

One item that perhaps you could address in your postconference brief. It would be very helpful for the team for you to look at whether or not there are any other antidumping or countervailing duty investigations or orders in third-country markets and if so, if you could list those and describe those in your postconference submission. And thank you very much. Those are all the questions I have.

MS. HAINES: Mr. Knipe?

MR. KNIPE: Thanks. I just have one follow-up question on raw materials.

Some of you know that typically in the Staff report, we present the primary raw materials and cost trends of those raw materials. And I heard you say that chloroform and fluorospar are two of the big ones. Are there any others? If it doesn't jump out at you, I'm happy to leave it there. Okay.

Then do you use industry publications to get a grip at what the cost trends are going to be? And if so, what are they?

MR. GENNA: Could we answer that in postconference briefing?

MR. KNIPE: That would be great. As part of that, I would love to see what the cost trends have been. So if you can provide an industry publication that you primarily use, that would be really helpful for us. Great, thank you.

MR. CANNON: To clarify -- Jim Cannon.

To clarify that question, that we primarily use, we use these cost data that you want us to supply. You're asking us to provide something that we use for what? To gauge how much we should pay for fluorospar and chloroform? Is that what you want?

MR. KNIPE: Yes. What your business relies on, what other domestic producers rely on.

MR. CANNON: Does this make sense to you? Do you actually consult any publication? I assume you do. Do you understand what the question is?

MS. DIGNAM: Denise Dignam.

I think so. I guess what I would say is these -- we can do that, we can figure that out. But for the -- these, as I said before, these are largely the

biggest impact is the fixed costs of manufacturing. So, you know, these -- these raw materials, while they might have a blip here and there, I mean, it's not something that we could go, you know -- we wouldn't go to our customers and say, you know, chloroform pricing is going up, therefore. So we can certainly provide that, but it's a small factor.

MR. KNIPE: Okay. Thanks.

MS. HAINES: Mr. Boyland.

MR. BOYLAND: One related question. With regard to the idle mill, that's referring to the PTFE operation. At the same time, would you be idling the upstream TFE production? I mean, would they be sort of simultaneous? Or how would that work?

MS. DIGNAM: Denise Dignam.

Let's get back to you on the specific mechanics of that.

MR. BOYLAND: I guess my interest would be sort of related to the whole idea that, you know, you're saying that the actual raw material itself is going to have a fixed component that would obviously be impacted by utilization upstream. And I'm just kind of curious how the two would, you know, correspond, you know. The PTFE so --

MS. DIGNAM: Exactly. I understand.

MR. CANNON: Jim Cannon.

So we understand, and in response to your question, we started thinking about the raw material and what you're saying, which is true. TCE obviously has processing costs upstream. Therefore, our raw material that we reported is a result of the methodology that we used.

And this discussion really should be confidential in the postconference brief. I don't -- we're happy to answer --

MR. BOYLAND: I understand.

MR. CANNON: I don't think we should talk about this.

MR. BOYLAND: Thank you very much.

MS. HAINES: Okay. No further questions.

Thank you very much for your patience in answering our questions.

And we will take a 30-minute break. So we will be back at 12:35. I can't quite see the clock. 12:35. See you then, thank you.

(Whereupon, at 12:02 p.m., the hearing was recessed, to be reconvened at 12:35 p.m. this same day.)

AFTERNOON SESSION (12:36 p.m.)

STATEMENT OF LIZBETH LEVINSON

MS. LEVINSON: Good afternoon. My name is Liz Levinson with the law firm of Kutak Rock.

I'm here this morning on behalf of the PTFE Processors Alliance, a group of U.S. importers, distributors and downstream users of PTFE resins.

Now, a number of them have come into town at very short notice in order to be available to testify before you and also respond to questions. Mr. Richard Baillie will be doing the lead presentation and then the other parties will produce themselves, because of time constraints, they will not be able to make a direct statement but they will let you know who they are so you can direct your questions to the appropriate people.

Our presentation covers product imported from China. We believe there are distinct differences, physical characteristics in use and end uses for product imported from China versus product imported from India. And then Matt Nolan will be testifying on behalf of the Respondents from India.

With that, I'm going to turn the mic over to Richard Baillie.

STATEMENT OF RICHARD BAILLIE

MR. BAILLIE: Good afternoon. Can you hear me

okay? It's kind of hard to tell if the microphone is working at this point.

MS. BELLAMY: Pull it closer, please.

MR. BAILLIE: How about that, is that better? Okay, thanks.

I would like to first introduce myself. My name is Richard Baillie, and I'm the president of Baillie Advanced Materials, and we distribute fluoropolymers, primarily Chinese fluoropolymers. We do have some past experience with GFL as well.

In the past, I think it's fair to say I've been working in this business since 1980, like Doug. We both started with DuPont in 1980. And I worked in a number of different areas in DuPont starting in R&D, working in sales. I was a manufacturing leader at the Parkersburg plant, and that's when Doug and I first met in 1990, when he came into the business. He was working for me in my group.

And I was business leader of the Teflon industrial finishes group as well.

Then from there I went to Gore, who is a very large processor in the industry. You are probably familiar with them, Gore-Tex jackets and the like. And I led global procurement of fluoropolymers for Gore and did other things as well.

From there, I went to Shamrock. So there's been a lot of questions earlier today about they were calling it micropowder, micronized PTFE. So Shamrock is by far the largest producer in the world, and I was the number 2 person there, the vice president of marketing. So I'll be able to, I think, help answer some of your questions on micropowders as well.

And then from there, I went to Fluorogistics, the distributorship, exclusive distributorship in the U.S., which was formed by DuPont and now serves Chemours, and I was one of the three founders of Fluorogistics and also the vice president of sales for Fluorogistics. So I think I can speak to some of the strategies and some of the things we told customers and that we did fairly knowledgeably.

Then from there I formed Baillie Advanced Materials to distribute fluoropolymers. So that's my background in the industry. This has just been all I've done. This has been my life's work.

Oh, yes. As well I was chairman of the fluoropolymers division in the Plastics Industry Association, formerly called SPI, for a couple of terms and then was of course past chairman, and am still active on the executive committee of that group.

So now I guess I'd like to get into the presentation. So, you know, one of the things that, you

know, was -- we thought of and we thought you might be curious about too, and you know, we were sort of trying to figure out why would Chemours want to file this antidumping petition. Well, you know, clearly it's to quickly raise prices, okay, and dramatically raise prices as well. We are convinced this will cause irreparable harm to the U.S. processors of PTFE. So this is -- we're convinced this is very damaging to our industry, okay.

But it's clear that Chemours is only focused on short-term results, they are not focused on the health of the industry. That's why they're doing this. So there's another perspective we're providing you.

So for our key points today, it's pretty simple. We really have three key points that we're trying to make and then I'll work on addressing those key points one at a time.

So the first point is that it's well known and accepted in our industry that PTFE granular fine powder and aqueous dispersions are three separate families and they are distinctly different and they are not interchangeable, okay.

Within each of those families, there are product grades which are differentiated in uses and in value and are not typically interchangeable. And you even heard that during the Chemours presentation. You heard them referring

to specific product grades and what they are used for and which customers, which applications when they were talking about micropowder, okay.

Well, the same exact thing is also true for fine powder, dispersion and granular, okay. And each of those has different price points, et cetera. And we'll address that in more detail.

And the third thing is the recent reduction in Chemours granular sales, we believe, is a result of their decision to reduce granular sales in favor of producing other products with their TFE monomer. And we would like help from the Commission in determining whether that's true. We strongly believe that's true for a lot of good reasons.

Starting with the first point. It is well known and accepted that the three separate families are distinctly different and not interchangeable, okay. Representing, you know, the industry here, you know, we've pulled something together pretty quick, it's been pretty tough to do with the short notice, I must say. But we've done the best we can. And we have more than 100 years of experience sitting around the table.

And none of us would have ever, you know, thought of representing it this way at all. This is just, you know, a very unique way of looking at the world that

certainly hasn't been the way the industry has looked at it in the past, present or probably future and even the ASTM specifications that Rich Hoeck referred to earlier. There's different ASTM specifications for these. And I'll go into more detail as well.

But yes, on to the table.

So, you know, as far as the three different families, granular, fine powder and dispersion, yes, they have different physical characteristics. So one thing I urge you all to do, they gave you samples. You have samples. Take and look at those samples, okay. One of them the dispersion looks like a liquid, like milk, okay. That looks pretty different from the other two, okay. And not only does it look different, it's processed totally differently and by different group of customers, okay.

Now, they said there's all kinds of customers that produce all three. I can think of the name of one very large, you know, billion-dollar company is Saint-Gobain, who Rich used to work for. I'd ask you to ask them to list those companies. Which companies process all three of these? Okay.

So they made the statement. List them. They said there's all kinds, list them please, and what their volumes are as well. I don't think they're going to be able to come up with a very long list.

So the thing I was getting to and I got off track a little bit, I apologize, please look at those samples and examine them. The granular and fine powder, they may look the same to you. But take them out of the jars. They won't hurt you, you can touch them. I promise you, these are inert polymers, it's Teflon. Like you take dental floss, PTFE, by the way I invented Glide Comfort Plus dental floss, I'm pretty proud of that too.

But you take that and you put that in your fingers and you touch it all the time. It's not going to hurt you. You touch frying pan surfaces, it's not going to hurt you.

To take these out of the containers, the granular and fine powder, and you will find with the fine powder it smears, okay. It's a totally, totally different feeling from the granular.

This is essential for how it's processed. They are processed totally differently, okay. And they're used to make different products into different applications and different markets, okay.

So the statements that Rich made relative to film, yeah, it is true that you can make a skive sheet or you can make -- no, no, I was thinking of the dispersion, the cast, thank you, cast film from dispersion. But these have very different properties, very different costs, very

different appearance, and they are not overlapping where the customers are going to use them and buy them, okay.

So yeah, they're both film, yeah, they're both PTFE, but no, they are very, very different.

So when I refer on the chart to sheer sensitive, when you take that fine powder in your hand and you sheer it, that's what I mean. And that's the absolute critical property for fine powder for almost all of the customers who buy it, okay.

And you will find that the granular doesn't do that. And along that line, the manufacturing processes are different, okay. And even in the previous submission that they made for antidumping against Daikin -- excuse me, against Japan and Italy, they said themselves that the granular equipment isn't used only to make those products, okay, and it's described in the summary from the ITC right there.

So that was true then, it's true now. And I believe I have a little bit of knowledge, since I was the leader of the manufacturing, you know, facility that makes it in the U.S. for then DuPont and now Chemours, okay.

So for fine powder, you know, for fine powder and dispersion, yes, they are both made with dispersion polymerization, they, they are both made with processing aids. There are questions asked about APFO and there are

some important things relative to the surfactant PFOA. I don't want to go into too much technical detail, but if you want, feel free to ask me some questions as to where that's relevant and important later.

But suffice it to say, you know, you have to have different downstream equipment to make fine powder and dispersion once you make it from the reactors, okay.

And you can't at all make fine powder and dispersion in the granular facilities, I mean, you can't. You just can't. And even as far as the customers, what they do and how they use the products, you know, with granular, they mold things out of it, okay. With customers that use fine powders, they described that they paste extrude it, okay, which involves fibrolating it. With aqueous dispersion customers, they coat and they impregnate. It's a liquid and it requires fundamentally different processing techniques.

You will also see the specifications they use to define these are very different, okay. So, you know, that comes back and refers to ASTM.

Now the other thing I would like to discuss just a little bit is micropowder. You know, it's interesting how we heard all these arguments as to why PTFE granular, PTFE fine powder and PTFE dispersion are the same, and yet micropowder which is also PTFE is totally different.

Wait a second. Isn't it PTFE, wouldn't it be slippery? Yes. Isn't it PTFE, wouldn't it have a low dielectric constant low electrical conductivity? Yes.

Okay. I mean, it just amazes me that the same arguments that are used that say that PTFE is the same for fine powder dispersion and granular, now something with the same basic properties of being slippery, being, you know, an electrical resistor, not a conductor, those things are still present but yet it's something totally different. How can that be? How does it make sense? It doesn't.

Okay. The next table, they presented this, I didn't know what their presentation was going to be, but we chose to address that table because we just feel it's totally misleading. So I mentioned the example that Rich gave when you asked about, you know, cast film and skive sheet, I mentioned that earlier.

If you get into the details and you ask more questions, you will find the same thing, that these are very different, okay, and that this table is misleading and it's intended to mislead, okay.

So this is a very unique perspective that has been created for this hearing and for this group of people and is not part of the dialogue and has never been part of the dialogue of the industry.

And to further support that, I've taken some

excerpts from the Fluorogistics Web site where they talk about fine powder dispersion and granular using different processing methods. So that's the next chart. And you see paste extrusion, coating, impregnating, compression molded. Those are different, okay.

And then the next slide relative to end use applications, this is directly excerpted right from their Web site. They talk about, you know, the end use applications and they're obviously different, okay.

So what they tell the market, what they tell customers who actually buy their product, is very different from what they're telling ITC right now, okay. So we find that rather disturbing.

So the three -- so summarizing that point, you know, the three different product families of PTFE, they're not equivalent, they're not interchangeable, and this is just totally counter to accepted industry knowledge.

So hopefully I have made that point, but feel free, please, to ask me clarifying questions.

Also as I mentioned before, Chemours brought the case, you know, earlier for granular, and they said, you know, they said you couldn't make -- you know, in the ITC, they said you couldn't make the other products on the granular equipment, okay.

Also something, you know, that occurred to me

during the discussion, there's more than one type of micropowder, okay. There's -- there's micropowder that's made by irradiation, as Rich has mentioned, but Chemours also sells micropowder that's made as polymerized, okay. And oh, by the way, they make that on the exact same equipment that they make dispersion. So you might want to ask about the product called 1600, okay.

Okay. So they're different. So now on to point number 2. Within each family, there is a range of product grades which are not differentiated in uses and in value and -- which are differentiated, thank you, in uses and in value and are not typically interchangeable.

Sorry, I'm not checking messages on my phone, it went to sleep and I was just -- have a timer there just to make sure I hit the time here.

Okay. So let's get into that argument a little bit further. There is clear differentiation among the grades within the families. It was actually referred to by Doug earlier relative to micropowder.

But it's interesting they talk about that with micropowder. They don't talk about that with fine powder, dispersion and granular, okay.

But you look at their Web site, you look at the -- and you will see boom, boom, boom, boom, boom, lots of different grades.

As Doug said, they have very different value and use, okay, which says they're differentiated, okay. They're obviously differentiated. When, you know, they're used for different things, they have different prices, but yet they said in their filing that their products weren't differentiated within -- in the product line, okay.

But, you know, earlier they say they are, and obviously they are. So when you start asking questions, you're going to find yes, the products are differentiated within the families. And it's essential. That's why those grades exist, okay.

And these we'll refer to on a later product as specialty, okay. And these specialty products aren't available from the Chinese manufacturers, okay. The Chinese manufacturers only make the very bottom end.

So what we're asking you to do when you make the comparison, please compare apples to apples. As he was describing, they have -- they have products where they have owned the technology, they have owned the specifications, they have owned the brand, that go for, you know, multiple X, of the value and the price.

Well, these are clearly differentiated. They said it in the testimony today. But it's not said in the briefing. And this is really, really important.

So when you go to comparing prices, please,

please ask the questions so that you can compare apples to apples, okay.

So basically, relative to the Chinese products, there is no head-to-head competition in the specialty areas, okay. And, in fact, when I was with Fluorogistics and I was the sales manager, I was told we're not competing with those products, it's not our market, it's not our intention to compete, we're in different -- you know, we're in a different place from where they are, okay.

So that's been -- that's been the way it is, okay.

Now, I'll explain later, you know, where there is intentionally overlap on their part in order to fill out their plant and how that influences things.

So for the next chart, we've called it specialties and commodities, okay. I want to emphasize that the vast majority of what Chemours sells, it falls in the specialty category. And I can go through grade by grade with you of fine powder dispersion, granular, what falls there, and I'd like to, so please ask me questions along that line, okay.

And the other thing I'd like to point out, you know, we have here on this chart granular, fine powder and dispersion, okay. But the way the questionnaire was worded, I really struggled, okay, because what the

questionnaire does, yes, it divides it up into five categories, but these are -- yes, the pricing part of the questionnaire, thank you.

You know, it divides it up into five categories, but they are vertical, you know. If -- I thought I'd be standing up here, but if you see those as three vertical columns, it just makes it like five vertical columns. But it doesn't capture this bottom end area, where the Chinese imports and the Chemours products would actually compete, okay, which again is a very, very small part of their product portfolio.

The other thing I'd like to point out on this, you know, because the price comparisons are coming in as part of the harmonized tariff system, okay. And I'm not sure exactly where the best place to point this out is so I'll just do it right now, is for micropowders that are -- so micropowders, it's a pretty big volume that's made in micropowders, and let me tell you it's significant, okay. And -- that are made in the U.S., right. And those micropowders that are made in the U.S., something we're proud of as an industry, we're all proud of, is we have a lot of recycling in our industry, a lot, a lot of recycling. Not for Chemours but for the vast majority of the micropowders that are sold, they are all based on recycled PTFE.

Well, in the harmonized tariff code system, as what's coming in from China, the recycled PTFE products from China that are coming in at a dollar or two a pound because it's recycle, it's very low value inherently since it's recycle, comes in and it's all in that same data. So it's very misleading when you look at that data because you have recycle scrap basically that's included in that data and they pay the 5.8 percent data as PTFE and bring it in.

So I'm asking you please don't include those. The request has already been made to exclude micropowder. But if you include the feedstock, you will get a totally distorted picture because it is scrap.

So please find a way when you pull your data together to exclude that so you get an accurate picture and you don't kill this recycling industry that we're all so proud of, unintentionally.

So now I'd like to get into a little bit more detail, and this phone keeps falling asleep, sorry about that. I just want to make sure how much time I have. You will let me know, thank you.

Okay. So PTFE aqueous dispersions, okay. So there was discussion around surfactants, there was discussion around the replacement surfactants and the stewardship program with EPA, okay.

And so these are really important. That's

really the point, without getting into the chemistry. And Chemours is and has been in the lead on this, okay.

And their original replacement surfactants they called gen X, okay. And now they have a line of replacement surfactants that they call LX.

Now, in the patents that I read about it, these are just nonfluorinated materials, the LX, okay, so it's viewed as superior because it doesn't have the potential for, you know, the kind of more than $100 million lawsuits that they had with PFOA, okay.

And by the way, I'm curious where those costs ended up, so anyway.

So the LX products, even though, you know, part of what the patent is the value of it is that they are lower cost to make, they charge more money for those to the customers. So that again says they're differentiated, okay.

And so it's more evidence, you know, as far as what their products are, what their product line is, that the dispersions are differentiated.

The other thing that I wanted to point out as being part of the Plastics Industry Association, we sent a letter a couple of few weeks ago to EPA saying that to our knowledge, in the industry, there were no PTFE dispersions being imported that used PFOA currently, okay.

And Chemours is part of that group. So -- and, you know, most of the other producers are part of that group, so to all of our knowledge, that's done, okay.

But the Chinese are behind on this, okay. They do have some replacement surfactants, but to my knowledge, and to a number of other people I've talked to, there aren't any imports of PTFE dispersion from China. Zero. Maybe there are some small, insignificant number, okay.

So it's hard for me to understand how there can be -- how dumping and injury and those things can exist when there aren't even any imports and sales, okay. So this to me is pretty high on the list, why it doesn't make sense to aggregate these three together and call them the same thing, okay. They're not.

Okay. So we really are requesting that the Commission look into that, they ask, you know, what are the imports of dispersion from China. You know, we don't -- I don't have the ability to answer that question 100 percent certain, but based upon things that we're saying publicly and, you know, discussions with customers, I come to the conclusion that if there are any imports, they're insignificant. Okay.

Fine powder. As I said, sometimes called coagulated dispersion, and also the polymerization aids are important with this, like with dispersion, because it's

coagulated dispersion.

So here I have listed a list of products that are -- on that premium list, you know, that chart I put up there, and it's a whole long list of products that are high value premium that Chemours makes that are fantastic that customers love, okay.

You know, 601, 602, 6E, blah, blah, blah, you can read them up on the chart there.

The vast majority of what Chemours sells are these premium products, okay. So the grades are important. And that will be reflected in their pricing data.

So they have some grades, some TE grades, which means T experimental, but it also is an avenue where they sell off-spec stuff, or broad-spec stuff. And they also have a product called 60. And that's what they use to compete at the very low end, okay.

So for fine powder, a very low end application example would be thread sealant tape, plumber's tape, okay. You know, they're just wrapping it around a pipe and using it to make sure that the pipe goes together well and it doesn't leak, okay.

So that's very much of a bottom end kind of an application, and so when they want to sell out their facility, when they want to get extra volume, they will sell down in those applications. And this has been the

case for decades, okay. This has been their strategy for decades, and the way they have run the business for decades.

You know, obviously they want to make the high value products to the extent they can and then they will use the low values to fill out their plant, okay.

So on the specialty grades, there are no competing specialty grades from China, none, to my knowledge. There are no modified grades, there are no ultra high molecular weight PTFE grades, none.

So again, you know, I come back like with dispersion. I ask you to ask the questions so that we can be comparing apples to apples here, okay. Is.

Even on the unspecialized grades, only very small quantities, to my knowledge, of fine powder are coming in from China, very small quantities, okay.

So it's like dispersion, but with dispersion it's not, I am aware of a little bit of Chinese fine powder that's coming in, but a very little bit. And it has to do, again, with them being behind on the replacement surfactants, okay.

So they have figured out some replacement surfactants, but there's a lot of technology in making the tough products with it, so they are making just the very bottom end, broad specification, so bottom end that they

don't even refrigerate them. Chemours wouldn't sell anything that they don't refrigerate. So the refrigeration is what protects that property on the shearing that I asked you to look at on the fine powder.

So the Chinese products are only sold in the very, very lowest bottom end applications, okay.

Granular.

So differentiation does exist relative to modified/unmodified. Chemours calls them their NXT grades. Standard and free flow, there was some discussion of that. It's also called fine cut or pelletized.

And the majority of the granular imports that are coming in, again if you exclude micropowder as well, which is very, very bottom end, okay, you know, scrap or off spec kind of material, so if you come up, you know, a notch to, you know, mostly what would be virgin grades, the vast majority of these to our experience goes into the PTFE-filled compounds. So there was a lot of questions and discussion about the PTFE-filled compounds. This is not a demanding application. You're adding fillers, you're adding, you know, carbon black.

So if it's got a little bit of contamination, if it's got a little bit of dirt in it, nobody notices, nobody cares. And like Doug was saying, a lot of times it's used maybe for something that moves a chair along carpet. You

know, it's not going to be used for a semiconductor, okay. And the real high value kind of things.

Okay. So Chemours has been offering, you know, these grades as like out of specification grades, broad spec they call it, brown bag they also call it. And they made a decision to reduce their sales of granular into the lower value applications.

So we've had several customers come tell us that they withdrew the products. They didn't, like, ask to increase price. They just said they're no longer available, okay.

So that's a very different story from what they were saying. So our contention, our conclusion is that Chemours decided to reduce their granular sales, not because their granular sales were reduced due to dumping.

So that really comes to number 3 and point number 3, okay. It was referred to and we'll go to the next slide here, it was referred to that the -- you know, that the TFE monomer is fixed. And I was pretty shocked when Doug said that TFE monomer isn't limiting capacity, because it's always limited capacity. That's been for decades. That's been the limit of capacity. Okay.

So anyway, TFE monomer goes in to make, you know, numerous products. We've listed them below. But, you know, suffice it to say that there are other products

other than dispersion, granular and fine powder that the TFE is going into. And it's a fixed supply.

And as Denise said, it's a high fixed cost, high overhead business. So they run that facility at 100 percent. So if they're not running that facility at 100 percent, when that's their limitation, and when it's a high fixed cost business, I'm shocked, okay. I don't get why that would be. That's never been the case before.

And they tell customers that. This is common industry knowledge. They tell customers, we have a fixed supply of TFE. FEP sales are up, therefore we don't have granular to sell you.

This is a very common communication from them.

So we urge, urge the Commission to ask about the TFE capacity, ask about the TFE capacity utilization. I think what you will find, I would be very surprised if you find anything different other than it was fully utilized, okay.

Now, the 22, 23-day outing that Doug referenced, of course you've got to remove that from it. If there was a 23-day outing, that's huge. And that would be undoubtedly he was referring to TFE when he referred to that, okay.

So you'd have to, you know, remove that from the data. But, you know, having said that, I'd be very

surprised, very, very surprised. Everybody in the industry that's the top-end players, Asahi Glass, Daikin, Solvay, 3M, they all do this strategy. And that's why Asahi Glass and 3M purchase granular for their filled products that they make in the U.S., so they don't have to use their precious TFE to make that granular, okay.

So that's been the strategy in the industry for decades now. And we believe that's really what's going on here is that they made a conscious decision to decrease their granular sales.

In summary, PTFE granular, PTFE fine powder and PTFE dispersions are three different families that are processed differently and used in different applications and have a substantially different customer base. Therefore, the data should be considered separately.

Dispersions from Chemours are clearly differentiated with respect to their competitors and within their own grades. The majority of the Chemours fine powder sales, the vast majority of the Chemours fine powder sales are premium, specialty products with which the Chinese imports do not compete.

And therefore, the Chinese imports could not have caused a reduction in the volumes or the prices of those products.

The reduction of granular sales by Chemours is a

strategic decision based upon how they are choosing to allocate their limited TFE capacity, we believe.

Chemours has increased prices in 2017, and this fact is inconsistent with their assertions that they are being injured.

MS. LEVINSON: Thank you, Mr. Baillie.

With that we're going to turn the mic to Michael Haley, who is going to introduce himself, and the other members of the panel will introduce themselves as well.

STATEMENT OF MICHAEL HALEY

MR. HALEY: Good afternoon. Michael Haley.

I've been -- my background was -- started with eight years in consulting with a company called SRI International located in Menlo Park, California, and my specialty was fluoropolymers and high performance polymers in general. I helped companies to understand that business on a U.S. and global basis.

And I left there and spent 13 years with 3M Company. All those years at 3M I was in fluoropolymers, in business and technical management. As you will see, 3M is one of the major worldwide suppliers of fluoropolymers and an importer of lots of fluoropolymer materials into the United States.

Following that and where I am now, spent nine years with Whitford Corporation, we're based in

Pennsylvania, it's a U.S. company with manufacturing locations in eight countries around the world.

We make coating materials using dispersions for nonstick and lubricity applications. We use PTFE dispersions are the only category of the three that we purchase. As is typical in the fluoropolymers industry, we're using only one of these three types, and it has been my understanding with the history that I've outlined that our case is typical of companies in the industry in that we're only using one of these three families.

As a consequence of that, I'm a little surprised on page 20, section 3.A.5 to read that granular and fine powder PTFE are both used to produce coatings. That's a statement in the petition that I simply just don't understand, on the basis of any of my experience in this industry. Thanks.

MS. LEVINSON: Andrea.

STATEMENT OF ANDREA ARLATI

MR. ARLATI: Good afternoon, my name is Andrea Arlati, I'm the vice president of Industrial Plastics & Machines in Baton Rouge, Louisiana. Industrial Plastics is part of the Guarniflon Group. We've been processing granular PTFE for the past 40 years. And I believe we are the biggest single processor of granular PTFE in the world, with about 8000 metric tons of transformed granular PTFE a

year.

I oversee all the manufacturing operations in our facility, in our manufacturing plant in Baton Rouge, Louisiana, which is one of the biggest plants within the group.

I have been there for the past 11 years, and I was in charge of all the operations and the purchasing of the raw material. We call raw material the granular PTFE resin.

We only process granular PTFE resin, in my facility and in any other facilities within the group. We do not have any equipment that can process fine powder or any other family of resins. They are completely separate, because they serve a completely separate market for us.

And within our market, we take the granular PTFE and we transform it into basic shapes, billet, rod, tubes, sheets. And we sell it in two completely different segment of the market. One segment we call it specialties, and one segment we call it commodities.

I source my raw material, the granular PTFE, to make my specialties domestically from Chemours and Daikin, and we have been doing it for the past 30 years, I believe.

The rest of the market that we serve that we call the commodities, I source it overseas, mostly China, some India and Russia. Simply because Chemours does not

have in their product -- in their catalogue a grade that can serve that purpose to build commodities shape of PTFE.

Basically, it has been my experience for the past 11 years, I can tell you that simply Chemours and Daikin do not compete in the same grade of PTFE raw materials than the Chinese and the Indians. As a matter of fact, for years we asked our -- we buy through Fluorogistics and we directly from Daikin. We ask them to have an equivalent grade that we could use to supply our commodities business, and they simply don't have it. They simply said that that's not their market. They do not want to participate into those grades market.

Thank you for the opportunity to provide my views, and I will be pleased to answer all the questions that you might have.

MS. LEVINSON: Jared, if you could introduce yourself. I think we only have a few minutes left, but please.

STATEMENT OF JARED MC TAGUE

MR. MC TAGUE: I'll try to make it brief. My name is Jared McTague, I'm the general manager for Flontech USA. We're a domestic manufacturer of PTSE compounds in Pittston, Pennsylvania. We've been in business since 2005. I have been with the company since that time. And have helped establish it to what it is today, servicing the

North American market with granular PTFE compounds. We do solely use granular PTFE.

And to elaborate on what Andrea was saying, is we have worked both with Daikin as well as Chemours over the years to produce a grade that better fits our process and they have both at points in time done it, and they have both since discontinued those products to where we're no longer purchasing them because they don't exist.

Most recently, with Chemours, we've been purchasing that grade of product for several years now. It was a significant piece of our overall purchases, and it was discontinued as of, I believe, March of this year. So we have stopped purchasing that this year, but solely based on Chemours's decision to stop offering it to the market.

So I think really I will be able to I think answer your questions as they relate mostly to granular PTFE as well as the filled compounds and look forward to those questions as you have them. Thank you.

STATEMENT OF TERENCE NEVILLE

MR. NEVILLE: Good afternoon. My name is Terence Neville, I'm a director of Flontech USA, work with Jared. I am also part of the ownership of Flontech USA.

I just want to express how concerned I am that if this petition proceeds about the survivability of our business.

I think this petition will do serious harm to our ability to operate in the United States, and if it proceeds at a high level, we will most likely have to consider relocating to a foreign country.

So I just want to express the sincere concern of a small business that we may not be able to survive this type of action. We feel it's going to force the overseas processors who are going to import finished goods to have a serious competitive advantage and put our domestic market at a serious disadvantage. And it's very concerning.

Thank you.

MR. NOLAN: All right. Thank you.

This is Matt Nolan.

That bears the old adage, physician, do no harm.

We are here on behalf of the Indian Respondent Gujarat Fluorochemicals, which is the largest producer in India. I beg your indulgence. The Indians would have loved to have been here today with us, but today is the holy day of Diwali, which is a very important Hindu holiday and for which they do not travel. So they were unable to be here today.

But in their stead, one of the managers has prepared a statement which my colleague will read on his behalf and we've gotten it cleared because we're sworn in.

STATEMENT OF ANDREW JAXA-DEBICKI

MR. JAXA-DEBICKI: Yes, I'm Andrew Debicki, Arent Fox, appearing before you in the role of Puneet Bhatnagar.

Ladies and gentlemen of the Commission Investigative Staff, thank you for the opportunity to make a statement today. I am Puneet Bhatnagar, business head for GFL Americas LLC, the U.S.-based sales and further processing affiliate of Gujarat Fluorochemicals Limited. I have been in this business for over five years. I regret that I am not available to present this statement in person, but today is Diwali, a very important Hindu holiday.

I have asked Mr. Debicki to read this for me.

GFL is the main producer of PTFE in India. We began PTFE operations in 2007 after completion of a major integrated chemical complex in Dahej. We make numerous products in Dahej, including various types and grades of PTFE products, GFL sells these products through GFL Americas and GFL Americas also further processes imported PTFE into filled PTFE for specific applications.

We pride ourselves on the high quality of our products and superior service we provide our U.S. customers.

Over the last 10 years, we have focused on improving the quality of our products and the range of

different products and applications we can support across various industry segments.

GFL was surprised at this case being filed by Chemours. Our import levels were modest throughout the POI and the increase that occurred in interim 2017 was due to an increase in overall demand for PTFE, which benefited all producers, including Chemours.

PTFE, better known by some as Teflon, is a wide range of products based on the polymer PTFE. It comes in granular, liquid, dispersion and fine powders. Products are specifically designed for applications from the oil and gas industry to cabling in the telecom industry, to food and healthcare.

Of course, these products are not interchangeable with each other. We compete with Chemours in a limited way. First, Chemours offers a much wider range of products and can charge significant premiums for their special applications.

Second, most larger U.S. customers require extensive certification and approval before adding a new supplier to their list. Chemours has acted as the approved supplier for most of these companies for decades. GFL has not and it takes a significant amount of time to get qualified.

In some cases, three to five years.

Third, Chemours can deliver much quicker than GFL. Larger orders take us two months or more to deliver from our plant.

The public pricing data supplied in the petition is incorrect. First, our landed cost does not include a 5.8 percent duty due to GSP, whereas Chinese prices do include it.

Second, part of our imported product is further processed as filled by PTFE by GFL Americas and sold at much higher prices.

GFL does compete with lower priced Chinese imports and other European producers but we compete on the basis of quality and service, and in fact we compete directly with imports from Italy, Russia and Japan. We have not displaced U.S. production. We are merely competing against other imports.

In our view, any issues that Chemours has had during the 2014-2017 period are due to general flat economic conditions for our industry, not imports from India.

A key sector for our product is the oil and gas industry, which was depressed for most of this period. This was followed by relatively flat demand in the auto sector and the telecom sector.

In short, the market did not grow much until

recently. This contrasts with our market in India, which is growing at a rate of approximately 25 percent per year, and our other export markets, where growth is closer to 10 percent. We sell most of our product outside the U.S. and will continue to do so. U.S. sales are below 20 percent of our global sales.

GFL and GFL Americas are fair traders. We provide excellent service and further process some of our imports into higher value added products in the United States. We are not injuring or threatening to injure Chemours.

MR. NOLAN: Thank you, Andy.

So with the remaining time that we have, I have some slides, I didn't bother putting them up on the screen because I think we can just walk through them quickly and I'm going to jump over some of them because this panel has already addressed the product-specific issues quite admirably and I don't think I can add to that.

On page 2, the slide 2, it just gives you background on GFL and GFL Americas. I do want to make one point, that GFL sells its product through its U.S. affiliate, GFL Americas. The import value is the transfer price between GFL and GFL Americas. That is not the selling price to U.S. customers.

That price gets marked up once it gets to the

U.S. and sales and service and other operations are performed and, in some cases, further processing is performed by GFL Americas.

So we will address this in the postconference, but there is going to be an increase in price relative to what shows up in your import data.

On the uses and types, this is just a picture of some of the things that I pulled off the Web site, different applications for it. You've got rings, you've got Teflon pans, all sorts of different applications. On page 3. It's not just plumbers tape, all right. It's a lot more complicated than that.

Plumber's tape, if you make a mistake, you fix the pipe. If you get it wrong on a high stress application in the oil and gas business or in another business, the effect is catastrophic, which means the company is not going to care so much about price. They're going to care about making sure that they don't have a product that blows up, right.

This is a very small increment, so price premiums are had at the higher end of this market.

Slide 4 is a Gujarat-based slide, GFL-based slide on their market segmentation just generally speaking. I know this panel will focus on different applications that they have and they can address those separately.

But in all cases, of the oil and gas sector is a big part of this market demand.

And you all know from past cases involving OCTG, lined pipe and a whole bunch of other things out of the industry that this industry has been through, not just a recession, but a near depression. I've done a lot of work in the oil industry, and the last three or four years have been the worst period that I can remember in the last 25 years for this industry. The last time it was this bad was when oil prices hit $11 a barrel, and that would have been about 1981. It's coming back now, there is no question about it. Rig counts are up, things are getting better, looking up.

But between 2014 and 2016, you know, OCT mills were running maybe 50 percent of capacity, maybe. If you're running that low and you're producing that much less, you're demanding that much less PTFE for the applications that you use it for.

Similarly, aerospace revenues in 2015 declined over earlier years. Automotive industry, growth rates in 2014 to 2015, below GDP average. A lot of these indicators tell you, and I'll put this in the postconference with substantiation, that some of these main markets lagged the GDP rate, which means for a period of time between 2014 and 2016, the market was slower, demand was soft.

It has since improved radically in 2017, and we'll address that in the postconference brief.

Slide 5 gives you a production map of GFL's production process. And I'm just going to reiterate one thing. If you look at the way this stuff is made, you go down to the fourth or fifth level, TFE, at the TFE level, it breaks off into several subproducts, and from those subproducts, you get PTFE as one of the value members of the chain.

However, the PTFE plant competes with all these other products from TFE for capacity utilization.

I will tell you right now, and we'll address this in the postconference, that GFL does not run at full capacity for its plant today because it delegates some of the TFE capacity that is has to other products, and therefore it is physically constrained from hitting 100 percent capacity utilization. Not because there's not demand, but because it chooses to produce other products from a limited supply of the key ingredient.

On page 6 of the slides, highlight just again a couple of the products that come out of the Chemours toolbox, so to speak. They have Teflon -- they have Teflon FEP, PFA. They have products that are specialized in FDA. Would you ever substitute a product that used in FDA applications with something that's used for plumbers tape?

The answer is no, you would not.

So if you just go on their Web site, you will see hundreds of different specifications and applications depending on the product you're talking about, and I've already gone into that.

Slide 7 is another slide that talks about how the split-off point from TFE is critical, and is a bottleneck for capacity utilization for PTFE. It's not just about whether you're utilizing your PTFE plant. It's if you have a TFE plant, which almost everybody does, what is that being used to make. And if it's being used to make other products, you might not run at full capacity utilization on your PTFE plant.

Skipping over to the Chemours profile on page 8, you will notice that Chemours does make investments on a lot of things. They put $230 million in a Texas refrigerant plant and $600 million in a new titanium dioxide plant in Mexico. They have a lot of money for their other business segments, but they're choosing not to invest in this one.

The plant that makes this is an old plant. It's not the most efficient plant that I know of.

On page 9, and this is the most important slide for me, this is the Census Bureau data, thank God for DataWeb these days, that sort of illustrates the import

levels from Census statistics.

Now, let's take a quick look at this.

2014 to 2016, Chinese imports are going down. 2014 to on 2016, Indian imports are going down. 2014 to 2016, all imports are going down.

Nothing is going up. The only time it starts to go up, and if you look at the Petitioner's chart, the only chart that they put on on volume is the six-month period that compares 2016 and 2017. And the reason they do that is they can't prove their volume case on this chart, except on that one interim period, and that is an insignificant or insufficient amount of time upon which to base an injury determination. It's a very stretch for a threat as well.

And why did it go up in 2017? And we will put this in the postconference, because demand increased. And the one public chart that I can give you that illustrates that is on the next page, because DataWeb also produces export statistics.

If you look what happened on the exports between 2016 and 2017, they went up 8.5 percent in a six-month to six-month comparison, if you were to annualize that, their export shipments are up over 14-1/2 percent in the six-month period, or in an annualized period. If that trend holds, and that trend mirrors what's going on in the domestic industry, why are we sitting here? Any injury

that's occurred is not on the basis of imports but on the basis of slack demand which has now reversed itself.

Price issues on page 11. We've talked about the fact that the duty is not applicable to India. I will say that the AUVs, and we've talked about this already with the witnesses already, the AUVs for Chemours are going to be skewed on an upward side of the scale. They are naturally going to be higher because they produce higher end technical products that everybody else doesn't produce.

Does that mean their AUVs are going to be higher for products? Absolutely yes. Do they compete on the lower end of the market? I commend to your contention, the lost sales and revenue reports that are coming in. Take a good look at those.

In my view, price suppression can only occur if there's actually more than imports coming in, the suppression has to exist in the marketplace.

I don't think you can make a tie-in between the short, limited period when imports are coming in on an increased basis and price suppression, because I don't think it exists. I actually think the exact opposite is happening, from what we're seeing in the market, prices are going up, imports have come in up, prices are going up. That is an inverse dynamic from what you'd expect to see in a price suppression scenario, and we'll be completing now

and happy to answer questions. Thank you.

MS. HAINES: Thank you very much for the testimony.

We'll turn to Ms. Messer.

MS. MESSER: Thank you for your testimony. It's been very helpful.

I'm going to just quickly dispense with some questions that I asked of the Petitioner's panel and get those out of the way quickly with you guys so that you also have a chance to respond to those issues.

First off is the HTS and our use of official import statistics as opposed to importer questionnaires. Petitioners indicated that they felt that our import data coverage in our questionnaires was not complete, and that we should use the import statistics from Commerce.

Would you care to address that?

MR. NOLAN: Well, as you know, we are in a very short time frame for the preliminary, and oftentimes it's not unusual that you don't get as much coverage as you'd like to with the import statistics.

I don't think we have a problem with using Census data for the preliminary, but also we would like to point out that to the extent that you have importer questionnaires, that we should take a look at those and see what the trends show you.

Because if the big producers are represented, maybe not the whole industry but the big producers are represented, that should give you at least a sample of what actually is going on in the marketplace.

And I think actually the individual statistics probably mirror the totals anyway so --

MS. LEVINSON: I would agree.

This is Liz Levinson.

I would agree with that. You know, I think Mr. Nolan addressed the HTS statistics and the trends that they show.

Please keep in mind, however, that the import statistics also include the scrap that Mr. Baillie referred to and other products that are not subject to this case.

MS. MESSER: In particular, what code exactly would that scrap come in under?

MS. LEVINSON: I believe it's the same code. I don't have the number in front of it.

MR. NOLAN: This is Matt Nolan.

I don't think they differentiate.

MS. MESSER: There were several numbers.

MR. NOLAN: It's all 3906 or 3904.6 or -- 3906?

MS. MESSER: 3904.61.0010?

MR. NOLAN: So you can take just it to the six-digit level, everything that comes in, at least that I

think of.

MS. MESSER: Okay. How much do you believe is -- if you could quantify how much is out of scope product contained in these numbers, that would be helpful.

MS. LEVINSON: That's something that we can essential address in postconference brief. I'm going to ask Mr. Baillie the question, how much of what is coming in under the import statistics relates to product that is not subject to this investigation such as the scrap and the other excluded products?

MR. BAILLIE: It's been hard to ask -- answer because of the very limited time and some of the difficulty in getting information. Just as an example, night before last, I got some information from China, which I believe is all from that tariff code, you know, but what they believe is the export information.

And I was trying to translate it on Google Translator, and one of the companies came in as clover in the name and that's actually Shamrock, I think that's a translation difference. But I know their facility is in Tianjin, and this is Tianjin, okay. It was a substantial number, five or six on the list.

And I know they import -- this is their facility where they actually collect and they will grind up the scrap and then send it to the U.S., but there's also

multiple other companies that have several that have operations of that order of magnitude in China that send. And I just didn't have time to get the name of those companies yet.

But we're talking a substantial -- you know, when you're talking like whatever it was, I don't know exactly, five, six, something like that on the list, you know, and others, it's substantial. And I double-checked with them based upon the number that the dollars divided by the kilograms, it was 3 something, $3 something a kilogram, something like that. But I asked them, is that what the number should be if that's coming out of your facilities, and they said yeah, that's what it is.

Yeah, another area in addition to scrap in the market is called repro, so there's different ways of recycle, you know, micropowders is the biggest form of recycling, but there's another thing the industry calls repro that would be in that. I can't speak as knowledgeably to that. Maybe one of you guys can talk about that.

But what I can say is that, you know, it could be potentially thousands of tons, you know, of feedstock for the micropowder.

MS. MESSER: So this repro product and the scrap, in your opinion, would fall under the scope

language?

MS. LEVINSON: No, it would not. It would not. It's part of the excluded merchandise from the scope. The micro -- micropowder that Petitioner described to you this morning.

MS. MESSER: Also the scrap?

MR. BAILLIE: Yeah. To me if the scrap is used to make micropowder and micropowder is excluded, I would hope the scrap would be excluded from the statistics too.

MR. NEVILLE: Richard, don't we believe that the scrap that's coming in is being included in the tariff code?

MR. BAILLIE: Yes, it is definitely.

MR. NEVILLE: So it's being included in the tariff code but it's not part of the scope of this petition.

MS. MESSER: But it's being imported prior to being made into a micropowder?

MR. BAILLIE: Right, right, right.

MS. MESSER: But the scrap itself would not then be covered under the -- if it's coming in prior to being further processed, would it then not be included in the scope?

MR. BAILLIE: I asked them and they say they pay a 5.8 percent duty on it. And to my knowledge, you pay a

5.8 percent duty on something that's classified in that tariff code as PTFE. So it's included in that tariff code numbers, but it's excluded in the petition.

MS. MESSER: From the language.

MR. NOLAN: That's the problem with the Census data, because it's not going to make that differentiation, and that puts us in a bit of a bind, because you're being overinclusive.

MS. MESSER: What is it about the language that -- I'm sorry, I'm trying to understand why the scrap -- what in the language itself would -- I don't see in the language saying scrap is not included.

MR. NEVILLE: I think the bigger point that we were trying to reference is that the scrap has a significantly lower value and it's being blended in the overall average value price of resins in that tariff code, but it's really not the same product.

MS. MESSER: It's not PTFE resin.

MR. BAILLIE: Clarification. The scrap comes from processors, okay. So like, for example, someone would make a billet, and they would machine it into a part, okay. And the turnings from that machine shop would then be scrap, okay, that we as an industry recycle, okay.

MS. MESSER: But it's not PTFE resin?

MR. BAILLIE: They pay a tariff on it and when

they bring it in.

MR. NOLAN: I think it is PTFE resin. I think we're going to have a discussion about this, because we needed to clarify it in postconference. But in my view it probably is PTFE, because it is brought in under that tariff code.

But the problem is it's not being sold in the marketplace as is. It's being further processed before it's being sold to customers as scrap recycled material that's then being further processed into another product or reprocessed into a product and then is sold.

So you're data is not going to reflect the fact that the ultimate sales price is far different than the product that's entering.

There's a lot of product that comes in that gets further processed before it comes out to the marketplace. If you just look at the numbers as it's coming across the border, you're going to have a lower number than the actual price being charged to U.S. customers.

MS. MESSER: I just want to make sure I understand what questionnaire data that we have coming in. If it is the intent to have this scrap included in the scope and we have this data in our importer questionnaire, that's fine. If it's not the intent for this scrap to be included in the scope but it is included in our

questionnaire data, we need to be able to figure that out.

MS. LEVINSON: This is Liz Levinson.

As we all know in this room, the scope of the petition is defined by the language used in the petition, and I think we need to examine that. I understand your question. I think it's an important question. I think Mr. Baillie has a view on it. But from a legal point of view, whether it's subject merchandise or not, we need to address that in the postconference brief.

MS. MESSER: Thank you. I appreciate that.

Is it your position that the compounders or the further processors in the U.S. be considered part of the domestic industry? So it is a question that I also posed to the domestic producers. Those -- so --

MR. ARLATI: To answer your question, without a doubt.

MS. MESSER: Without a doubt yes or no?

MR. ARLATI: They are a part of the industry. One-third of our products comes using PTFE resin processed in one of the compounder plant.

MS. MESSER: Does counsel want to address this?

MS. LEVINSON: Yes, this is also -- we were going to address this in postconference brief. Your question is whether they're part of the domestic industry for purposes of the injury determination, and we will

address that.

MS. MESSER: Okay. Thank you very much.

From your testimony, you indicated that there are three families, granulated, dispersion and the powders, fine powders. If you could put that into ITC speak, are you arguing, then, that there are three domestic-like products and three separate domestic industries?

MS. LEVINSON: We do believe there's three domestic-like products. However, whether that can be established to your satisfaction and in a meaningful way for the Commission to analyze in this preliminary is, of course, questionable.

If this goes to a final, we will certainly explore that issue. We do believe there should be three injury determinations, that there's three industries at stake here, and that's what the testimony was intended to show.

But looking at your questionnaires, I believe that you did break it up for U.S. shipments, you did ask questions about the three different categories, but not necessarily for imports or other meaningful data.

So you just may not have the data in this preliminary determination, so we don't want to rely on that in the preliminary determination, but we want to let you know that that's something that if it does go to final, we

will be exploring further.

MR. NOLAN: From our standpoint, we would take the position that they are three separate products. The history of this case, granular is the last time we've gone in this circus, and it's been around a long time. The production process was separate for granular, it was separated out from other products in the last case. What's good for the goose is good for the gander here. There are three different processes, there are three different products.

MS. MESSER: Thank you. In that case, in your opinion, where do these micropowders fall, in which of the three families?

MR. BAILLIE: It's a fourth family. And if you would -- if you would see it on the Chemours Web site, you would see it that way. If you would see the ASTM specifications, it's that way. It's a fourth family.

MS. MESSER: So then I'm hearing there are four domestic-like products you're arguing; is that correct?

MR. BAILLIE: They have excluded -- they have chosen to exclude PTFE, so why would we want to include it? I mean, that doesn't make sense.

MR. NOLAN: This goes to the essence of the problem with their case. If you want -- if you're saying that three of the families are one and one of the families

is not part of that family, but then there's four different, you cannot reconcile those two statements. There's either one group, and micropowders are part of the group, or there's four. And they have already said there's a separate group for micropowders, which means there's probably four.

MS. MESSER: To your knowledge, does Daikin produce all three of these different types?

MR. BAILLIE: Yes, all three you said? Fine powder, dispersion and granular?

MS. MESSER: Correct.

MR. BAILLIE: Absolutely.

MS. MESSER: Okay. So moving on to prices, and in particular, for these three different types of products. What I heard from petitioners is that, for instance, the highest grade in the granular family is or can be lower than the -- can be higher than the lowest grade in a dispersion or fine powder product. Is that correct? Is there some overlap?

MR. BAILLIE: Yes, that's correct. And that's been true for decades.

MS. MESSER: So I'm hearing there is some overlapping prices between the three families; is that correct?

MR. BAILLIE: Yeah. And in what I -- what I was

really answering was, you know, for Chemours and what they experience. Again, for the Chinese importers, they're not selling at the top end. They're only selling at the bottom end. So there isn't -- you know, there isn't the overlap there, okay.

So if you look at where they are, you know, the granular would be less expensive than the fine powder, as an example, because it costs more to make fine powder.

MS. MESSER: So the Chinese are only at the commodity grade granular?

MR. BAILLIE: And fine powder and dispersion, correct. Chinese, right. They're -- right. Pretty well. To my knowledge, I don't think there's much, if any, dispersion being sold, and there's only a small amount of fine powder that's being sold from China.

MS. MESSER: Has your company or any of the other companies here ever been supplied by Chemours or Daikin for the commodity grade?

MR. ARLATI: Yes, we did. There was a specific grade for a few years that was supplied to us at that level, and then all of a sudden, about two years ago, we were not able to purchase it any longer, year and a half ago. I don't remember exactly, I can't address it in post -- I can address it in postconference, but at one point they just quit supplying it.

MS. MESSER: Other companies?

MR. MC TAGUE: And our experience has been the same, that there was a more similar grade to those that was available that has since been discontinued.

MS. MESSER: I would be interested in some specifics about perhaps quantities perhaps before and after so that we can get a sense of the magnitude of what part of their product line dropped off the map, and timing is very important, if you could let us know at what point they stopped offering this product.

MR. NEVILLE: If I could just expound on the example Jared made earlier, one of the products that we were purchasing was significant portion of our quantity of consumption, and that was just discontinued this year, in March I believe.

MS. MESSER: And was there a reason that they gave you?

MR. NEVILLE: They were no longer going to make that product. They were discontinuing that product. There was a couple of stories along the way. Wasn't available, it was going to be available in June, and then that was pushed back. And then ultimately, we're no longer going to make that product.

MS. MESSER: Was there any kind of pricing discussion in relation to that?

MR. NEVILLE: No. We were buying the product, relying on the product, we had adjusted some of our manufacturing processes to utilize the product, and then it just became no longer available.

MS. MESSER: Can their specialty grade be used in your commodity applications?

MR. ARLATI: Andrea Arlati.

Allow me to oversimplify the answer. If the PTFE shapes made out of granular resins were cars, we as a wonderful group, we will be the biggest car manufacturer in the world, okay. Our customers buys -- roughly 8 to 10 percent of those customers buys Ferrari, the rest of the market buys Hyundai, with all due respect for Hyundai, which I own one, okay.

Now, when the customer buys a Ferrari, I go out and buy a Ferrari engine for it. Those are the grades, specialty grades made by Chemours and Daikin, and we call the novel grades internally, the premium grades.

Now you're asking me can I use a Ferrari engine into a Hyundai. Well, the answer is no because structurally it's not made to sustain that kind of engine, right. And so that's what the other grade was going. I hope I didn't --

MS. MESSER: Thank you. That's very helpful.

(Laughter.)

I don't own either kind of car, but I still understand the picture.

MR. NEVILLE: If I can add from our perspective too as a compounder, we're typically buying a grade that we refer to as a coarse cut material, which is an unrefined, granular PTFE. We, for our own manufacturing processes, mill that coarse cut down into some different segments of particle sizes, which we find most useful for our product lines, and compounded materials.

So if you provide the fine cut premium grades, they have some applicability, but they're sort of circumventing our own manufacturing processes and disallowing us the flexibility to make varying grades for varying purposes in our product line.

MR. MC TAGUE: Jared McTague.

I'm going to add one more point to that also. I think regarding the specialty grades is I think in some ways they could be used, but I think a grade of material that's made for high purity semiconductor applications and high purity medical applications is not required when you're mixing things like fiberglass and carbon powder and various types of other filler materials into it. That level of specialty grade of material is -- has no place in the materials that we're producing.

MS. MESSER: Flipping the picture, can the

imported commodity grades be used in these specialty applications with some sort of processing or --

MR. ARLATI: Andrea Arlati.

Not in our facilities. Commodities grade, Chinese and Indian resins cannot be used in the higher application.

Also because ASTM, they are very different ASTM for the three families of resin we are looking at. But also within the same families, there are differing grade within the ASTM. The ASTM require grade 1, 2, 3, 4, and those are the grades that we go for. So if it requires a higher grade then we go with a novel grade polymers. If we go, we go with the commodity one. But they're not interchangeable.

MS. MESSER: That's pretty much for all types of purchasers?

MR. ARLATI: I'm sorry, I'm talking about just granular. I'm not familiar with the other two families.

MS. MESSER: I guess my question is an imported commodity grade, can it be further refined or purified or whatever the correct terminology is to make it a high enough standard to be used in a specialty grade that would be --

MR. ARLATI: Not to my knowledge, because the spec of that grade, it cannot be changed, it's made that

way.

MR. NEVILLE: If I can add -- Terence Neville with Flontech.

I think there's a mixture here. Generally, you have some premium grades, which we've heard discussed earlier, which have FDA compliance, which have semiconductor grades attached to those premium resins.

The commodity resins that are coming in cannot be refined to those levels in any manufacturing means that I'm aware of.

There are some grades that are, you know, less challenging or less -- you know, have a lower standard, that if you took the commodity grades and further refined them, they could have a segment of applicability.

But generally, not in the markets that those premium resins are being sold into. You know, semiconductors, FDA, medical devices, very -- electrical tape applications. Those are pretty much all specified for these higher grades, and almost always specified to a particular family -- a particular product type of resins.

So a Chemours 7A, for instance, for a Daikin M12. The user will have those materials specified particularly, the resin exactly specified particularly. So it's not interchangeable in common use.

MS. MESSER: Does Daikin offer the commodity

grades?

MR. MC TAGUE: There was a similar example there, where they did for a period of time. And we were purchasing it from them. When they originally discontinued it, this was back probably in 2014 or so, at which point we stopped purchasing it. And at that time is when we moved more to using the grade from Chemours that has now been discontinued in March.

MS. MESSER: Thank you.

And I just -- thank you from the China side of the story.

Can I hear about the India side of the story?

MR. NOLAN: You know, it -- as I'm hearing this, I'm having visions of steel cases in my head because this is what I'm most familiar with. And you know, if you have flat rolled steel, you have carbon grade, alloy grade, hot rolled, cold rolled, corrosion resistant, and this is sounding a lot more like all these different variations on steel, which the Commission would never, never consider overlapping, right.

And because it's been pitched to you as PTFE is all the same, then you should sort of treat it as such. And we're pushing back on that really hard, because it is acting more like, you know, could you use corrosion-resistant steel? A hot rolled application from

time to time? Sure you could. Why would you? It's a lot more expensive, right.

From an Indian standpoint, we bring in a lot of the base grades, we make some of everything. We don't think we make much of any of the microfine powders, but if it's very small, traces amounts. I don't think they have much capacity for that.

What they do is they have the mainline products, they focus on making a high quality of those mainline products. And they do filling applications. They will have a plant in Texas, U.S. affiliate, and in that plant for a percentage of the product, they do filler, to try to further process it, because they get a little enhanced profitability by doing that. It's a further downstream application of the product being further processed into something that they can sell to a customer at a higher price.

And as I said before, we'll get into those differences in the postconference because it's confidential, but the fact is the price that you may be seeing from the import data isn't the price going to the customer.

MS. MESSER: Is it a similar story for India, that what's coming in is the commodity grades?

MR. NOLAN: I think it's going to be more of the

commodity grades than that. They will tell you that they think their product is up in the mid-level. It has some commodity grade, but it goes up. They are trying to push into the higher level. They want to get into Chemours' space if they can, but they're not there yet, not even close.

MS. MESSER: From the Chinese I heard there was a commodity level and a specialty level. And now it's being introduced a mid-level?

MR. NOLAN: Yeah, I mean, I think we'll address this in the postconference. I'm going to try to segment out for you a little bit about the different levels of activity that are in -- I would say they are predominantly in the regular normal commodity grade space.

MS. MESSER: Okay. Thank you.

I just have one last question, and this is for the attorneys to address in their postconference submission. If you could look at whether or not there are any antidumping and countervailing duty investigations or orders currently out there, if you could describe those, I would appreciate that.

MR. NOLAN: From GFL standpoint, GFL has filed an antidumping and, I think, countervailing duty complaint against imports from China coming into India and from Russia coming into India.

MS. MESSER: Thank you. It would be helpful for us if you could give us details on that.

MR. NOLAN: I will give you copies of the petitions if you like.

MS. MESSER: Excellent. Thank you very much.

I have no further questions.

MS. HAINES: Ms. Viray-Fung.

MS. VIRAY-FUNG: Good afternoon. Thank you for being here.

Ms. Levinson, I am a little bit confused, are you arguing three domestic-like products for the purposes of these preliminary investigations?

MS. LEVINSON: I'm sorry I confused you. Yes, we are arguing it. The point I made is that I know that even if you were to accept that there are three domestic-like products, you may feel like there's data missing from the record or sufficient data that you would like regarding each of the three like products.

But that doesn't change the fact that there are three domestic-like products. I think I clearly said there's three products, there should be three injury determinations.

MS. MESSER: Mr. Nolan, do you agree too, three domestic-like products for purposes of the preliminary?

MR. NOLAN: Yes, we would make the argument, but

we also agree that we don't quite have the robust data that we would like to have on the record to establish that, it's just because of a function of time and the way the petition was brought.

But we do believe that they're separate and should be treated that way.

MS. VIRAY-FUNG: So three, not four? Or four?

MR. NOLAN: I'd say it's four at that point, because they're making -- the fourth product is the excluded product, right. So they're taking that off the table. They're saying don't include the micropowders in scope. So they have taken one of the family groups and said don't look at that one. And we're saying if you're not going to look at that one, the other three are separate.

MS. LEVINSON: I would agree with that. I would agree that there's four, in fact.

MS. VIRAY-FUNG: Okay. Are both sets of attorneys arguing that processors and compounders should be included in the domestic industry?

MS. LEVINSON: That's something that I need to analyze. I don't have an answer for that today, but --

MR. NOLAN: We'll address that in postconference too.

MS. BELLAMY: Can you identify yourself for the

court reporter, please.

MR. NOLAN: It's Matt Nolan, sorry.

MS. VIRAY-FUNG: What about cumulation?

MS. LEVINSON: We think there are distinct differences in the product being exported from China and the product being exported from India. We would like to explore that in our postconference brief. I'm well aware that in most cases, especially in a prelim, the Commission is inclined to cumulate. But I think if ever there was a case in which there were distinctions among the foreign merchandise, this is one.

MR. NOLAN: We'll address that in the postconference as well, but we agree.

MS. VIRAY-FUNG: Okay. What about Daikin? Should that be included in the domestic industry?

MR. NOLAN: On a foreign production or U.S. production standpoint?

MS. VIRAY-FUNG: On the U.S. production.

MR. NOLAN: Absolutely, they have got to be included in the data base. I mean, without getting into confidential data, they are not an insignificant player. And if you -- and you need to look at the experience of the "U.S. industry," not one player in that industry.

MS. LEVINSON: This is Liz Levinson.

I definitely agree with that.

MS. VIRAY-FUNG: All right. I'm having a little bit of difficulty understanding this recycled product that Mr. Baillie brought up initially.

Could you discuss a little bit further? I mean, it sounds like -- I know some of it is going to be reserved for postconference, but I -- you said that some product -- and what I'm getting at is it sounded to me like you were saying domestic product is recycled but not imported.

MR. BAILLIE: Okay. So the majority of micropowder or, as they called it, micronized powder is produced in the U.S. And the majority of that product is produced, as Rich said, with an E beam, electron beam. There's some other ways where it's irradiated and also some ways where it's direct polymerized.

But the vast majority is produced with an electron beam, okay, in the United States.

And they have to bring in material that they are going to further reprocess with that electron beam, okay. And they are able to -- the vast majority of what they are able to use is scrap materials or recycled materials, okay.

So they get the vast majority of those recycled materials from customers who buy from any of the producers, they make something out of it, and then they have scrap. So not 100 percent of what they make is salable, they being the processors of PTFE. And it could be PTFE fine powder,

it could be PTFE granular, not dispersion. Okay.

So, for example, if you make a film, there's edge trim off the film, that edge trim is scrap, okay. If you are machining a part, there is turnings from the machine shop, that would be scrap.

As an industry, we made a big effort to collect all those things instead of landfilling them and then they are turned into something else of value, so that it's recycled and not landfilled, okay.

So material that would otherwise be landfilled is brought back into the U.S. predominantly, there is some made in Europe, I'm not saying, you know, but the majority of the world's production is in the U.S. of micropowder, so it's brought from other places in the world where they use PTFE and I also brought from within the U.S., okay, so it's brought from all over the world back to the U.S., where it is effectively recycled or further processed and turned into micropowder as a salable product.

MS. VIRAY-FUNG: All right, thank you.

To your knowledge, micropowders that are produced in China or India, are they also produced using recycled material?

MR. NOLAN: I'll have to inquire about that, I don't know. It's such a small percentage of our --

MR. BAILLIE: Yeah, to my knowledge

predominantly, the answer would be yes. I'm not aware of India, but for China, to my knowledge, the majority would be based upon recycled material.

MS. VIRAY-FUNG: Okay. This sort of leads into my next question.

MR. BAILLIE: And relative to the global capacity, the micropowder that's produced in China is a small fraction.

MS. VIRAY-FUNG: Understood. All right.

Back to your discussion about -- Mary's discussion about the granular, the commodity versus the specialty grades. It sounded to me, now I'm not a chemist so I don't quite understand it, it sounds to me like we're all starting with the TFE and then from there you make something or another, whether it's specialty or commodity, whether it's granular, and from there you cannot further refine.

So it sounds like I pull out one thing and that's it, I cannot process or -- I can't further refine that as something else.

MR. BAILLIE: Yeah. So if the question you're asking, can someone take granular and turn it into fine powder, the answer is absolutely not. Can you take dispersion and turn it into fine powder? Well, dispersion is coagulated fine powder, but it's -- it's further -- fine

powder is coagulated dispersion, excuse me, I said it backwards.

But the processes downstream of actually polymerizing and making the molecules are very different, okay. So once you've produced concentrated dispersion, the product that they would sell, you cannot make fine powder from that, okay.

It's only upstream at the very beginning stage, that if you put it in a different direction, then you can make fine powder of it. But once you turn it into dispersion, as would be sold in the market, which is typically 60 percent solids, you cannot make fine powder out of that. Okay. Nor can you take fine powder and move backwards and turn it into dispersion. It's not possible, to my knowledge. I don't know any way you could possibly do it.

MS. VIRAY-FUNG: So what's the final sort of common point? Is it the TFE or is there another point?

MR. BAILLIE: The initial common point you mean?

MS. VIRAY-FUNG: I guess the last stage from which you decide, okay, I'm going to become granular or fine powder, what is that point? Is it PTFE at that point or is it TFE?

MR. BAILLIE: So the TFE is brought into a reactor, and once it's brought into a granular reactor,

it's granular, okay. The TFE can also be brought into a reactor and polymerized, and once it is in that reactor, they have the choice of turning it into dispersion or turning it into fine powder, but it has to go through different -- they send it through different processes after they make that choice and there are different lines and once it goes down that one, it can't go back and become the other.

MS. VIRAY-FUNG: Okay. Are there overlapping ASTM certifications for granular, fine powder, dispersion and micronized or micropowders?

MR. BAILLIE: I used to sit on the ASTM committee, that was a long time ago. It was a different number then, D1457. I don't remember the current number.

But it's separate -- it's separate categories. I mean, it's separate -- it's different tests, it's different people on the committees, it's different classifications, it's different codes. It's different.

MS. VIRAY-FUNG: Is there any overlap at all between granular and, say, fine powder?

MR. BAILLIE: There is one test I can think of that both of them use that's called SSG, okay. But, I mean, that's pretty esoteric. So basically, the answer is no.

MS. VIRAY-FUNG: All right. Somebody discussed

an increase in demand in interim 2017. Do we have any reasons -- any guess as to why that happened?

MR. NOLAN: I think -- I mean, these gentlemen are in the business so they are going to see it firsthand.

Let me defer to you guys. You're in the business. Why don't you tell us what you're seeing.

MS. LEVINSON: Is there not an increase in demand in 2017?

MR. NEVILLE: I could offer, I think, some of our base market information, and sometimes our customers are not always transparent with what their end uses are, so we sell a compounded material to what we call a processor or a fabricator of fluoropolymers, right. So they take the powder material, they make it into a shape.

That shape then goes into a use. So we're not always privy to what those markets of use are, but the basic information that we get is oil and gas has had a significant rebound and is using a significant increase in quantity. I would attribute that to a large percentage of the increase in demand in 2017.

MR. NOLAN: I would just add to that that based on the evidence that I've been looking at on industry trend analysis, that you get either from Wall Street Journal or Deloitte's when they produce their annual reports, you're seeing upticks in the oil and gas industry, distinct uptick

in the oil and gas industry which people have been reading about. There's been a bit of an uptick in the automotive industry. They are having a much better year, I hate to say it, because of the hurricanes or series of hurricanes, but that's created a lot of demand for trucks.

And you're seeing an increase in the aerospace and telecom markets, so I think across the board you are seeing an increase in activity over and above the regular GDP rates. We can address that more fully.

MR. NEVILLE: And the other market that we see a significant increase in is what we refer to as heavy duty, so things like compressors, trucks, you know, rigs that are -- origin seals and things that are servicing the industrial segment, generally referred to as heavy duty, has seen a significant increase as well.

MR. HALEY: This is Mike Haley.

From the coatings perspective, we have seen an unmistakable upturn in business this year, after certainly a lackluster last two years.

MR. ARLATI: Andrea Arlati here.

I comply to that. We did the same thing. For a couple of years it was very, very soft, and this year is evident there is an increase in demand, at least for our product.

MR. MC TAGUE: Jared McTague.

I would just reiterate what Terence spoke about, that we've seen an uptick in the oil and gas industry as well as heavy duty equipment, including even like mining equipment and things like that.

MS. VIRAY-FUNG: Thank you very much. That concludes my questions. I look forward to seeing your postconference briefs, particularly with regard to domestic-like product and domestic industry. Thank you.

MS. HAINES: Mr. Knipe.

MR. KNIPE: Okay. Thanks for being here, everyone. Forgive me if I repeat some of the questions my colleagues have already asked, but we have different aspects that we're trying to wade through analyzing here.

So on the recycled or scrap, are those the same thing that you're talking about? Okay. Okay.

I assume that it -- if it's scrap, then it must contain some particulates if it comes from a processor or compounder. I imagine that that would be comparatively smaller segment of the market. Is that true? People that consume the scrap or the recycled product?

MR. ARLATI: Andrea Arlati here.

As far as stock shape of PTFE made out of granular, that to our estimate, is that's about 15 percent of the market.

MR. NEVILLE: If I might add, and Richard,

please correct me if I'm wrong, but there are two different segments. So some of the scrap which will be recycled, the largest portion of that, vast majority, will go through the irradiation process and become a micropowder.

There is a segment of the market that will take that scrap, we refer to it as sintered PTFE in this case, so it's already sintered PTFE, it's already been formed into some shape, there's ground down into a powder that can then be made into a basic shape, a billet, a rod, a tube. And that's a different segment, but it's a much -- it's a minority portion of the use for scrap that will be recycled.

MR. BAILLIE: I would say by and large, what you're saying is exactly accurate. You know, a typical scrap feedstock for micropowder wouldn't be white, it would be gray even, okay.

There are some, you know, customers who are ultra clean, super clean plants, clean rooms, all that. Of course, it's going to be totally white if it's scrap from a clean room, okay.

But that's -- that's the minority. The majority of it would be gray, even physically, it just doesn't even look white.

MR. KNIPE: "Gray" meaning full of particulates?

MR. BAILLIE: It would have color, yes.

MR. KNIPE: So for Flontech, you guys mentioned, and I think you weren't the only ones, that domestics stopped providing some grades, I think in March you said, of this year. Is it the scrap product that they stopped providing or is it more than that?

MR. MC TAGUE: Jared McTague.

No, it wouldn't be a scrap product at all. It would be -- I don't know what the right term for it is exactly, but a -- I would say a commodity input. But a virgin material.

MR. NEVILLE: Commodity granular product. We were purchasing what we referred to as virgin granular PTFE, but in the commodity segment, not the premium or specialty segment.

MS. LEVINSON: Mr. Arlati, I believe, also testified that he was buying the commodity type from Chemours and that they stopped.

So do you want to respond to the question as well?

MR. ARLATI: Yes. Andrea Arlati.

I agree. I mean, it's -- what we were referring to is a grade of virgin PTFE, so it's a raw material that has not been processed yet. This scrap reprocessed material is something that is grinded after it has been already turned into shape and sent back as a powder. I

believe Chemours don't supply that into the market.

MR. KNIPE: If you would, Ms. Levinson, if you would mind collecting more specifics on exactly what products those are, if there's a product code or an ASTM classification, whatever it is that they stopped producing, whether it's Chemours or Daikin, that would be really helpful. And obviously that would be probably confidential, so posthearing -- or postconference.

MS. LEVINSON: We'd be very pleased to do that.

MR. KNIPE: Great. So on the specialty product front, what makes Chemours's product specialty? What makes it a Ferrari engine and not a 2009 Honda Fit, which is what I drive?

MR. ARLATI: I guess I have to answer that. So when you get to -- I don't want to get too technical, but from our standpoint, are the mechanical properties of the finished products that they are different.

So what it is is when you get to those grades, the selections of the particle size and the level of contaminations allow the product that we make to have a very specific mechanical properties, so elongations, strains. If you look at the other grades, they are not -- the range is not this narrow, so the particle size, it could be much, much broader. So the mechanical properties of the finished products are much lower.

So typically, the wear life of the product we make using a commodity level is much, much less than a high premium grade material used.

MR. KNIPE: So primarily granule size?

MR. ARLATI: Molecular size.

MR. KNIPE: Molecular size.

MR. ARLATI: Yeah, yeah.

MR. KNIPE: Okay.

MR. NEVILLE: There are some distinct properties that some of these premium resins have.

I'm sorry, Terence Neville.

So for instance, there is an electrical tape application, which is using a PTFE film for electrical insulating capability. There are grades that produce significantly higher dielectric resistance that are premium grades.

The commodity grades will have a much lower value for those electrical resistance properties. It's just a property of the material.

MR. KNIPE: Okay. Thank you.

You will have to forgive me, I haven't had a chemistry class in a really long time. If you would in the postconference, Ms. Levinson and Mr. Nolan, specifically for a product from China, if you would look at product 5, which is the dispersion, put into context what some of the

testimony of your clients has been and help me understand some of what you're seeing there. If that makes sense.

MS. LEVINSON: Whether it's a commodity product or specialty product in particular?

MR. KNIPE: Yeah. And why we would be seeing -- well --

MS. LEVINSON: I don't have access to the numbers, but --

MR. KNIPE: Look at it and I think you'll understand what I'm getting at.

MS. LEVINSON: Okay.

MR. ARLATI: I apologize, I need to excuse myself, I had a previous commitment, since yesterday when we scheduled this.

MR. KNIPE: I completely understand. Thanks for all your testimony.

MR. ARLATI: But I'd be more than happy if you collect the questions to answer in the post brief.

MS. LEVINSON: I think Mr. Arlati would like to be excused because of a prior commitment. If you do have a specific question for him, if anybody has a specific question for him, I know that's a little out of the ordinary. But, you know, but if you do, maybe you could pose it now.

MS. HAINES: No, I think -- thank you very much

for coming. Thank you.

MR. ARLATI: Appreciate it.

(Mr. Arlati left the room.)

MR. KNIPE: For the remaining panelists, in terms of ASTM classification, how does that work? Are there product samples that you send to ASTM or did they come to your facilities? How does a product become ASTM classified? Is it just self-reported?

MR. NEVILLE: Terence Neville.

I can take a stab at that and if the guys would jump in if I leave something out.

Basically, I think there are different ASTMs for -- so certain resins will have an ASTM, different PTFE resins will have an ASTM. And then you will have -- and so you're asking how do they come up with those.

That's based a lot on properties of the resin itself, particle size, flow rates, things of that nature.

Then often you make a test billet, so you take some of this powder and you form -- you compression mold it into a shape, and typically you slice off a disk and you test the physical properties that are, you know, achieved from that material.

And there are standards, ASTM standards, for the levels of those physical properties. So tensile strength, elongation, things of that nature. Specific gravity.

MR. KNIPE: The manufacturer itself gives it the ASTM --

MR. NEVILLE: Internally you will test according to the ASTM, you know, American Society of Testing Methods. So it gives you a method to test the material and compare versus a table of results and categorize, you know, the product that you're achieving based on those results.

MR. BAILLIE: Yeah. Richard Baillie.

I think to answer your question, the manufacturer of the material tests it and then certifies it to a given ASTM spec typically when they sell it. And that comes with the documentation to the customer.

MR. NEVILLE: That can be for resins and also finished products.

MR. KNIPE: And when you purchase or import product from India or China, does it come with an ASTM code on it already?

MR. MC TAGUE: No, it doesn't. There's usually some test data provided, but they're not doing any level of classification on it.

MR. KNIPE: Because ASTM would be a U.S.-based classification system?

MR. BAILLIE: I'd say less so. It's just like if it's coming from China, it's just at a bottom low end and they don't even do that much testing, you know. They

don't -- they don't typically certify it to an ASTM standard. It's below that. The ASTM ones are typically more on the specialty.

And I would also add that, like what Terence described, that was for granular, where you mold -- that's what you do with granular. For fine powder, you would paste extrude it because that's what you do, you measure the extrusion pressure and things like that.

For dispersion, you measure properties on the aqueous dispersion, the liquid dispersion. For viscosity, for example, which isn't relevant for the others.

So you do tests that are specific to the form and what it is and how it's processed.

MR. KNIPE: Okay. Thank you.

So can you mix PTFE resin from a domestic producer like Chemours or Daikin with the same product, say, a granular product from an importer to achieve some kind of optimal mix for some applications?

MR. HALEY: I would think right off the bat in many of these cases you would have homogeneity problems doing that, just achieving a complete homogenous mix for example in the granular area or maybe fine powder would be difficult to do. People don't normally do that sort of thing.

I think -- and this is Mike Haley.

It could be possible more so in the dispersion area, but I'm not aware that that's being done. I haven't heard of that.

MR. BAILLIE: This is Richard Baillie.

I'm not aware anyone does that.

Are you all aware anyone does that?

MR. NEVILLE: Terence Neville.

I think for us it's a little more complicated for us to say, because as I was describing, we typically take the grades of material and do an in-house refining process on those materials and we segment those materials. And it's just a little less applicable in our case.

MR. NOLAN: This is Matt Nolan for the Indian Respondents.

Based on my discussions with the clients, I don't think they do because customer acceptance is a very big part of this industry. You have to prove yourself, that you can make the grades or the type that is going to fit their manufacturing process. You have got to qualify for it.

The last thing the customer is going to want is for you to say well, it's 80 percent our stuff, but we mixed 20 percent of somebody else's stuff in there, and well, you know, it's probably close to the same.

For more demanding applications, as a customer,

I just wouldn't accept that. And neither would most customers, in my experience.

MR. HALEY: I think that's an excellent point.

Mike Haley again.

I just want to say that traceability for everyone involved in this downstream activity is always or nearly always really important. People want to know, they are making batches of things and tracing the batches, and they want to be able to represent and understand in retrospect which raw materials they use, which sources they used, in case of any quality issues that come up.

So typically these sorts of things aren't done for those kinds of reasons.

MR. KNIPE: Is that true for even the more commodity grade?

MR. HALEY: I have no knowledge of this sort of thing going on as a general practice, but I can't say across all three of these categories because I'm mostly involved in one, or entirely at this point involved in one of them.

MR. BAILLIE: This is Richard Baillie.

I can say from my experience as sales manager of Fluorogistics and dealing with, you know, the vast majority of the customers in the industry, I'm not aware of anyone doing that. Maybe someone does, but I'm not aware of it.

MR. NOLAN: Matt Nolan.

Certainly not from the Indians' perspective.

MR. NEVILLE: Terence Neville with Flontech.

I think we probably would like to maybe have a little bit of a discussion and give you some response in the postbrief. I think there are some instances where you might have a percentage of say, like a modified PTFE in a compounded material, you may say, I'm making something up here, but as an example, 80 percent PTFE, 10 percent modified PTFE and 10 percent fiberglass.

So I'm not sure if that's the input of your -- you know, your question or --

MR. KNIPE: I was asking more about source than about product type. So, for example, if I am making banana bread and I'm not putting my banana bread in any kind of baking competition and I run out of, say, light brown sugar, can I use a little bit of darker brown sugar and it will come out still a pretty good banana bread? Does that ever happen in the industry for say the commodity grade type of customers?

MR. NEVILLE: Not as is. The commodity grades, for -- I'm speaking for our application now. The commodity grades are not necessarily useful for our application as is. We have to refine those materials into an internal grade before we can use those.

MR. KNIPE: That's it for me, thanks.

MS. HAINES: Mr. Gracia.

MR. GRACIA: Thank you again for being here. I just have a couple of questions.

The first question is addressing raw materials. From your knowledge, are raw materials in India and China, are those imports the same as what's being used here in the domestic market?

MR. NOLAN: Are you talking like TFE or something like that? I don't think they import -- I mean, I don't know for sure. You guys tell me. But TFE is a relatively volatile substance. I think the Indians have a completely self-contained petrochemical -- or chemical plant operation. And they make the TFE and then they make the PTFE and all the other products that come off of the TFE line in the same complex.

Transporting TFE to me it sounds like a pretty dangerous affair.

MR. GRACIA: That's what I'm asking, if TFE --

MR. BAILLIE: One of the things I've done in my life, I was on the TFE safety committee, which is a global group of mostly producers, manufacturers that get together and share information on TFE safety. So I have some knowledge in that area, plus being plant manager of the largest facility in the world making it.

So to my knowledge, the only people that really transport any significant amounts are Chemours, and you know, they know how to do it safely, and they transport it both to their Chambers Works plants in New Jersey and to their Fayetteville plant in North Carolina.

And, you know, many years ago, before Asahi Glass acquired ICI, ICI used to do it in TFE cylinders, and they had a explosion and I think maybe there were fatalities associated with that, and they stopped the practice. They weren't able to determine how to do it safely.

So to my knowledge, Chemours is the only company in the world that has determined how to ship it safely.

MR. NOLAN: Matt Nolan again.

That portends a significant increase in cost in my mind, because in order to transport a product like that you've got to be really careful. And that's an expensive proposition.

But back to the end use, and your point that you're making is that if all your TFE capacity is fixed, then you can only make so much from that fixed amount. So if you have 20,000-ton capacity for making TFE, all the products that come off of that chain that use TFE are going to use that capacity, PTFE is one product out of a group that is made from TFE.

Most chemical plants make more than PTFE at their plants, at least the Indians do. And, in fact, there is a bottleneck that occurs, you can only make so much PTFE as you apportion your capacity to TFE among other products. That's to me a bottleneck in your capacity utilization, unless you're deciding you're going to make nothing but PTFE.

But the market may tell you, no, no, we want you to make more EFT this month. So you're going to say well, we'll back off on the PFTE and make more EFT now. Right? That happens a lot.

MR. GRACIA: Mr. Baillie, earlier you mentioned that there may be some overlap between -- in terms of pricing at the margins between the different grades. Is there -- could you talk a little bit more about that, and is there -- so thinking about kind of the scale, is fine powder, depending on what is happening in pricing with fine powder, would that affect dispersion or granular prices?

MR. BAILLIE: Generally speaking, the spectrum is granular is lower value than dispersion, which is lower value than fine powder, okay.

And I will say also, when you look at the dispersion data, you need to look at that, you know, on a common basis, you know, since it's normally 60 percent solids, it's 40 percent water. So you need to understand

whether what you're looking at is wet or dry, okay. Pretty big difference between the two.

But having said that, that's the normal value on a dry basis is granular, then dispersion, than fine powder, okay.

Having said that, there are some specialty grades of granular that go into, you know, medical products, that would go into semiconductor that are very high value, okay.

So, you know, that's -- you know, that's really what you're looking at there. Same would be true for fine powder, same would be true for dispersion. I don't know if -- I hope that answers your question.

MR. NEVILLE: If I might add, I think -- Terence Neville.

Generally, my impression of the industry is that per manufacturer, the average selling price of granular is going to be lower than the average selling price of dispersion, is going to be lower than the average selling price of fine powder. I think that's the basis.

MR. GRACIA: Yes, that's helpful.

MR. BAILLIE: If you look at the Chinese manufacturers, that's definitely true. I mean, that's -- that's the way it -- the way it is, because they're not participating at the top end of the market. So then it's

easy and simple.

MR. GRACIA: Okay. And you also mentioned a product that Chemours makes called 1600, I believe.

MR. BAILLIE: That's right. It's a -- it's a micropowder which is polymerized and made low molecular weight in the reactor as opposed to a -- something that uses recycled feedstock and would, you know, be further processed like with an electron beam typically. And that's used in pretty high-value applications, for example, aerospace, you know, grease, greases that would go for pretty high amounts of money would be mixed with frequently a product like what they would call Krytox, a fluorinated HFPO oil, these are really high value kind of things.

MR. GRACIA: For the production, is different equipment used for the production of 1600 from the rest of the grades?

MR. BAILLIE: No, they can make the six -- well, I don't want to speak to Chemours, so I would rather speak generally speaking relative to the industry and what's in the patent literature, okay.

And so it can be made with a dispersion polymerization, so it would be made in a dispersion reactor, which is, you know, basically the same -- same equipment.

MR. GRACIA: So Chemours earlier mentioned

different types of contracts that they have got into with purchasers. Do you see the same trend, shorter-term contracts with meet and release clauses?

MR. MC TAGUE: This is Jared McTague.

We've never traditionally worked under those agreements. For anywhere that we have, it's been a very minor portion, and typically more of the exception.

MR. GRACIA: Going back to the commodity imports from China and from India, you mentioned that ASTM, there's no ASTM classification involved with those. So what else would you look at in terms of how to -- how to quantify quality or that sort of thing?

MR. BAILLIE: Go ahead.

MR. NEVILLE: Terence Neville.

I think the point we were making is that they're not sold certified to an ASTM standard. Generally, they're sold to a product sheet, and they may have some certificate of analysis for a few properties. But this is generally, you know, low-performance material.

That doesn't mean that you can't assess the material for compliance to an ASTM. You know, we certainly, when we receive material, we can evaluate where it performs in reference to different standards, ASTM and others.

But basically, the materials are typically not

sold as complying to an ASTM standard.

MR. NOLAN: Let me ask of the group. So you may not buy it to a specific ASTM spec, but there are ASTM specs for all the different types; right? And so if you were to try to -- if you had to categorize, as currently as necessary, could you use ASTM as the way to do it?

MR. BAILLIE: Richard Baillie.

Typically yes in my experience.

MR. GRACIA: Thank you. That would be it.

MR. BAILLIE: Just to add, there are ASTM specifications that are intentionally very broad for that reason.

MR. BOYLAND: Thank you for your testimony. I have one quick question, regarding the raw material costs and average sales value in general.

It's my impression that the visibility in terms of the actual raw material costs, is that translating into different changes in sales price? In other words, does the purchaser have enough visibility in terms of the upstream raw material costs to negotiate changes in price, or what's -- in the market, what's generally going on?

MR. NEVILLE: I think there is a lack of transparency to the marketplace. I think we often have to piece together bits of information from different suppliers to try and establish what is driving pricing in the

marketplace.

What I can say is that in the past, increases in the price of fluorospar have been advertised as a reason for an increase in the charge of material. But we don't see necessarily the inverse, when the price of fluorospar comes down, they don't come around and say hey, we're going to cut our price because the price of fluorospar is coming down.

So I think when it fits the narrative that they want to tell, they use increasing cost to justify price increases.

MR. BOYLAND: And is fluorospar the primary material that they would be referring to? Because chloroform would be part of it too.

MR. NEVILLE: You hear general stories, anecdotes, snippets along the way. Certainly fluorospar has been one that we heard. Chloroform has been identified as a short material at times. You know, we've heard different things about the by-product being either salable or having disposal costs. And you know, these attributes or those characteristics are used to justify changes in the price.

MR. BOYLAND: Okay. Thank you.

MR. BAILLIE: So I can say as sales manager for Fluorogistics, DuPont's exclusive distributor in the U.S.,

during the shortages of 2011 where we had substantial, substantial price increases and a lot of, I'll say, pandemonium chaos in the industry because of the shortages, I was given data on fluorospar prices and was given data on chloroform prices in order to justify price increases.

MR. BOYLAND: I'm sorry to interrupt. But it sounds a little bit more like the seller is the one sort of promoting, as opposed to the purchaser proactively going out and trying --

MR. BAILLIE: Absolutely. Absolutely. When the purchaser goes and references something like that, we would change the subject.

MR. NEVILLE: Terence Neville.

If I might add, I'm not sure if it's relevant to the proceedings, but at the time of the shortages that Richard was mentioning, the domestic producers were not able to supply the demands of the domestic market at any price.

So at those times, there were shortages, and we went to the domestic suppliers and we said we're begging, we need material to make product, we'll pay whatever you want, give us material. And they said we can't.

As a matter of fact, I believe we were on a negative allocation. So whatever we were purchasing in the prior 12 months, they were going to give us a percentage of

that prior volume. Not even to 100 percent.

So they reduced the volume and had no practice material to sell us at any price.

MR. BOYLAND: Thank you very much. I have no further questions.

MS. HAINES: Ms. DeCarlo.

MS. DE CARLO: Thank you for being here this morning.

Mr. Baillie, you started off your presentation and told us to look at the end products, the PTFE fine powder and everything and how they all look different.

Is there any way on a molecular level for us to clearly define between the two, not particle size but chain length of the polymer? Is there anything that we can use, and I know it's hard from a chemical perspective to do that, but is there anything we can use to help define the four different classes we're looking at?

MR. BAILLIE: Yeah, I think it's a lot simpler than that. Like I said, if you just take the material out of the jar and you just take it in your hands, you can turn the PTFE fine powder into a dough ball. And you can mess around with it and pull on it back and forth and as you do that, it's going to strengthen. And you can make little fibers, you can make shapes, all kinds of stuff with it. It's sort of fun, like a Play-Doh that keeps getting

stronger and stronger. Granular won't do that. Dispersion won't do that. The dispersion looks like milk. So it's totally different in appearance.

So it's a lot simpler than looking at the molecules. You can tell it just by messing around with the product, which then directly relates back to how they're processed by the customers. It's really a lot easier than that.

MS. DE CARLO: I understand that it's easier than that. But if you're shipping something to a nonchemist and they can't -- they are scared to open the box because it's a white powder, how did can you describe what it is with intrinsic properties?

MR. BAILLIE: For dispersion to start out with, it's a liquid, okay. So that's pretty easy. It's shipped as a liquid, okay. I mean that's -- right, okay. So now we're talking about dispersion -- or fine powder and granular and how do you distinguish those two.

Well, for fine powder, 100 percent of that would be shipped, you know, by Chemours refrigerated because it has to be in order to protect it, so it's useful for the customer. Where, you know, in modern days, they don't ship granular -- I'm not aware of granular being refrigerated. Maybe it was decades ago, but now it's not shipped refrigerated, it's shipped at room temperature.

So that's some very easy ways of telling the difference.

MR. NEVILLE: Terence Neville.

If I might just add, I'm not a chemist, more of a business background. But from what I understand, basically, the chain length is part of the differentiation in the manufacturing. For fine powders, they are, layman's terms, essentially controlling the amount of chains that are formed to create a smaller particle, whereas with granular PTFE, they are allowing that reaction to proceed longer and coming up with a longer piece of PTFE, which is more like a coconut shard.

MS. DE CARLO: My next question is many of you testified to Chemours reducing their granular production. So basically, from my understanding now, the granular machines used to make -- that's completely separate from dispersions and the fine powders; correct?

MR. BAILLIE: Correct. When I was plant manager there, it was a different control room, different operators. Yes.

MS. DE CARLO: Okay. So it seems that TFE is the beginning of the line for the U.S. domestic market. Chemours obviously produces TFE. Daikin, do they produce TFE? Are you aware of any other companies in the United States that produce TFE?

MR. BAILLIE: Chemours and Daikin both produce TFE in order to make their products and that's it.

MS. DE CARLO: That's it.

MR. BAILLIE: The other facility was the Bayonne facility that Doug Hayes mentioned had been shut down. He had mentioned they were shut down because they couldn't compete on cost basis. That's not my opinion. I have a separate opinion from that.

That facility was within view of Manhattan. You could -- you know, in fact, they saw on 9/11, they saw the buildings come down actually from their facility and some of them had lost friends on that day. So that's how close it is to Manhattan.

And if you look at the amount of money that Chemours has spent on the lawsuits related to PFOA, it's not a real long putt to think that maybe Asahi Glass didn't want that kind of liability when it was that close to New York City.

So it's not at all my understanding it was shut down because they couldn't compete. It was shut down for other reasons.

MS. DE CARLO: How much products are specialized materials in the U.S. of PTFE? So we're talking about granular, that's a separate market segment. And then you're talking about the specialized products that Chemours

specializes in. How much of the market segment is that?

MR. BAILLIE: How much of what Chemours sells is specialized versus the commodity products, what fraction? Is that what you're asking? Or what fraction of the total market?

MS. DE CARLO: What fraction of the total U.S. market is for specialized. And you don't have to answer now. You can do it -- just an estimation of kind of this operation. If we're trying to create a separation between the granular and these specialized products, how much are we trying to --

MS. LEVINSON: Perhaps a misunderstanding. It is not a separation between granular and specialized products. This is a separation between granular dispersions and fine powder. Within each of those three categories, there are commodity products and commercialized products.

MS. DE CARLO: So there are specialized granular products also.

MS. LEVINSON: Yes, there are.

MR. NEVILLE: I think, you know, my basic assessment of the marketplace, you could look at the two domestic suppliers as bringing the premium segment. I would say the vast majority of their products are marketed towards premium segments and the import material is all the

commodity segment. So if you look at the breakdown of the domestic versus the imports, you're going to see a very good indication of what is going to premium versus what is going to commodity.

MS. LEVINSON: That's true for -- Liz Levinson again.

That's true for all three families of products.

MS. DE CARLO: This question is for Mr. Nolan. You spoke about PTFE being used in these industry sectors such as fuel. How often do these -- is it parts that have to be replaced or pipes? What is the -- what is the end product? I'm just trying to understand.

MR. NOLAN: Right. And I think these folks in the industry can probably answer that better than I do, but I actually happen to have, like, a Chemours chart that shows all the different applications. It goes from everything from automotive seat belt clips and fasteners to pharmaceutical vessels used to produce very high-end things, right.

So I mean, you guys -- it's hard for me to answer it. I'm the lawyer, I'm not the expert. Could you repeat the question, please?

MS. DE CARLO: I'm just trying to get an understanding, we were talking about the end use and different industries. We were in a depressed market, then

the market is increasing. So how, in industrial applications, Teflon is used in the machinery in different parts, I'm assuming, I may be wrong. How much turnover would these part -- like do they have to be replaced often? I'm just trying to get an understanding of what -- I may not be phrasing this properly.

MR. NEVILLE: I think I understand your question and I can take a little bit of a crack at it, and just forgive me because as I said, we don't always have the visibility through to the final application.

MS. DE CARLO: Right.

MR. NEVILLE: But some of the examples I'm aware of are for instance in oil and gas drilling, they use a lot of the bushings and things like that, which are churned up as they go to drill the well. So they're basically disposable and end use. You have other materials which could be used in a diaphragm pump or a seal on your automotive engine. Those have, you know, different useful lives, and basically it's useful life of that end product.

Some are very limited, you use and throw away. They mentioned mold release. That's often a single use application. You use it, you throw it away.

So it depends on what actual material you're making and the useful life of that material.

MS. DE CARLO: Okay. That's it --

MR. BAILLIE: Yeah, something like automotive fuel hose, which you make out of fine powder, or an aerospace fuel hose, that's meant to go the life of the vehicle. So that's -- you know, or a hydraulic hose, in those kind of aerospace and automotive kind of applications, they're meant for an airframe life or something like that. And those tend to be real premium, real specialized products in order to get that lifetime out of them.

MR. NOLAN: This is Matt Nolan.

The point of that being that in the oil and gas industry, if you drill more, you need more equipment, you need more drilling equipment, you need more pipe, you need more of everything, you're going to use more seals, you're going to use more pumps. Right. And they are going to wear out and you are going to have to replace them. If you are doing less drilling, if you are doing less activity, you have less demand for the product.

In the automotive sectors, if you are making more cars, you need more rings. If you are making fewer cars, you need fewer rings. It's -- I look at it as a very small part of a very large manufacturing operation. You have these industries that are, like, drilling for oil or making cars or making industrial equipment. And this is a critical, small component that goes into the stuff that

they make.

If you get it wrong, you are in big trouble. But you need to have it to get it right. And so everybody wants it in -- when there's a shortage, you will pay anything to get the material because you have to get the right quality to fit the application it's going into.

You would never substitute something in an FDA context that you would use for making a golf ball net, which is on the list for Chemours.

So you are very specific on where you're going to -- what kind you're going to use and where you're going to use it. And it's completely driven by demand for something in that industry.

MS. DE CARLO: Thank you. That's it for my questions.

MS. HAINES: Ms. Catalano.

MS. CATALANO: So I know we've been arguing here today about whether there are three domestic-like products or four or maybe it's all one market.

But what I would ask you is if I took granular, dispersion, fine powder and micropowder -- and I assume that there was 100 percent, like a pie chart. In the U.S. market, what percentage would be granular, dispersion, fine powder and micropowder? This is just an estimate, but it's a way for me to think about, well, is granular bigger

market than dispersion? Okay.

MR. BAILLIE: Richard Baillie.

Yes, absolutely, granular is the biggest.

MS. CATALANO: There's four. Do you want to quantify that for me?

MR. HALEY: I spent some years involved in just exactly these kinds of questions, and there are marketing studies available that quantify exactly -- or give -- let me say estimates that come I think pretty close to answering your question. And this data is kind of available from these studies. In particular the one that I used to write. This is with SRI International, now called his Consulting.

MS. LEVINSON: Is that something we can provide in the postconference brief?

MR. HALEY: I think we probably can excerpt some things with their permission, yes.

MS. LEVINSON: Mike, could you hazard a guess?

MS. CATALANO: Or rank order, one, two, three, four.

MR. HALEY: Other people in this room have access and are subscribers to these studies, so the answer to this is available within the industry.

I have a study here, I could get up and go over and give you the answer right now if you want. But --

MS. CATALANO: That's all right.

MR. HALEY: As we said, granular is probably the biggest of the three, but they're all not far different.

MS. CATALANO: Of the four or of the three?

MR. HALEY: The fourth one is much smaller, I think. The micropowder one I think is small compared to the other three.

MS. CATALANO: What I'm getting at is I heard a lot of terminology and words today, and I think sometimes what we miss is the magnitude of the effect.

MR. BAILLIE: My estimate based upon my life's experience working for the biggest one is that the global micropowder market, it would be about 20,000 tons, okay. And the majority of that is produced in the U.S. So more than 10,000 tons would be produced in the U.S., if that -- if that kind of numbers help you.

MS. LEVINSON: Richard, could you perhaps contrast with what was produced -- is consumed in the United States for the other products?

MR. HALEY: If you want to ask other questions, I'll come right back.

MS. CATALANO: Sure. My next question is for Mr. Nolan. Continuing on the subject of pie charts, I liked your pie chart and I just want to ask you a couple questions about it.

MR. NOLAN: Sure.

MS. CATALANO: So this is on page 4 of Mr. Nolan's presentation, and it has market segments for PTFE. And I just want to understand a few details about this.

This is specifically for GFL; correct?

MR. NOLAN: This is their experience. I mean, I don't have enough -- I didn't have the marketing study to draw upon because we were kind of in short -- short notice. It's a guesstimate from what our experience is.

MS. CATALANO: That's okay. That's perfectly fine. What I want to ask is, is this GFL worldwide, only in India, only in the U.S.?

MR. NOLAN: I think it's U.S.

MS. CATALANO: This is the U.S. market for GFL.

MR. NOLAN: Yeah. I'll double-check and make sure, but I'm pretty sure it's U.S.

MS. CATALANO: Just kind of asking for qualifiers.

MR. BAILLIE: If I might interrupt for a second, I would like to make a correction to what I just said. I made a math error in my head, kilograms versus pounds, so divide by two. So more than 5000 metric tons in the U.S. and 10,000 metric tons globally. I apologize for that mistake. For micropowder.

Richard Baillie.

MS. CATALANO: Thanks.

And I want to continue on the pie chart. Do you think this is a reflection of the entire U.S. market or only GFL's experience? Would you say that this is characteristic of the entire U.S. market?

MR. NOLAN: I actually asked that very question among the panel before we got up because --

MS. CATALANO: I must have been psychic.

MR. NOLAN: I think the answer is it does vary some depending on who you talk to. I think everybody agrees oil and gas is a pretty important segment, pretty big segment, certainly for GFL. Because the GFL Americas facility is in Texas, so it's natural for them to focus on oil and gas industry, because it's Texas.

My -- my sense is the oil and gas is pretty important across the board for most people. You know, there are companies that specialize in applications, and we keep coming back to the product, there are people that specialize in the aerospace sector, right. There's people that specialize more in -- on doing things in the FDA sector. I mean, you know, you need clean rooms for semiconductor material. You don't need a clean room for an oil and gas probably application.

So different folks selling into different

segments of the market depending on if they specialize in something. But in our view, I think it's still the case that -- I would say venture to guess, that the major two categories are still going to be oil and gas and electronics and telecommunications, just because it goes into cabling, it goes into so many things.

MS. CATALANO: Thank you.

And you have a category here called "other" 33 percent. And I'm sort of wondering, could you give me some examples of what might fit in this "other" category?

MR. NOLAN: I think we've talked about it some today. Industrial is probably a chunk of that application. Aerospace is a chunk of that application. Semiconductors is a chunk in the application. Less so for Gujarat, I would assume. But I would probably say industrial and consumer would probably be within that category.

I mean, we did this on the fly, so I haven't had time to go and tell them segment it down for me some more. If I can do it, I will.

MS. CATALANO: I'm very happy you had the chart so --

MR. NOLAN: I'm glad you like my pie charts.

MR. HALEY: If I could follow up just briefly. Typically, what's done is the three families are considered separately, not together, when we're talking about types of

end uses and end use industries. That's always the way that it's been considered, at least from my perspective as an expert, at least with respect to the industry and how it's shaped. That's how we handled it.

And in terms of your question, I don't have -- we can -- we considered the three -- the three types, the three types as a whole. And what I would say is between 40 and 50 percent, I'm giving you a rough -- rough numbers here --

MS. CATALANO: Before you continue, when you say three, you mean minus micropowder?

MR. HALEY: Minus micropowder.

MS. CATALANO: Okay. Just to be clear.

MR. HALEY: The supply of micropowder is as we've said a little more complex than it is for the basic resins, because micropowders come from other companies like Shamrock, for example, okay. And there are others in the United States beyond them as well.

But if you take granular, it's about between 40 and 50 percent roughly. If you take fine powder, it's between 30 and 40 percent. And if you take dispersions, it's between about 20 and 25 percent, roughly. My data is a little old but --

MS. CATALANO: Thank you, though. That's helpful. I appreciate you looking that up.

MR. HALEY: Sure, thank you. You're welcome.

MS. CATALANO: My next question is for you, Mr. Neville. You mentioned in your testimony that you were worried that your company wouldn't survive if the ITC made a decision not in your favor.

Why wouldn't you survive?

MR. NEVILLE: Well, I think that the general feeling among the industry is that if the resins coming in -- so right now, the supply from India and China is a significant portion of the commodity base materials which we use.

So if those materials are significantly increased in cost, the -- our products become higher and more expensive, and our customers then have to pass along those costs in their final applications.

So our customers have competition from Europe, from China, from Japan, from India, for the finished products.

So if the producers, the fabricators of those fluoropolymer resins in China, in Europe, in Japan, in India, don't have to pay the same inflated, artificially inflated market price for those resins, and, you know, some of the numbers are, you know, intimidating when they're talking about 150, 400 percent higher prices, the producers -- so the semi-finished products or the finished

products are not going to be subject to this antidumping.

So the flood is going to come in from semi-finished and finished products from producers outside of the United States.

As Mike mentioned, his facility has eight manufacturing facilities worldwide. The general trend was to domesticate supply in the use market. If you artificially inflate the costs in the U.S. market, these guys are going to make the semi-finished products outside of the U.S. market and bring in the finished articles and that's going to decimate our industry.

MR. HALEY: Would you mind if I just read something that I've written on that specific question?

Imposing antidumping duties on imports of PTFE resin from China and India would be bad for American industries and American workers. If the U.S. imposes antidumping duties, several negative consequences will occur. Resin prices will rise in the domestic market and U.S. processors that operate downstream of PTFE resin suppliers will be put at a competitive disadvantage relative to their international competitors. That was one.

Second point, domestic purchasers of finished goods will increase their imports to the USA to offset the cost disadvantage of purchasing and processing PTFE resin in American facilities.

And three, when this happens, many American jobs will be lost and numerous small- and medium-sized U.S. companies will go out of business. For downstream companies that are able to remain in business in America, the cost disadvantage of purchasing higher-priced PTFE resins in the USA will provide a strong motivation to divert capital investments from American facilities to facilities located outside of the USA.

Consequently, adoption of this antidumping action will have a net negative effect on American industry. Therefore, in view of the grim implications, we strongly request that this initiative go no further.

MS. CATALANO: Thank you, Mr. Baillie.

I have one last question. Oh, Haley. Haley, sorry. I didn't want to -- I didn't want to mistake you. You don't look the same at all. Sorry.

Okay. I have one last question, and so now we know -- or now I understand that the granular market is probably the biggest of the three families, if we classify it as three. What percentage of the granular market would be specialty versus commodity, what percentage of market within fine powder would be specialty versus commodity, and what percentage, the same question, within the dispersion group would be specialties commodity? Would you say they're all the same?

MR. BAILLIE: No. And the interesting thing on that is Chemours has really changed that dynamic and recently with the polymerization aid surfactant work that they did.

So in the past, I think, you know, a large -- you know, they were decreasing the number of products to just like Teflon 30, just one kind of thing. And they sold just about one product and that was it.

But since they have developed the new technology, the LX, the nonfluorinated surfactant, it's a total game changer, okay.

So they're turning something that was relatively not differentiated into something that's very, very differentiated, which is why, you know, to my knowledge, there's no Chinese sales of dispersion in the U.S. right now. So hopefully that answers the question for dispersion. Go ahead, please.

MS. CATALANO: And, of course, I love questions about magnitude.

MR. BAILLIE: Yes, yes.

MS. CATALANO: So when someone says medium or small, it's hard for me to --

MR. BAILLIE: Yes. So I would say for dispersion now, it's -- you know, it's now high 90 percent something would be specialized. If that's specific enough

I hope, okay. Okay.

MS. CATALANO: Perfect.

MR. BAILLIE: So for granular, you know, just a guess based upon my life's experience, I would have said 30 percent, 20, 30 percent, something like that, I'd like to hear the other people's opinion as well, is commodity. And 70 percent is specialized. That would be just my guess.

For fine powder, it's well over 90 percent, maybe 95 percent would be in that specialized category. There's -- you know, there's relatively few applications that are sort of at that commodity level, where you could use, you know, unrefrigerated fine powder successfully and actually process it and make a product. You know, less than 5 percent where you'd be able to do that.

Is that specific enough?

MS. CATALANO: Yes, thank you.

MR. BAILLIE: You're welcome.

MS. CATALANO: And you want to hazard a guess as to the micropowder? It's I guess more specialty.

MR. BAILLIE: Yeah, micropowder is a totally different beast relative to that. There's one company that has a pretty strong share of the market around the world, and, you know, they have been gaining share. And, you know, they understand the customers, the markets. They keep a very low price, very competitive price. They have a

great supply chain from the standpoint of using recycled products. So they have got a cost position. They pass those savings along to the consumer. So it's a little different, you know, story there.

I don't know if -- I don't know if --

MS. CATALANO: Do you want -- 90 percent, or what do you think is specialty versus commodity in the fine -- in the micropowder, micronized powder?

MR. BAILLIE: I've got to talk through it. Give me 30 seconds to talk through it if that's okay.

So inks, what Rich Hoeck had talked about would probably be the single biggest -- definitely the single biggest for magazines and the like. And the particle size of the ink, is it National Geographic, things like that are really critical, what waxes do they mix with it, they don't just sell PTFE, they usually sell a product that's specifically formulated for specifically ink manufacturers. So that's very specialty, okay.

And that's, you know, maybe 40, 50 percent of the total, okay.

Another big application would be polymer additives. So when they want to make a polymer slippery, they will add it to it. For a long time, it was being added to phones so it would have that slippery kind of feel when you touch it. It's added to a lot of polymers to

improve wear resistance and those kind of things, you know. Polyacetal, Delrin, if that means anything to you, nylon, those kind of -- okay. And maybe that's 30 percent of the total. And that's all pretty specialized.

MS. CATALANO: That's specialty, 30 percent specialty?

MR. BAILLIE: Yeah, it's all pretty specialized. Like for polyacetal, you have to have the end groups right or it will decompose on you and it's really, really bad, okay. So people have to really understand it, and that's why there's, you know, very little, you know, imports, it's all made in the U.S. They work just closely with the customers kind of thing. It's also true in Europe, okay. And that's where the majority of these kind of sales are, is U.S. and Europe, you know, for magazines, for, you know, these high-end compounded polymers, that kind of thing, in the past.

So I would say the majority of it is specialized I guess, now that I've talked through it, the vast majority, yeah. I'm not even really aware of a commodity, and it's all specialized, made to customers. But in some cases, the prices are very, very low.

So that's what's odd about it. But that's a conscious decision they have made because they are using, you know, scrap products, recycled products, and they have

decided to pass the savings on to the customer. They would have pricing power if they wanted to, but -- so that's what's a little -- that's why I'm saying it's different. You know, some of these are very low price, but, you know, they still have a lot of value and they are very specialized as far as how they're -- how they're made and the skill it takes to make it.

MS. CATALANO: So this morning I asked the Petitioners how much of the market they thought micronized powder was. What would be your life experience? And I don't need specialty versus --

MR. BAILLIE: It's a lot bigger than any of them think. It's a whole lot bigger.

MS. CATALANO: What would you put that percentage at? So their answer was 10 percent or less. Would you agree with that or would you think you would give a different estimate?

MR. BAILLIE: Can you give me a total market of PTFE in the U.S. from information that's been put in?

MS. CATALANO: Mr. Haley is looking.

MR. NOLAN: Why don't we assume -- 25,000 or 30? So just assume that and go off that number, then you can modulate it later.

MR. BAILLIE: That's sort of what I was getting at. I was thinking myself it was closer to 10,000 metric

tons, but 20 --

MS. CATALANO: 25,000 metric tons, did I hear that correctly?

MR. HALEY: Maybe 25,000 for the three types.

MR. BAILLIE: Right, got it.

MS. CATALANO: 25,000 metric tons for dispersion.

MR. BAILLIE: For the three types. So if it's -- if it's 25,000 for the three types and it's 5- to 10,000 for micropowder, then you're talking, you know --

MS. CATALANO: And that's metric tons. Thank you very much. I know I was like a math teacher today, but it's really helpful to get an idea of magnitude of what we're speaking of. Thank you.

MR. BAILLIE: You're welcome.

MS. HAINES: Ms. Viray-Fung.

MS. VIRAY-FUNG: I have two follow-up questions. In terms of imports from China and India, I heard you say, Mr. Baillie, that China is not present at all in the dispersion market. And this is more of a big picture question because I feel like we've been down in the weeds. Are subject imports absent from any of these three forms of PTFE?

MR. BAILLIE: Yes, so to my knowledge, there's very little, if any, dispersion -- PTFE dispersion being

imported from China into the U.S. Is that --

MS. VIRAY-FUNG: I did hear you say that. I was wondering about the other forms. Granular, is that coming in from China and India?

MR. BAILLIE: Yeah.

MS. VIRAY-FUNG: Fine powder, is that coming in? I'm not talking about specialty versus commodity right now or any sort of interim in between, but --

MR. NOLAN: From Indian perspective, we could put something in the postconference to try to give you a breakdown. I think very little dispersion, if any, is coming from India. It's mostly going to be powder or granular. Probably mostly granular. We can try and break it down a little bit. I'm sure we can do that.

MR. BAILLIE: The vast majority of what's coming in from China would be granular or scrap. So of the three, the vast majority that would be coming in would be granular.

MS. VIRAY-FUNG: Where does scrap fall in, then? You said granular is scrap.

MR. BAILLIE: I said or. Harmonized tariff code, where people are paying the 5.8 percent duty on it.

MS. LEVINSON: If I could interject, he had described the scrap before as mostly going into the microprocessing; is that right? Micropowder, sorry.

Micropowder. That is being imported under the HTS number, included in the import statistics but is scrap. And the question that Ms. Messer asked we're looking at is whether that is subject merchandise or not.

MS. VIRAY-FUNG: Thank you. My second question, Mr. Baillie, I thought I heard you say in your opening remarks that there was some overlap in processing equipment for micropowders and for the micronized powder form of PTFE.

MR. BAILLIE: I believe as Chemours described it in their submittal, that micronized powders and micropowder are synonymous, they are the same, as they described it. I believe that was the intention.

MS. VIRAY-FUNG: As they described it in the petition?

MR. BAILLIE: In the petition, yeah.

MS. LEVINSON: And I believe Mr. Cannon said that one of those terms was trademarked or patented and --

MS. VIRAY-FUNG: That micropowder was?

MS. LEVINSON: I think that's what he said, yes.

MR. BAILLIE: I'm not personally aware of the term "micropowder" being patented or trademarked or anything. So I use the word micropowder.

MS. VIRAY-FUNG: When you were discussing it with Ms. DeCarlo, you said there was no overlap in

processing equipment between the granular, the fine powder and the dispersion, but I thought -- I was trying to clarify, because I thought I heard you say earlier that there is some --

MR. BAILLIE: I said there's more than one way to make micropowder. The vast majority of the micropowder that's produced is produced from recycled raw materials and postprocess with an electron beam. There is a small amount of micropowder, we call it as polymerized, okay. And that is made in the reactor, and Chemours's grade for that is called MP1600.

MS. VIRAY-FUNG: That would be in scope or out of scope?

MR. BAILLIE: I believe that's out of scope, based upon what they put in their petition.

MS. VIRAY-FUNG: Okay. Thank you.

MS. HAINES: Thank you very much for your patience answering all the Staff's questions. Thank you for traveling all this way.

We will move to closing statements.

MS. LEVINSON: Taking a break or moving to --

MS. HAINES: No, we will go directly.

MS. BELLAMY: Closing remarks on behalf of Petitioner, James R. Cannon, Jr., Cassidy Levy Kent (USA) LLP.

Mr. Cannon, you have 10 minutes.

CLOSING STATEMENT OF JAMES R. CANNON, JR.

MR. CANNON: Jim Cannon.

First, I think we would strongly discourage you from just opening and handling the powder or dispersions, even though I knocked it off the table. You need to follow SDS requirements. There's actually a special -- safety data sheet for this. We have them. We will give them to you, but just don't open it up and mess around with it.

Secondly, industry support. Whether or not Daikin's opinion about the case -- regardless of Daikin's opinion, the data before the Commission show the condition of the domestic industry, and we don't dispute that Daikin should be included.

As to the processors who fill, they apparently didn't fill out U.S. producer questionnaires, and so I take it by default they don't consider themselves part of the industry and haven't given you any data. So at least at this stage of the case, I don't see anything else to say about that.

Next, as regard to the scope. First with regard to the three, quote unquote, families. Indeed, there are physical differences, right. There's a powder, there is a really fine powder, there is a granular, there is a liquid. There are Commission cases in the past that have looked at

exactly the same sort of issue. I was in sodium nitrite from Germany and China. There was a powder, there was a flake, there was a prilled product and there was a solution. Commission found all of them were a single like product, and they're all used because of the different forms in different applications and different end uses.

Next, the argument was made that the product is highly differentiated. Indeed it is. We -- on that we all agree. There are a vast number of uses. But there can't be a vast number of like products, because within that, there are no clear dividing lines, and that's what the Commission historically has looked for.

So, for example, I think of antifriction bearings. There are microsized bearings, and there are bearings that you use on the turntable of a bridge, so the bridge can rotate. Or a tank or a crane.

So there are bearings that are 40 feet across and there are bearings that are 4 millimeters across. And there's also a range of quality.

There's bearings that are what's called ABEC 1, and you use it in a mobile home because it moves once and it sits there and the bearing only has to move once. And there's ABEC 9 and that's used to keep a propeller in a submarine quiet. The Commission found a single like product. The end uses are obviously different.

There are myriad variety of end uses. It doesn't mean it's a separate like product, because there is a continuum of uses, all imparted by what? In the case of a bearing, its ability to reduce friction.

So too here. There are different forms and there are many different end uses. But they are all seeking to take advantage of usually two of the properties of PTFE.

So there is no debate really that there is a range of applications, nor is there a debate seriously that they overlap, nor is there any debate that all of the PTFE products share the same production process, at least through making TCE.

And you can see from the price data in the petition, you can see it from the average unit values and the price that we've looked at so far, therefore overlapping price points between these products. They use the same sales force to sell them, and they are sold in the same market segment, your pie chart, Ms. Catalano, that you were looking at.

All three forms are sold in all those segments. So I think there's one like product.

Now let's turn to micronized powder, number four. Number four is fundamentally different. It's the downstream product. You will see from our data, we

captively consume PTFE to make micropowder. It is downstream processing from the product.

Or the other stream is you take scrap and you do further processing on it. So it doesn't start in the same sense at all from TCE. The raw material for making micronized powder is very different, and it can't be used, because of its physical nature, it cannot be used in the same fashion.

You use PTFE to make a product. You add micronized powder as an additive to change the aspects of a different product.

So therefore, we thought there was a bright line, and we excluded micronized powder.

Let's now turn to conditions of competition. We've had a lot of discussion about the specialty versus commodity nature of the market. How big is the specialty portion versus the commodity portion. And we had it quantified for us. And in fact, we were told a few minutes ago that something like 70 percent of one of these segments is the specialty part.

Well, the U.S. industry's market share of the U.S. market is maybe 40 percent. So if the imports are making the commodity and we're making the specialty product, we don't even make enough to supply a market where 70 percent of the market is the commodity market.

So whatever their definition is, I don't get it. What I do want you to understand is there is significant overlapping competition. There are imports of what you want to call it, whatever you want to call it, specialty or commodity. There are imports of PTFE of all different grades across a wide part of the market. And they compete with us on the basis of price.

Now, is there a quality differentiation and what you might call pyramid. Yes. You have heard our witnesses describe it. There's a pyramid. At the base, there are grades of PTFE that are easier to make and they are sold in much larger quantities. And at the top are the really high-end grades, like you might use for military or in airplanes.

But you can't load your capacity of your plant just using the specialty grades. It simply won't work. We do not have a viable business if all we can sell is the specialty grades. We need to be able to sell all the grades to load our capacity, to make an adequate return on our investment, to keep our plant operating to cover our fixed costs.

And so what you see is we are gradually being pushed out of low-end markets. It's a natural. Back in 1988, the case was brought against granular because most of the imports, that's all they made. Over time, the product

evolved. You heard Rich's testimony. That's what he was talking about, the evolution of the product line from granular toward dispersion, fine powder, also toward higher specialty grades.

The domestic industry has innovated and evolved, but they can't give up the commodity segment of the market, because without that, they can't load their plant. The economics do not justify it.

In other words, stated a different way, you can't just make Ferraris. We're more like Ford. We need the whole product range.

Next, demand. There's a lot of comments about demand. Looking at the data in the U.S. market over this period, it's pretty flat. There's not a lot of change and not much uptick in 2017. So all comments notwithstanding, I really don't think that's that much of an issue.

Now, is it true oil and gas was down and it's coming back? Absolutely. It is also true that there are many markets for this product. We just talked about that. There are numerous uses across a wide range of market segments. Some are up, some are down. That's how this works.

Next, the volume of imports. There was discussion about volumes being down in 2014 through 2016. Indeed. But domestic industry shipments fell even further

than the volume of imports and to a greater degree.

So the Commission in this case, as it does in virtually every case, should look at the shift in market share. There is a market share increase of subject imports from 2014 to 2016, and there is an even greater market share increase of subject imports in 2017.

Nevertheless, from '14 to '16, there is an increase, coupled with underselling across the whole spectrum of products.

Heard a lot of information about prices. Prices were going up, we don't supply products, there's good reasons for lower prices, underselling alone is not enough. It's all noise.

Look at the data. The Commission often looks at underselling, in fact virtually always. We picked the same pricing products for granular that you used in the earlier cases.

What you see from the data is that prices are going down, on a quarterly basis, across the period for all five pricing products. Prices are trending downward for the domestic industry, and for imports. There is, therefore, price depression evident on the face of the data, coupled with underselling.

With regard to the arguments that Chemours will not sell, all right, we'll have to address those in our

postconference brief. We will give you e-mails or trip reports or what have you.

The fact is if we didn't sell the product, it was because they were buying imports at a lower price. Indeed the witnesses here admitted that they built their business on dumped imports. They are buying dumped imports, and you cannot argue to the Commission that I get to survive in the U.S. because my raw materials are dumped, and therefore, I should be given a free pass. What about Chemours? What about the workers that we laid off? What about the losses that are mounting every year? You must consider that as a Commission, and I thank you for your attention.

MS. HAINES: Thank you.

MS. BELLAMY: Closing remarks on behalf of Respondents, Matthew M. Nolan, Arent Fox LLP, and Lizbeth Levinson, Kutak Rock LLP. You have 10 minutes.

CLOSING STATEMENT OF MATTHEW M. NOLAN

MR. NOLAN: Okay. Well, I don't know about you, but my head is swimming right now. I have had too much chemistry class, I want to go talk to my daughter who is taking organic chemistry and let her teach me about this stuff.

So I'm just going to lay out a few things. It's not just about plumbers tape. We heard plumber's tape

probably about seven or eight times this morning. This is a very diverse product. It's a very diverse product, diverse pricing. The petitioners themselves said that there's a 10 times difference between the low end, high end of the pricing system here.

Chemours focuses on the high end. Their AUVs are going to be on the high end because of that, so be careful.

Domestic industry support. On the one hand, they say, well, the processors didn't file a U.S. producer questionnaire response, which is unfortunate, because they weren't asked to as far as I know, because they weren't included in the original.

On the same token, on the micropowders, they say we're a further processor, so we should exclude because we do downstream processing and we're a producer. I'm not sure I get how that jibes together. The downstream processors are here. They produce product. If they're part of the domestic industry, I bet it's going to change the dynamic on what the domestic industry is like, in terms of who supports this thing.

The U.S. industry this morning said repeatedly that they tried to raise prices, that they have tried to get a premium on their prices. It's not up to them to decide whether they can charge a premium or not. A fair

price? Yes. A market price? Yes.

But the words coming out of their mouths this morning suggest that they expect to get a premium in the market, wherever possible.

That goes beyond a fair pricing, beyond a market-based system. It's them saying we want to control enough to get more prices.

U.S. industry has said, and they just finished again saying, we would be fine if it wasn't for dumped and subsidized imports. Number one, representing the Indians, I can tell you right now, we absolutely reject the notion that this company, Gujarat Fluorochemicals, is receiving subsidies of any meaningful nature, and that's not appropriate for this body to listen to right now.

You run an injury analysis. We're not doing the dumping case right now. Nor do we think there's any dumping. GFL is a very efficient producer of this product. They have a relatively new plant. They make all of the materials internally. They don't charge markups on the internal transfers from one part of the plant to the other.

They can produce this more efficiently. Efficiency is a good thing, not a bad thing. And they're not dumping as a result.

There was some discussion, and I feel like we're doing a 1988 do-over, we just had a discussion well, in

1988 it was all the same and look at it now and it's still like that. But it's not.

This industry is completely different than it was in 1988. We didn't have all these products that we have now. We didn't have as many applications as we have now. We don't have as many gradations as we have now. Just look at the Chemours Web site.

I was just going back through it before I got up here. They have separate categories for dispersion, granular and powder. They have separate categories within that for the grades within that. They have specific price points depending on what it is you're going to buy.

Doesn't that tell you that this is a much more complicated product than just one simple thing that we can compare?

On imports, they say that, well, you know, the imports didn't go down as fast as our imports. If you look at the data from all the countries, actually some imports in 2014, 2015 and 2016 actually went up from some countries, all nonsubject, and then they went back down again.

What's really going on here is overall, subject imports up until 2017 fell faster than other imports. And then they recovered and took over market share for various reasons from other imports.

There isn't a lick of this that's coming out of the domestic's hide. Imports inside overall fell during the POI. Within that grouping, there was jockeying for position. India and China at the end of the day in 2017 improved their position, whereas in earlier years, they had lesser -- a less improved position or a worse position relative to nonsubject imports.

But if the Russians are no longer shipping to the United States and the Indians pick up that territory, okay, what's wrong with that picture, other than the fact that Chemours would like to have that market to themselves?

I would commend -- and we will raise this in the postconference brief, but from what I'm hearing, that the data in their questionnaire responses does not match the rhetoric that's coming out today, and I intend to make a very impassioned plea in the postconference brief about what is going on with market share, pricing and volumes, because if you look at the data that's coming in on those responses, it doesn't match what's been said a few minutes ago.

CLOSING STATEMENT OF LIZBETH LEVINSON

MS. LEVINSON: Thank you.

Liz Levinson on behalf of the alliance, the PTFE Processors Alliance.

I agree with Mr. Nolan. I would like to just

add a few points.

I think there's been a lot said today about domestic like product. It is clear to me that the Petitioners are going through all kinds of machinations to try to make this one industry.

You heard people with -- I think my panel had over 100 years of experience in this industry, and they all unanimously stated that they have never heard an industry perspective where the three different products, granular, dispersion and fine powder, are regarded as one industry. They are regarded separately, and that is the perception.

There are clear dividing lines, and I think Mr. Nolan was right when he compared this case to steel cases, where you're dividing between cold rolled, hot rolled, corrosion resistant, et cetera. You would never think of placing them all in the same category.

This is something we will brief in considerable detail, but it just struck me how hard the petitioners are trying, and they are trying for one reason, because they want to -- they can only get an injury determination, in their estimation, if they have one like product.

But there doesn't appear to be any industry data to back up, or industry perceptions, to back up what they're saying.

Now, Mr. Cannon said it can't possibly be that

they are producing Ferraris because you can't survive on just producing Ferraris, they want to produce Fords.

Well, if they want to produce Fords, why aren't they producing Fords? It's very simple. I had two witnesses today that testified that as recently as this year, and this was from Flontech, that they were trying -- they were sourcing Fords from Chemours, and Chemours decided to discontinue production of that product. Chemours didn't say we'll continue to produce it but our price has to go up. They didn't say -- you know, there was no allegations you're purchasing from dump products.

They just decided that they would stop producing the products. That's happened twice. Two people testified to that. How is that consistent with Mr. Cannon's testimony that they want to produce Fords?

Mr. Baillie gave his best attempt to give percentages about what is -- what we regard as attenuated competition in the market between the specialty products and the commodity products. Mr. Cannon states that, you know, how could Mr. Baillie testify that 70 percent of the market is specialty, when the U.S. domestic producers only have 40 percent of the market.

Well, even -- even taking Mr. Cannon's percentages as reality, I want to remind everybody that Mr. Baillie was only testifying on behalf of what is coming

from China.

From China, it is almost exclusively commodity products.

So in conclusion, we would ask that the Commission make a negative preliminary determination. We'll be briefing, you asked tremendous questions today. We'll be briefing all of these issues in our postconference brief. Thank you very much.

MS. HAINES: Thank you for your closing statement.

On behalf of the Commission and the Staff, I would like to thank the witnesses who came today, as well as counsel for helping us gain a better understanding of the product and the conditions of competition in the PTFE resin industry.

Before concluding, let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of postconference briefs is Tuesday, October 24. If briefs contain business proprietary information, a public version is due on Wednesday, October 25.

The Commission has tentatively scheduled its vote on these investigations for Thursday, November 9. And it will report its determinations to the Secretary of the Department of Commerce on Monday, November 13. And the

Commission's opinions will be issued on Monday, November 20.

We thank you all again for coming, and the conference is adjourned.

(Whereupon, at 3:44 p.m., the conference was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Polytetrafluroethylene (PTFE) Resin from China and India

INVESTIGATION NOS: 701-TA-588 and 731-TA-1392-1393
HEARING DATE: 10-19-17
LOCATION: Washington, DC
NATURE OF HEARING: Conference

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

DATE: 10-19-2017

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: Christopher Weiskircher
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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.

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Signature of Court Reporter