

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
ALUMINUM EXTRUSIONS) Investigation Nos.:
FROM CHINA) 701-TA-475 and
) 731-TA-1177 (Final)

Pages: 1 through 291

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
 ALUMINUM EXTRUSIONS) 701-TA-475 and
 FROM CHINA) 731-TA-1177 (Final)

Tuesday,
 March 29, 2011

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

The hearing commenced, pursuant to notice, at
 9:31 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DEANNA
 TANNER OKUN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:Commissioners:

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 IRVING A. WILLIAMSON, VICE CHAIRMAN
 CHARLOTTE R. LANE, COMMISSIONER
 DANIEL R. PEARSON, COMMISSIONER
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 DAVID BOYLAND, ACCOUNTANT/AUDITOR
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 JAMES McCLURE, SUPERVISORY INVESTIGATOR

APPEARANCES: (Cont'd.)

Congressional Appearances:

THE HONORABLE SHERROD BROWN, United States
Senator, Ohio
THE HONORABLE CLAIRE McCASKILL, United States
Senator, Missouri
THE HONORABLE PETER J. VISCLOSKY, U.S.
Representative, 1st District, Indiana

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

On behalf of the Aluminum Extrusions Fair Trade
Committee and the United Steel, Paper and Forestry,
Rubber, Manufacturing, Energy, Allied Industrial and
Service Workers International Union (USW):

DUNCAN A. CROWDIS, President, William L. Bonnell
Company, Inc.
JEFFREY S. HENDERSON, Director of Marketing, Sapa
Extrusions, Inc.
AMELIA KONESNI, Esquire, Buchanan Ingersoll &
Rooney, P.C.
SUSAN D. JOHNSON, President, Futura Industries
Corporation
LYNN BROWN, Senior Vice President, Sales and
Marketing, Hydro Aluminum North America, Inc.
LINDA ANDROS, Legislative Counsel, USW
REBECCA L. WOODINGS, Consultant, King & Spalding,
LLP

STEPHEN A. JONES, Esquire
King & Spalding, LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

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

On behalf of Aavid Thermalloy, LLC:

JOHN MITCHELL, General Counsel, Aavid
NORM SOUCY, Vice President & Director of Global
Manufacturing & Supply Chain, Aavid

DUANE W. LAYTON, Esquire
SYDNEY H. MINTZER, Esquire
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Mayer Brown, LLP
Washington, D.C.

On behalf of the Shower Door Manufacturers Alliance
(SDMA):

GEORGE ROHDE, Chief Executive Officer, Basco
Manufacturing Company
LARRY LANGEFELS, Chief Financial Officer, Basco
Manufacturing Company
BILL COBB, Chief Executive Officer, Coastal
Industries

DAVID M. SPOONER, Esquire
IAIN McPHIE, Esquire
Squire, Sanders & Dempsey (US), LLP
Washington, D.C.

On behalf of Floturn, Inc. (Non-Party):

GREG E. MITCHELL, Esquire
Frost Brown Todd, LLC
Lexington, Kentucky

I N D E X

	PAGE
TESTIMONY OF THE HONORABLE PETER J. VISCLOSKY, U.S. REPRESENTATIVE, 1ST DISTRICT, INDIANA	7
OPENING STATEMENT OF STEPHEN A. JONES, ESQUIRE, KING & SPALDING, LLP	9
TESTIMONY OF THE HONORABLE SHERROD BROWN, UNITED STATES SENATOR, OHIO	14
OPENING STATEMENT OF DUANE W. LAYTON, ESQUIRE, MAYER BROWN, LLP	19
TESTIMONY OF STEPHEN A. JONES, ESQUIRE, KING & SPALDING, LLP	22
TESTIMONY OF THE HONORABLE CLAIRE MCCASKILL, UNITED STATES SENATOR, MISSOURI	29
TESTIMONY OF DUNCAN A. CROWDIS, PRESIDENT, WILLIAM L. BONNELL COMPANY, INC.	31
TESTIMONY OF JEFFREY S. HENDERSON, DIRECTOR OF MARKETING, SAPA EXTRUSIONS, INC.	36
TESTIMONY OF SUSAN D. JOHNSON, PRESIDENT, FUTURA INDUSTRIES CORPORATION	41
TESTIMONY OF LYNN BROWN, SENIOR VICE PRESIDENT, SALES AND MARKETING, HYDRO ALUMINUM NORTH AMERICA, INC.	46
TESTIMONY OF LINDA ANDROS, LEGISLATIVE COUNSEL, USW	52
TESTIMONY OF REBECCA L. WOODINGS, CONSULTANT, KING & SPALDING, LLP	56
TESTIMONY OF SYDNEY H. MINTZER, ESQUIRE, MAYER BROWN, LLP	165
TESTIMONY OF NORM SOUCY, VICE PRESIDENT & DIRECTOR OF GLOBAL MANUFACTURING & SUPPLY CHAIN, AAVID	166
TESTIMONY OF DAVID M. SPOONER, ESQUIRE, SQUIRE, SANDERS & DEMPSEY (US), LLP	175

I N D E X

	PAGE
TESTIMONY OF GEORGE ROHDE, CHIEF EXECUTIVE OFFICER, BASCO MANUFACTURING COMPANY	177
TESTIMONY OF BILL COBB, CHIEF EXECUTIVE OFFICER, COASTAL INDUSTRIES	185
TESTIMONY OF GREG E. MITCHELL, ESQUIRE, FROST BROWN TODD, LLC	195
TESTIMONY OF LARRY LANGEFELS, CHIEF FINANCIAL OFFICER, BASCO MANUFACTURING COMPANY	208
CLOSING STATEMENT OF STEPHEN A. JONES, ESQUIRE, KING & SPALDING, LLP	278
CLOSING STATEMENT OF DAVID M. SPOONER, ESQUIRE, SQUIRE, SANDERS & DEMPSEY (US), LLP	287

P R O C E E D I N G S

(9:31 a.m.)

CHAIRMAN OKUN: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-475 and 731-TA-1177 (Final) involving Aluminum Extrusions From China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of subsidized and less than fair value imports of aluminum extrusions from China.

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

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

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

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

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

12 MR. BISHOP: Yes, Madam Chairman. With your
13 permission we will add Amelia Konesni of Buchanan
14 Ingersoll Rooney to the witness list on page 2.

15 CHAIRMAN OKUN: Thank you. Without
16 objection.

17 Will you please announce our first
18 congressional witness?

19 MR. BISHOP: The Honorable Peter J.
20 Visclosky, United States Representative, 1st District,
21 Indiana.

22 CHAIRMAN OKUN: Good morning and welcome
23 back, Congressman.

24 MR. VISCLOSKY: Madam Chair, members of the
25 Commission, I appreciate again the opportunity to

1 testify before you today. The last time I appeared
2 before the Commission it was winter. I am told it is
3 now spring, despite the fact that it was 37 degrees
4 driving in today.

5 On February 25 of this year, China Watch
6 also suggested that there was a change in seasons in
7 that a fruitful visit charts a new course as far as
8 Chinese trade policy. I must tell you though today,
9 as with the weather, seeing and feeling is believing.

10 You have an aluminum extrusion case before
11 you. In August the Commerce Department had an
12 affirmative preliminary determination on a
13 countervailing duty rate between 6 and 137 percent.
14 In October, Commerce found antidumping margins of 32
15 to 33 percent. As always, a trust of your careful
16 consideration of the facts involved as far as an
17 injury determination.

18 I have seen it in my own district. There is
19 an aluminum extrusion facility in Kentland, Indiana.
20 Forty-seven people at that plant between 2007 and 2010
21 have lost their jobs. That is a very small portion of
22 the American population, but the population of
23 Kentland, Indiana, is 1,748 people total.

24 I would not suggest to you that every person
25 at that plant is a resident of Kentland, but a job

1 loss for each one of those 47 families is significant,
2 and for a small, rural community in Indiana like that
3 it is devastating.

4 So again, as always, trusting your
5 consideration of the facts before you, I do believe
6 injury has been found and hopefully that will be your
7 determination, but again I thank you very much for the
8 courtesy in letting me testify.

9 CHAIRMAN OKUN: Thank you, Congressman. Let
10 me see if my colleagues have questions.

11 (No response.)

12 CHAIRMAN OKUN: Thank you and good day.

13 MR. VISCLOSKY: Thank you very much.

14 MR. BISHOP: Madam Chairman, that concludes
15 our congressional appearances at this time.

16 CHAIRMAN OKUN: Very well. Let's turn to
17 our opening remarks.

18 MR. BISHOP: Opening remarks on behalf of
19 Petitioners will be by Stephen A. Jones, King &
20 Spalding.

21 CHAIRMAN OKUN: Good morning and welcome,
22 Mr. Jones.

23 MR. JONES: Good morning, Chairman Okun, and
24 good morning, members of the Commission. My name is
25 Steve Jones. I'm with the law firm of King &

1 Spalding, and I'm appearing today on behalf of the
2 Aluminum Extrusions Fair Trade Committee, which is an
3 ad hoc coalition of United States manufacturers of
4 aluminum extrusion, and the United Steel Workers
5 Union, which represents a significant number of
6 workers in the industry.

7 The Committee is comprised of 11 companies
8 that together account for a significant majority of
9 U.S. production of soft alloy aluminum extrusions,
10 which is the domestic like product. The United Steel
11 Workers represent approximately 2,000 workers at 14
12 soft alloy aluminum extrusion plants in the United
13 States.

14 Dumped and subsidized imports from China
15 increased significantly from 2008 to 2010, and the
16 increase was significant absolutely and in relation to
17 both U.S. consumption and U.S. production. According
18 to the official import statistics, subject imports
19 increased 138 percent from 2008 to 2009 alone and
20 captured 20 percent market share resulting in a 10
21 percent or a 10 point drop in the domestic industry's
22 market share.

23 The imports continued to surge in early 2010
24 until the filing of the petition, and the imposition
25 of provisional duties in September 2010 stopped the

1 surge. The industry recovered its footing slightly as
2 imports started to recede from the market, but the
3 data reflected in the prehearing report still show an
4 industry in severe distress.

5 How are imports from China able to penetrate
6 the U.S. market so quickly and deeply? The answer is
7 simple. Aggressive pricing. You will hear testimony
8 this morning from industry witnesses that price is the
9 most important factor in purchasers' decision making
10 and that business is won or lost in this industry
11 based on mere pennies per pound.

12 In addition, there is competition throughout
13 the like product continuum in all shapes, sizes, types
14 of finishing and types of fabrication. Purchasers use
15 the China price in virtually every negotiation, which
16 frequently results either in lost business or a
17 reduction in price. There is underselling and
18 confirmed lost sales and revenues for a wide variety
19 of different products.

20 The data collected show that all the key
21 operational indicators -- production, shipments,
22 employment -- are down significantly from 2008 to
23 2010. The data show that injury intensified in 2009,
24 the time when imports from China surged.

25 Financial performance recovered slightly in

1 2010 based on two factors -- a slight recovery in
2 demand in some market sectors, combined with a decline
3 in imports after the petition was filed, including a
4 virtual cessation of subject imports in October 2010
5 after the imposition of provisional duties.

6 There is no question that the pendency of
7 the investigation has benefitted the industry, and the
8 Commission should take note of this as it is
9 statutorily authorized to do. Absent the filing of
10 the petition, there is every reason to think that this
11 industry would be much worse off today than it was a
12 year ago.

13 There is no question that demand for
14 aluminum extrusions declined during the economic
15 downturn. There have been fewer business
16 opportunities for U.S. producers due to economic
17 conditions, particularly those who focus in the
18 building and construction sector, but the competition
19 for these few opportunities has intensified, and
20 dumped and subsidized imports from China have unfairly
21 taken an increasing share of a smaller pool of
22 business.

23 The results have been severe for a large
24 number of businesses and communities. In fact, our
25 analysis shows that since 2007 33 extrusion plants

1 operating 79 extrusion presses have closed. Fifty-two
2 additional presses have shut down at plants that are
3 still open. Thousands of jobs have been lost. The
4 impact has been devastating.

5 Finally, the industry is grievously
6 threatened with future additional injury.
7 Unfortunately, only a few Chinese producers responded
8 to your questionnaire, but our research shows that
9 there is massive underutilized capacity in China, and
10 the Chinese have every incentive to produce more
11 extrusions and ship them to the United States.

12 They have proven their ability to penetrate
13 this market quickly. Their shipments to Canada are
14 down significantly due to the orders imposed there in
15 March 2009, and additional orders were imposed in
16 Australia in October.

17 If the Commission does not make an
18 affirmative determination, imports cut off by
19 provisional measures will return in large volumes.
20 While there is still an industry left to save, we urge
21 the Commission to make an affirmative determination.
22 Thank you.

23 CHAIRMAN OKUN: Thank you. And, Mr.
24 Secretary, I understand we have another congressional
25 witness so we will fit him in before we go to our next

1 opening remarks.

2 MR. BISHOP: The Honorable Sherrod Brown,
3 United States Senator, Ohio.

4 CHAIRMAN OKUN: Good morning and welcome,
5 Senator.

6 MR. BROWN: Good morning. Thank you, Madam
7 Chair, and thank you all. It's good to be back.
8 Thanks for your service that all of you provide to
9 this country and to American workers and businesses.
10 Thank you for that.

11 I thank you again for the opportunity to
12 testify in the case on behalf of more than a dozen
13 Ohio companies representing hundreds and hundreds of
14 workers from Columbiana in eastern Ohio to
15 Bellfontaine to Mt. Eaton. These aluminum extrusion
16 producers include Aerolite Extrusion in Youngstown,
17 Hydro Extrusions in Sydney in western Ohio and Kaiser
18 Aluminum in Heath, a city just east of Columbus.

19 The workers at these companies make aluminum
20 for a wide range of customers, from the auto industry
21 to picture frame manufacturers. Like other industry
22 leaders in Ohio, these Ohio workers and these Ohio
23 manufacturers can compete with anyone in the world.

24 But as I've testified numerous time in front
25 of this Commission on behalf of Ohio manufacturers of

1 consumer tires, of thermal paper, of coated paper, of
2 offroad tires, of different types of steel or clean
3 energy products, our industries are forced to compete
4 on an all too often unlevel playing field in the
5 global economy.

6 Subsidized competition from so-called
7 trading partners threaten to put key American sectors
8 out of business. Unfair trade subsidies mean lost
9 jobs, stagnant wages, communities struggling without
10 tax revenue to support basic services and to support
11 schools.

12 And as I've made clear in previous testimony
13 and this Commission has made clear in its previous
14 findings, our trade enforcement laws are vital to
15 strengthening our economic competitiveness. This
16 hearing is particularly timely as our trade
17 enforcement laws are under attack at the World Trade
18 Organization. Earlier this month, a WTO appellate
19 body reversed a prior WTO ruling that had upheld the
20 use of our trade remedy laws against China.

21 Right now, the Chinese Government is said to
22 be planning a \$1.5 trillion, five-year investment in
23 seven strategic manufacturing industries. At a time
24 when we need to enforce our trade remedy laws to fight
25 this clearly unfair Chinese subsidy, the WTO's

1 appellate body overreached and threatens to dilute the
2 power of our own laws.

3 To make sure that doesn't happen, Maine
4 Republic Senator Olympia Snowe and I today sent a Dear
5 Colleague letter to our colleagues to join us in a
6 letter to Ambassador Ron Kirk urging the
7 Administration to take all steps necessary to remedy
8 and to rectify this ruling. These steps include
9 pushing negotiations in the Doha Round to ensuring
10 that our countervailing duty laws remain fully
11 applicable to China.

12 The case before you today on aluminum
13 extrusions is a perfect example of the danger that
14 American manufacturers face without the effective use
15 of trade remedy laws. Aluminum extruders sell
16 products for everything from autos to heavy machinery
17 to commercial lighting to windows to doors to other
18 building and home products.

19 But around 2007, according to one Youngstown
20 manufacturer, the orders stopped coming. Around that
21 time, imports of Chinese extrusions began to create
22 havoc in the U.S. aluminum extrusion industry. Prior
23 to 2007, China's market share in aluminum extrusion
24 was pretty much negligible, but, remarkably, within a
25 few short years its market share expanded to about 20

1 percent.

2 During a time when U.S. consumption of
3 aluminum extrusions fell substantially during our
4 recession, Chinese imports more than doubled from 2008
5 to 2009. As a result, production capacity in China
6 dramatically increased and capacity expansion
7 continues at a rapid rate.

8 One Ohio manufacturer talked to me about the
9 cottage industry that importers created over the last
10 few years based on China's subsidized production
11 capacity expansion. These are warehouses in the
12 United States that employ just a few people to receive
13 subsidized Chinese imports and sell them to American
14 customers, the customers who would otherwise purchase
15 from American manufacturers.

16 The competitive disadvantage for U.S.
17 producers is very clear. The temporarily imposed
18 duties unequivocally show that inputs from China are
19 taking market share from U.S. producers, not from
20 other imports.

21 Chinese import prices are so low that U.S.
22 aluminum extrusion manufacturers end up with little
23 room to negotiate on price. This is the case even
24 though China theoretically should be paying roughly
25 the same global commodity prices for the raw materials

1 that everyone else pays.

2 American manufacturers do have some built-in
3 advantages, such as the cost of freight within the
4 continental U.S. This is a significant geographical
5 advantage over imports from China obviously, yet
6 despite this advantage imports from China are able to
7 undersell us by significant margins. This is possible
8 only through Chinese Government subsidies to their
9 producers and their exporters and by harmful dumping
10 practices.

11 Before the preliminary duties went into
12 place last year, much of the U.S. industry was working
13 at 50 percent production capacity, but since the
14 Commerce Department announced preliminary relief just
15 last October I've heard at least anecdotally that more
16 customers are coming back to aluminum extruders in
17 Ohio.

18 Our trade laws are indispensable, even more
19 so in a global economy where free market competition
20 is based on sound pricing, on solid workmanship and on
21 solid efficiency, thereby giving way to distorted
22 subsidies, dumping and other anticompetitive and
23 corrupted practices.

24 Our trade remedies, when properly applied,
25 defend against the type of unfair competition

1 currently faced by the U.S. aluminum extrusions
2 industry and its workers. The producers and workers
3 in Youngstown, Ohio, and Sydney, Ohio, and Heath,
4 Ohio, and across my state can compete with anyone as
5 long as it's a level playing field.

6 You as Commissioners have helped us level
7 that playing field with many decisions you've made in
8 the past. I hope you'll examine closely the record
9 and testimony given today and make an affirmative
10 final determination. Thank you, Madam Chair.

11 CHAIRMAN OKUN: Thank you, Senator. Does
12 any Commissioner have a question for the Senator?

13 (No response.)

14 CHAIRMAN OKUN: Thank you very much for your
15 testimony.

16 Mr. Secretary, let's return to opening
17 remarks.

18 MR. BISHOP: Opening remarks on behalf of
19 Respondents will be by Duane W. Layton, Mayer Brown.

20 MR. LAYTON: Madam Chairman, Mr. Vice
21 Chairman, members of the Commission, good morning. My
22 name is Duane Layton. I'm a partner with Mayer Brown
23 and the head of its Government and Global Trade Group.
24 Along with my partner, Sydney Mintzer, I appear on
25 behalf of Aavid Thermalloy.

1 As you may recall, Aavid did not participate
2 in the Commission's preliminary investigation of
3 Aluminum Extrusions From China, and it wouldn't be
4 participating in the instant investigation were it not
5 for a U.S. Customs agent last fall who thought a
6 finished heat sink imported by Aavid from China should
7 be subject to Commerce's preliminary countervailing
8 duty determination.

9 You see, until that moment Aavid knew
10 nothing about this case. And why should it? It
11 wasn't named in the petition as a U.S. importer, a
12 U.S. producer or foreign producer of subject
13 merchandise. It certainly wasn't sent a questionnaire
14 by Commerce or the Commission. It was, in short, out
15 of sight, out of mind.

16 Now, all of this might suggest to you that
17 finished heat sinks imported from China are not
18 subject merchandise. It certainly does to us, and we
19 keep hoping Commerce will eventually agree, but until
20 it does we need to defend ourselves, and that includes
21 before this Commission.

22 We ask you to make two findings. First,
23 finished heat sinks are a separate like product from
24 the aluminum extrusion products subject to these
25 investigations. Second, the domestic industry which

1 produced finished heat sinks is not being materially
2 injured or threatened with material injury by reason
3 of subject imports.

4 On both issues the evidence is clear.
5 Finished heat sinks are a separate like product, and
6 the relevant domestic industry is not being materially
7 injured or threatened with material injury within the
8 meaning of the statute.

9 I'll leave to the Shower Door Manufacturers
10 Alliance and Floturn to make whatever points they want
11 to make today, but I will say this. We are listed in
12 the calendar to this hearing today as parties "in
13 opposition" to the imposition of antidumping and
14 countervailing duty orders, but that really isn't the
15 case.

16 If the U.S. Government wants to impose
17 antidumping and countervailing duties on certain
18 aluminum extrusions from China, go ahead. I know
19 Aavid does not object, and I doubt the other
20 Respondents appearing here today do either. All we're
21 asking is that some reasonable limits be placed on the
22 products subject to duties. Thank you.

23 CHAIRMAN OKUN: Thank you. Mr. Secretary, I
24 understand we have a congressional witness on their
25 way. Do we have an update?

1 MR. BISHOP: She is on her way, Madam
2 Chairman. She has not yet arrived.

3 CHAIRMAN OKUN: Okay. Then let's go ahead
4 and bring the first panel up.

5 MR. BISHOP: Would our first panel, those in
6 support of the imposition of antidumping and
7 countervailing duty orders, please come forward and be
8 seated?

9 Madam Chairman, all witnesses have been
10 sworn.

11 (Witnesses sworn.)

12 CHAIRMAN OKUN: Thank you. Good morning
13 again and welcome, Mr. Jones. Although I hate to
14 interrupt the witnesses, I think we should go ahead
15 and get this panel started and we'll just accommodate
16 our congressional witness when they arrive.

17 MR. JONES: Thank you, Madam Chairman. Good
18 morning again, members of the Commission. For the
19 record, my name is Steve Jones. I'm counsel to the
20 Petitioners.

21 Before we get started, on behalf of the
22 Committee I would like to thank everyone here at the
23 Commission for their hard work on this case to date.
24 We would especially like to thank Vice Chairman
25 Williamson, Commissioner Pearson and Ms. Elkin from

1 Commissioner Lane's office and Mr. Sigler from
2 Commissioner Pearson's office for taking the time to
3 visit Bonnell Aluminum in Newnan, Georgia, last
4 Monday, March 21, for a plant tour. We hope that time
5 was productive and helpful to them in understanding
6 aluminum extrusions and how they're manufactured,
7 marketed and sold.

8 The panel before you represents a broad
9 cross section of the domestic industry and all of the
10 major products and markets served by this industry.
11 We hope to be able to answer your questions this
12 morning unless it is necessary of course to refer to
13 proprietary information to answer the questions, and
14 if that's the case where we need to do some research
15 to check our facts we will provide additional
16 information to you in our posthearing brief.

17 Before I introduce our first industry
18 witness, I'd like to briefly discuss the domestic like
19 product definition in the investigation. Subject
20 aluminum extrusions are by their nature highly
21 differentiated in terms of alloy, shape, sizes,
22 finishes and fabrication.

23 There is a continuum of soft alloy aluminum
24 extrusion products that are different shapes,
25 different types of coating or finishing and different

1 types of fabrication. Where there is a broad
2 continuum containing different forms of the same
3 product, the Commission has generally found one like
4 product.

5 Regarding channels of distribution, all
6 types of soft alloy aluminum extrusions are sold both
7 directly to end users and through distributors. Soft
8 alloy extrusions also have common producer and
9 consumer perceptions in that they are relatively easy
10 to work or machine, which in turn enables the
11 formation of a wide range of shapes and forms.

12 Soft alloy extrusions are produced in common
13 manufacturing facilities by the same employees using
14 the same machinery and the same processes. Production
15 can be shifted between different shapes merely by
16 changing the dies in the extrusion press.

17 Finally, the prices of soft alloy extrusions
18 are based on finish and level of fabrication. The
19 range of prices is similar within the different types
20 of alloys used to make extrusions. Thus, our position
21 in this is that the domestic like product in this
22 investigation should be co-extensive with the scope of
23 the investigation.

24 Soft aluminum extrusions are a separate like
25 product and a separate industry and no basis exists to

1 define the like product more narrowly. There are no
2 bright lines within the soft alloy category.

3 Aavid Thermalloy and the Shower Door
4 Manufacturers Alliance argue that the Commission
5 should subdivide the scope into four distinct like
6 products corresponding to: 1) Producer tested
7 finished heat sinks; 2) Knock down shower door units;
8 3) So-called jewelry grade shower door and bath
9 enclosures; and 4) All other aluminum extrusions
10 within the scope. Subdividing the like product as
11 suggested by Aavid and the SDMA would be contrary to
12 Commission practice and the factual record here.

13 The Commission has often faced the situation
14 where the scope of the investigation involves numerous
15 products that vary from each other, but exist within a
16 product continuum that has no clear dividing line. As
17 recognized by the Commission in its preliminary
18 determination here, its practice with respect to such
19 product continuum cases is applicable here because, as
20 the Commission stated:

21 "The product in these investigations appears
22 to be one where models of several different alloys and
23 finishes and many different shapes and sizes
24 constitute a continuum without any clear breaking
25 point."

1 Neither Aavid or the SDMA have attempted to
2 distinguish the product continuum precedent cited by
3 the Commission in its preliminary determination or any
4 of the many other analogous product continuum cases.
5 Aavid cites only the Replacement Glass Windshields
6 investigation, which was not a product continuum case.

7 Moreover, in Replacement Glass Windshields,
8 the Commission defined a like product as co-extensive
9 with the scope and rejected Respondents' argument that
10 the like product should be broadened beyond the scope.
11 Thus, Replacement Glass Windshields is irrelevant to
12 the evaluation of a product continuum situation and in
13 fact supports Petitioner's position here that the like
14 product should be defined as co-extensive with the
15 scope.

16 The separate like products proposed by Aavid
17 and the SDMA are extremely narrow. Although they
18 attempt to distinguish these products based on the
19 like product criteria, the dividing lines they draw
20 are highly arbitrary and exclude products within the
21 product continuum that are more similar to the
22 proposed narrow like products than other products
23 within the continuum. There is no precedent for such
24 narrow like product carve outs, and neither Aavid nor
25 the SDMA cites any.

1 The Commission correctly found in its
2 preliminary determination that, "All in-scope aluminum
3 extrusions are made from similar raw materials with
4 similar qualities and are produced on the same
5 equipment at the same facilities." Moreover, the
6 record continues to support the Commission's finding
7 that, "There is an overlap among different types of
8 extrusions in the channels of distribution."

9 Consistent with its product continuum
10 practice, the Commission acknowledged that, "The
11 in-scope extrusions have many different uses," and
12 "There is a lack of interchangeability among the
13 thousands of different shapes of extrusions." Because
14 these observations are true across the continuum,
15 differing uses and a lack of cross use
16 interchangeability do not undermine a single like
17 product finding.

18 Of course, much of the information relevant
19 to the like product issues is confidential, but we
20 would be pleased to address the like product issues
21 raised by Aavid and the SDMA in our posthearing brief
22 if the Commission wishes us to do so.

23 We note that while the Commission's
24 questionnaire collected responses on the like product
25 criteria and performance data with respect to the

1 production and sales of finished heat sinks, it did
2 not do so with respect to shower door knock down units
3 or jewelry grade shower door extrusions, so the record
4 on those products is incomplete.

5 We also note that unlike Aavid, the Shower
6 Door Manufacturers Alliance did not request that the
7 Commission staff collect data on those alleged
8 separate like products, and it is too late to do that
9 now.

10 Domestic industry witnesses appearing this
11 morning manufacture heat sinks, shower door enclosures
12 or both, so they will be able to answer your questions
13 about these products.

14 In sum, well-established Commission practice
15 and the evidentiary record here strongly support a
16 final determination of one like product co-extensive
17 with the scope of the investigation.

18 With that I would like to introduce our
19 first industry witness, Duncan Crowdis, the president
20 of Bonnell Aluminum and chairman of the Committee.

21 CHAIRMAN OKUN: Mr. Crowdis, before you
22 begin we do have our last congressional witness so
23 we'll go ahead and hear from her and then you'll
24 proceed.

25 MR. BISHOP: The Honorable Claire McCaskill,

1 United States Senator, Missouri.

2 CHAIRMAN OKUN: Good morning and welcome,
3 Senator. You may proceed.

4 MS. McCASKILL: Thank you very much. Thank
5 you for giving me this opportunity, and I apologize to
6 the witnesses that were prepared to testify, but I did
7 want to come over and just briefly talk about the
8 important decision that you have in front of you.

9 There's a lot of folks around this town and
10 around America that are talking about four letters,
11 and that jobs. It's jobs, jobs and jobs. Obviously
12 this issue in front of you is certainly primarily
13 about jobs. This extrusion industry fell by 4,500
14 folks in two years, which I believe the case will be
15 made today is partly due to unfair competition from
16 the Chinese.

17 I want to speak personally about some jobs
18 in Missouri and give this context because I know how
19 difficult it is, many of the decisions you make. I
20 think it's important that you get in front of you real
21 world consequences of your decisions.

22 We have three aluminum extruders that have
23 operations in Missouri. We have Hydro, and it is a
24 factory in a town called Monett, Missouri. This town
25 is a little under 10,000 people, away from the urban

1 centers of Missouri, and several hundred people work
2 at this facility manufacturing windows with extruded
3 aluminum.

4 Then there's Lock Screen, a plant in Hayti,
5 Missouri, that is down in the boot heel of Missouri.
6 There are only 3,000 people in Hayti, and this company
7 employs 200 of them in working with aluminum
8 extruders, and then there's another company that
9 employs around 50 people in St. Louis, Missouri.

10 These folks are willing to compete on a
11 level playing field, and obviously that's what this is
12 all about today. I'm here just to urge you, on behalf
13 of these 450 jobs in Missouri, to take a hard look at
14 making sure that we have leveled this playing field.

15 I understand that the proponents of this
16 duty need to make their case to you. I am confident,
17 having reviewed the material that has been provided to
18 me, that that case is a strong one and I urge you to
19 accept the facts that will be presented to you today
20 about the unfair competition in this area and impose
21 this duty so these jobs in Missouri in these rural
22 communities that frankly have very few places to turn
23 when facilities like this must close their doors
24 because of unfair competition. Thank you very much.

25 CHAIRMAN OKUN: Thank you for taking the

1 time to testify today.

2 Mr. Crowdis, you can proceed.

3 MR. CROWDIS: Good morning. My name is
4 Duncan Crowdis. I'm the president of Bonnell
5 Aluminum, which is a manufacturer of soft alloy
6 extrusions. We are a division of Tredegar
7 Corporation, which is a publicly traded company out of
8 Richmond, Virginia, which I'm also a vice president.

9 Our headquarters, Bonnell's headquarters, is
10 in Newnan, Georgia, which is just southwest of
11 Atlanta. Bonnell was founded in Newnan in 1953 and in
12 1989 was spun off from a predecessor to become part of
13 Tredegar. I joined the company in 1998 and have been
14 president of the Aluminum Division since 2005.

15 The company has three production facilities,
16 one in Newnan, Georgia, one in Carthage, Tennessee,
17 and another in Kentland, Indiana. We currently have
18 13 extrusion presses, five each in Newnan and Carthage
19 and three in Kentland. Unfortunately, we are
20 currently operating only about half of these presses
21 as we speak. In December of 2006, we had over 1,300
22 employees. Today we have just over 800.

23 I'm here today because Bonnell has been
24 severely injured by unfair imports from China. We
25 have lost significant sales and revenues to these

1 imports, and we are extremely concerned about the
2 possibility of losing even more in the future.

3 We have outstanding production facilities
4 and people. We manufacture what we believe are world
5 class products, and we believe we can compete with
6 anyone in the world on a level playing field. That's,
7 quite frankly, all that we're asking; that the duties
8 be imposed so that imports from China are fairly
9 traded in the United States.

10 Bonnell manufactures a wide variety of
11 aluminum extrusions in its three facilities. Our
12 focus is in the building construction industry in
13 residential and even more significantly in the
14 nonresidential sectors, but we also have significant
15 businesses and customers in several other sectors such
16 as automotive, electrical and consumer durables.

17 As a leader in the building and construction
18 market, we've actually had the benefit of a double
19 whammy. First with the decline in demand for our
20 products due to the collapse of both the residential
21 and the nonresidential real estate markets and
22 increasing and very low-priced imports from China
23 underbidding us on what have become fewer and fewer
24 opportunities. The Chinese are very significant
25 players in the building and construction sector that

1 we play in.

2 We certainly appreciate the time that Vice
3 Chairman Williamson, Commissioner Pearson, Mr. Sigler
4 and Ms. Elkin spent in Newnan last Monday.
5 Unfortunately, even though we had a slight improvement
6 in the overall economy in 2010, the plant they saw was
7 still running at virtually half capacity, which is
8 about the level of operating utilization across our
9 entire company as we speak.

10 Not long ago we ran three shifts, seven days
11 a week, across most of our operations. Because of the
12 onslaught of unfair imports from China, at the
13 beginning of 2010 we're down to two shifts, five days
14 a week and sometimes even less than five days a week,
15 running three of the five presses during these
16 shortened work weeks in our Newnan facility. In
17 addition to dramatically cutting production, we also
18 reduced and let go a significant number of production
19 employees, as well as administrative staff.

20 To enable Bonnell to manufacture larger
21 extrusion sizes and provide more design freedom to
22 commercial architects, which is the business that we
23 play in, in 2007 we obtained an approval from our
24 board of directors for a significant capital project
25 to install a large, 5,500 ton press producing 16 inch

1 wide shapes in a 72,000 square foot new building in
2 our Carthage, Tennessee, plant. This capital project
3 was completed in late 2009 as planned, and we
4 commissioned it in December of that year.

5 We made the decision to purchase this press
6 in 2007 before the surge in unfair imports from China.
7 During the construction of this project, the economy
8 declined, but we remained confident in the wisdom of
9 this investment because we were positioning ourselves,
10 quite frankly, to take advantage of the recovery, but
11 the incredible rapid rise in imports from China took
12 substantial volume and market share from us, as well
13 as the other domestic producers.

14 We remain confident that in a fair trade
15 environment this press would provide a significant
16 differential advantage for us and therefore would be
17 an outstanding investment, making Bonnell even more
18 competitive and profitable in the future. Without
19 duties on unfair imports, however, I'm not sure
20 whether we'll ever see the kind of return on this
21 investment that we had intended when we put this
22 project in place.

23 Indeed, the viability of any investment in
24 the U.S. production is severely undermined by the
25 presence of a high level of duty-free and unfair

1 imports from China that routinely undersell us by
2 large margins. As we look into the future, I'm not
3 sure that I would be able to justify any significant
4 further investment in our facilities.

5 While there has been some modest recovery in
6 some sectors in 2010, the recession of the building
7 and construction industry certainly isn't over and the
8 industry continues to have severe difficulties.
9 Despite the slight recovery in 2010, the industry
10 remains injured and is extremely vulnerable to future
11 additional injury caused by unfair imports.

12 Companies smaller than Bonnell can quickly
13 go bankrupt if they run out of cash, and we've seen
14 this happen in numerous companies through the period
15 of this investigation. Of course, even Bonnell can't
16 operate profitably or invest in the future when unfair
17 imports, which are completely interchangeable with our
18 products, continue to flood into the market.

19 Only the filing of this case and imposition
20 of provisional measures that were brought about in
21 September slowed down the imports from China.
22 Overall, the industry did a little better in 2010, but
23 unfair imports are still in the market, causing
24 significant injury.

25 One final note. Bonnell operated soft alloy

1 extrusion production facilities in Ontario and Quebec,
2 Canada, which we sold in 2008. As you know, Canada
3 imposed antidumping and subsidy orders on imports of
4 aluminum extrusions from China in March of 2009.

5 Before we sold our Canadian operations in
6 2008, we were involved in that case, and to me it's
7 striking how the imports from China have penetrated
8 the U.S. market and injured the U.S. industry in much
9 the same way that we experienced when I was there in
10 2008.

11 We can handle economic cycles, quite
12 frankly, even including this long recession that we're
13 currently experiencing, but we cannot survive the loss
14 of sales and volume from unfair imports from China and
15 the negative price effects that these imports have on
16 our markets.

17 On behalf of Bonnell, I respectfully urge
18 the Commission to make an affirmative final
19 determination that will permit the domestic industry
20 to compete with imports on fair terms. Thank you.

21 MR. JONES: Our next industry witness is
22 Jeff Henderson from Sapa Extrusions.

23 MR. HENDERSON: Good morning. My name is
24 Jeff Henderson. I am Director of Marketing for Sapa
25 Extrusions, Inc. Sapa Extrusions is an indirect

1 subsidiary of Orkla ASA, a publicly traded Norwegian
2 company. Sapa has been part of the Orkla family of
3 companies since 2005.

4 I have been in my present position with Sapa
5 for two years. Before that I was employed as the
6 General Manager for Sapa's Delhi, Louisiana, extrusion
7 plant. In all, I have been working in sales and
8 marketing in the aluminum extrusion industry for 18
9 years.

10 Sapa is the largest aluminum extrusion
11 producer in the United States and the largest producer
12 in the world. We have aluminum extrusion operations
13 in 26 countries. In the United States, we operate 12
14 manufacturing facilities in nine states, employing
15 approximately 2,800 people.

16 We are a global company and believe strongly
17 in the benefits of free trade, but trade must be fair.
18 We cannot stand by and allow unfairly traded imports
19 to capture our market share, idle our plants and force
20 layoffs of our people.

21 Sapa has invested heavily in U.S.
22 production. However, the viability of those
23 investments are now jeopardized by the displacement of
24 our production and market share by low-priced imports
25 from China.

1 Since 2007, Sapa's investments in the United
2 States, including the acquisition of Indolex in 2009,
3 as well as acquisition of Alcoa's soft alloy extrusion
4 business, have resulted in the addition of 13
5 production facilities and 18 extrusion presses,
6 representing 1.2 billion pounds of production
7 capacity.

8 These investments strengthened Sapa's
9 geographic coverage in the United States' market,
10 improved Sapa's logistics efficiencies and broadened
11 Sapa's product range in value added services, which
12 include painting, anodizing, fabrication and design
13 assistance. These steps made economic sense for Sapa
14 in a fair trade environment. However, we have lost
15 significant volume to imports from China.

16 Sapa's product offerings reach into almost
17 every end use market, including building construction,
18 transportation, various engineered products and
19 standard shapes such as rod and bar. While Sapa holds
20 a strong position in the U.S. market, it has been
21 injured and remains threatened with injury because
22 many of our plants and products compete head-to-head
23 with imports from China.

24 In fact, our heat sink blanks are dedicated
25 to finished heat sink production, and our finished

1 heat sinks compete with finished heat sinks imported
2 from China. In fact, the industry is concerned about
3 heat sink imports, and we have seen significant loss
4 in this area in recent years.

5 I'd like to take this opportunity to thank
6 Aavid Thermalloy and other heat sink suppliers for
7 their continued business. We look forward to renewing
8 and growing those relationships in the future.

9 Sapa is also very concerned about what the
10 shower door manufacturers call knock down units, which
11 are essentially aluminum extrusions with some hardware
12 included. The petition also intended to cover those
13 products, and we hope the Department of Commerce will
14 agree, but I have to respond to an untrue statement in
15 the SDMA's brief.

16 They said that the petition excluded shower
17 doors with glass, but not knock down units, because
18 Sapa manufactures shower door extrusions in China and
19 imports them with glass from China. That claim is
20 false. We did not participate in this case to find
21 some seam in the law that we could exploit. We
22 support the petition because our U.S. manufacturing
23 has been injured by unfairly traded imports from
24 China.

25 The sharp decline of residential

1 construction, combined with the surge in unfair
2 imports from China, forced us to close our Magnolia,
3 Arkansas, extrusion line and purchase the extrusions
4 previously made in that plant in order to be
5 competitive. But Sapa does not manufacture shower
6 door extrusions or complete shower doors in China, and
7 we do not have any plans to do so in the future.

8 Imports from China have been a growing
9 problem in the U.S. market and were causing adverse
10 effects in 2008, but the volume of these imports
11 became especially great during the calendar year 2009
12 and the first half of 2010. Imports during this
13 period have displaced domestic sales and unfairly
14 depressed prices in the United States.

15 The significant rise in Chinese imports
16 during a time when demand was decreasing magnified
17 their market impact. Sapa rationalized capacity
18 during the 2007 to 2009 period, yet our capacity
19 utilization continued to decline markedly through 2008
20 and 2009. The imports grew rapidly and gained
21 significant market share only because they undersold
22 domestic product by large margins.

23 The products imported from China and the
24 products we and other U.S. producers make are
25 comparable in terms of quality and product

1 availability and compete head-to-head. Imports from
2 China cover all market sectors and most of the wide
3 spectrum of standard and custom shape demand.

4 Domestic and imported aluminum extrusions
5 move through the same channels of distribution and
6 both are sold to distributors and end users, including
7 OEMs. Moreover, distributors increasingly handle both
8 domestic and imported extrusions. Our production
9 faces both direct and indirect competition on all
10 fronts from the unfair imports.

11 Sapa made a long-term commitment to the U.S.
12 market and remains confident that its investments were
13 justified by sound economic analysis. Unfortunately,
14 our careful and well-considered investments have been
15 impaired by imports from China.

16 Indeed, what is likely to occur in the
17 absence of relief is further disinvestment and
18 bankruptcies throughout the industry. We therefore
19 urge the Commission to make an affirmative
20 determination in this case. Thank you.

21 MR. JONES: Thank you, Mr. Henderson. Our
22 next witness is Susan Johnson from Futura Industries.

23 MS. JOHNSON: Good morning. My name is
24 Susan Mooney Johnson, and I'm the president and CEO of
25 Futura Industries Corporation. We produce soft alloy

1 aluminum extrusions out of two plants in Clearfield,
2 Utah. Clearfield is about 30 minutes north of Salt
3 Lake City. We are a wholly owned subsidiary of Futura
4 Corporation, a Boise, Idaho, corporate entity.

5 We have been in business for 65 years, and
6 I've been president of this company for 16. I'm a
7 mechanical engineer by education, and prior to Futura
8 Industries I was president of the U.S. wholly owned
9 subsidiary, Mack Trucks.

10 We employ 230 people in Utah, which is small
11 in comparison with the other Petitioners here today.
12 However, by far the majority of extruders in this
13 country are similar in size to us. The custom nature
14 of much of the aluminum extrusion market allows small
15 producers such as Futura Industries to compete very
16 effectively.

17 We have extensive and sophisticated
18 machining operations. Thus, the majority of our sales
19 are in the engineered product sector, and many of our
20 extrusions end up in high value-added fabricated
21 parts. We supply well over 600 different customers in
22 every kind of type of extrusions you can think of.

23 The fact is that the Chinese suppliers can
24 and do supply the same type and range of fabrication
25 that we do. No type of value-added work has been

1 insulated from their competition. We have competed
2 against Chinese suppliers for fabricated parts at
3 numerous accounts and continue to do so. The China
4 price is a daily occurrence at our company.

5 One of the markets we have traditionally
6 served is the bath and shower enclosure market. This
7 was among one of the first value-added markets
8 targeted by the Chinese. Chinese imports dominated
9 this market from 2008 through 2010.

10 We have our own anodizing capacity and we
11 can offer both the bright dip and brushed nickel
12 finishes that are most common in this industry.
13 Utilization of our anodizing facility remained low
14 through most of the period of investigation. I am
15 pleased to note that business has picked up for bright
16 dipped anodized parts for shower door manufacturers
17 during the latter part of 2010 as sourcing has shifted
18 away from China.

19 I'd like to talk about the Chinese prices in
20 the bath and shower enclosure market. In the specific
21 case of Futura Industries, we have documented
22 underselling of shower door accounts of up to 50
23 percent by our Chinese competitors. We also have
24 reduced prices by well over 20 percent at accounts
25 that we currently sell.

1 By way of demonstrating how much Chinese
2 extruders were undercutting the domestic suppliers,
3 I'd like to look at the unit values for 2009. For
4 anodized products as compared with mill finish,
5 Chinese extruders were 22 percentage points below the
6 U.S. extruders' pricing, and specifically as it
7 relates to shower doors for bright dipped products as
8 compared to mill finish, Chinese extruders were 48
9 percentage points below our pricing.

10 As this data points out, it's no wonder that
11 the bath and shower enclosure producers want to
12 maintain their Chinese sources. It's also no wonder
13 that Aavid Thermalloy, which is an OEM just like many
14 others, wants to retain its Chinese manufactured heat
15 sinks.

16 Futura Industries manufactures heat sinks,
17 including what are commonly referred to as high aspect
18 ratio heat sinks, and have sold heat sinks to both
19 Aavid and Thermalloy prior to their joining together
20 as one corporation in the past before they began
21 sourcing from China.

22 There are thousands of different kinds of
23 heat sinks with as many different applications. Let
24 me explain the differences between the heat sinks that
25 Futura Industries makes and those that Aavid

1 Thermalloy have alluded to in their petition. They
2 choose to do thermal testing services in-house as a
3 final QC process and we do not. That's it.

4 There are no actual manufacturing operations
5 that they perform that we do not. We extrude the same
6 shapes that they buy from their Chinese extrusion
7 suppliers. We do the same anodizing and fabrication
8 that they do if needed, and we run many of the same
9 tests and quality checks. If Aavid and Futura were
10 given the same engineering specifications, the heat
11 sinks produced by the respective plants would be
12 physically indistinguishable.

13 We are a producer of finished heat sinks,
14 and many of our heat sink customers do no further
15 manufacturing to the finished heat sinks they buy from
16 us. Some of them do thermal testing, but the heat
17 sinks they buy from us are finished in both our minds
18 and theirs.

19 We didn't provide data to the Commission on
20 finished heat sinks because there was some confusion
21 as to whether these finished heat sinks had to have
22 thermal testing as a required operation. For a
23 finished heat sink, that is arbitrary in our and the
24 domestic industry's opinion and it has been used to
25 intentionally confuse this issue. Excluding products

1 based on what kind of adherence to design
2 specification QC testing is done postmanufacturing is
3 arbitrary.

4 In conclusion, I ask that you keep in mind
5 that many U.S. producers operate on the scale that
6 Futura Industries does. Extruders of our size
7 represent the majority of extruders in this country.
8 We are a significant local employer, and we are a
9 great corporate citizen and have been for 65 years.

10 We reinvest continually in the long-term
11 viability of our business, as well as the well-being
12 of our employees. On behalf of the many U.S.
13 producers similar to Futura Industries and the
14 communities they serve across the United States, we
15 ask the ITC to act now to enforce the trade laws as
16 well to keep us a viable employer into the future.
17 Thank you.

18 MR. JONES: Thank you, Ms. Johnson. Our
19 next witness is Mr. Lynn Brown from Hydro Aluminum.

20 MR. BROWN: Good morning, members of the
21 International Trade Commission. My name is Lynn
22 Brown. I am Senior Vice President for Sales and
23 Marketing at Hydro Aluminum North America. Our parent
24 company, Norsk Hydro, is a major global producer of
25 aluminum with operations in Europe, the Middle East,

1 Asia and the Americas.

2 Hydro Aluminum North America, which I'll
3 refer to as Hydro, is a major U.S. producer of soft
4 alloy aluminum extrusions. During the period of this
5 investigation, we had six extrusion plants operational
6 in the U.S. We also case aluminum billet, both for
7 our internal use and to sell on the open market to
8 competing extruders.

9 I would like to walk you through the typical
10 way in which aluminum extrusions are priced and
11 marketed. The starting point for all pricing is the
12 cost of aluminum, a globally traded commodity. In
13 those markets with which I am familiar -- North
14 America, South America and Europe -- aluminum billet
15 is priced according to the London Metal Exchange or
16 LME.

17 That LME price on any given day is publicly
18 reported and known throughout the industry. For
19 example, yesterday's LME price for aluminum ingot was
20 just under \$1.15 per pound, about one cent less than
21 the day before. Today it was up about three-tenths.

22 CHAIRMAN OKUN: Mr. Brown, would you be able
23 to move your microphone a little closer so we can hear
24 you better?

25 MR. BROWN: On top of the LME you need to

1 pay for delivery of that metal. In the U.S., this
2 additional cost is referred to as the midwest premium.
3 That's also widely reported by industry sources such
4 as Platts. Yesterday's midwest premium was just over
5 6.5 cents per pound, giving a total transaction price
6 for aluminum ingot in the U.S. of just under \$1.22.

7 Keep in mind that we can't extrude aluminum
8 ingot so there's additional cost for casting that
9 ingot into aluminum billets, which is the feedstock
10 for our aluminum presses. Depending on alloy, the
11 cost of this process is anywhere from eight to 10
12 cents per pound.

13 So the total aluminum input cost that we
14 look at before even the first extrusion operation is
15 the cost of ingot, the cost of producing the billets,
16 the midwest premium of delivery. That total cost was
17 approximately \$1.30 to \$1.32 per pound yesterday.

18 U.S. producers have very little opportunity
19 to negotiate or otherwise affect that metal cost.
20 That cost is easily transparent to everyone and is
21 generally passed through to the customer. For most
22 finished aluminum extrusions, that metal cost accounts
23 for the majority of our total cost. It would not be
24 unusual to see the aluminum metal representing over 75
25 percent of our total cost of manufacture.

1 There are exceptions. Certain specialty
2 paints can be very expensive, and complex fabricated
3 parts often result in total cost of conversion
4 exceeding the cost of the metal. That term, that
5 conversion cost, represents the value that we in the
6 industry add to the metal we buy. That includes value
7 added in the extrusion process, whatever finishing and
8 fabrication we perform.

9 Conversion cost is the only area where we
10 really have cost control. Hence, it's the primary
11 area where we have flexibility of price. Each
12 producer has different incremental costs for
13 extrusions, for finishing, for fabrication, and that's
14 where and how each of us competes with other
15 suppliers, those costs and the value that we provide.

16 Faced with the level of Chinese pricing over
17 the past few years, U.S. producers have extremely
18 little room to negotiate on price. At Hydro, we have
19 emphasized our supply chain effectiveness and
20 extensive value-added services.

21 Most of the continental U.S. is within a
22 day's drive from one of our facilities. Nevertheless,
23 even with significant geographic presence an advantage
24 over imports from China, we have faced extreme price
25 pressure.

1 Hydro participates in a wide range of
2 extrusion market segments, including solar energy,
3 transportation, electrical, consumer goods, industrial
4 and building and construction. We have lost sales and
5 revenues to the Chinese in every one of these
6 segments.

7 As reflected in your staff report,
8 purchasers consider Chinese aluminum extrusions to be
9 comparable to U.S. aluminum extrusions. The Chinese
10 offer a broad range of shapes, sizes and finishes.
11 They also provide design services and fabrication.
12 They're sold into a variety of markets and to many
13 different types of customers, and numerous suppliers
14 have U.S. based warehousing, which enables short
15 delivery lead time.

16 As a result, and as also shown in your staff
17 report, price is the leading criterion in purchasing
18 decisions. Even competing with other domestic
19 suppliers, bids are most often lost or won on pennies
20 per pound.

21 The price competition from China is much
22 greater. To illustrate, in 2009 we put together a
23 very competitive bid for a large volume of extrusions
24 for a fencing supplier. The prospective customer was
25 within three hours of one of our plants in the

1 midwest. The Chinese underbid us by fully 25 percent,
2 essentially pricing at our cost of billet. As a
3 result, we lost over \$10 million in sales.

4 In another situation quoting large volumes
5 of thresholds, we lost over \$5 million in sales to
6 Chinese extrusions priced less than 7 percent below
7 our prices. That shows how critical the pricing
8 factor is.

9 And it's not just large volume purchasers
10 that are buying on price. We've been shut out of
11 quoting on smaller volume opportunities because of
12 price. There is simply no market that we see that's
13 safe from Chinese price competition.

14 I started off by mentioning that we are part
15 of Norsk Hydro, a publicly held global company. Over
16 the past several years, it has been increasingly
17 difficult for Hydro Aluminum North America to justify
18 capital expenditures in our facilities, given the
19 competitive environment and our internal rates of
20 return.

21 We closed two plants in 2009 and idled
22 production lines in three others. New data show a
23 steady stop in capital expenditures in our industry.
24 From 2008 to 2010, these investments fell nearly 50
25 percent. Without the establishment of a level playing

1 field, this industry is facing a downward spiral:
2 Disinvestment in which we lose competitiveness, which
3 leads to further decline in production, sales,
4 revenues and of course jobs.

5 The time to act is now. The Commission can
6 stop the loss of this industry to unfair import
7 competition with an affirmative determination in this
8 investigation. I thank you for your time.

9 MR. JONES: Thank you, Mr. Brown. Our next
10 witness is Linda Andros from the United Steel Workers
11 Union.

12 MS. ANDROS: Good morning, Commissioners.
13 Thank you for the opportunity to appear before you
14 today. My name is Linda Andros, and I'm the
15 legislative counsel for United Steel, Paper and
16 Forestry, Rubber, Manufacturing, Energy, Allied
17 Industries and Service Workers International Union,
18 also known as the United Steel Workers or the USW.

19 The USW is the largest industrial union in
20 North America with approximately 850,000 active
21 members working across a broad range of the nation's
22 manufacturing base, including in the U.S. aluminum
23 industry. Since long before I joined the United Steel
24 Workers back in 2007, the union has been fighting, and
25 fighting hard, against foreign government and foreign

1 companies who seek to gain a competitive advantage in
2 the United States market by violating our trade laws.

3 We seek to redress that balance through the
4 trade laws. The USW represents workers involved in
5 all facets of aluminum production from mining of the
6 primary production of aluminum to secondary smelting,
7 refining and rolling and extruding and die casting of
8 aluminum products.

9 USW members work at many of the domestic
10 industry facilities. In 2009, our members represented
11 approximately 1,945 workers producing the soft alloy
12 aluminum extrusions at issue here. We have workers at
13 Aerolite Extrusions in Youngstown, Ohio; Bonnell
14 Aluminum in Kentland, Indiana, and also in Newnan,
15 Georgia; Hydro Aluminum in Kalamazoo, Michigan; Kaiser
16 Aluminum in Bellwood, Virginia; and Sapa Extrusions in
17 Cressona, Pennsylvania.

18 What's happening to all of these petitioning
19 companies and all of the other U.S. producers who are
20 supporting this petition is a slow undermining of the
21 industry, an industry and its workers who have been
22 competitive, efficient and hard working. The domestic
23 aluminum extrusions industry is being pushed out of
24 the U.S. market by China. China, who wants jobs rich
25 people, and China, who is ready, willing and able to

1 subsidize and then have its producers dump products in
2 the U.S. to reach that goal.

3 But the result here is increasing levels of
4 low-priced imports, depressed U.S. prices that have
5 led to U.S. producers and workers experiencing plant
6 closures, reduced production, employee layoffs,
7 shorter work weeks and reductions in shifts of workers
8 and loss of capacity and, as you've heard today, it's
9 going to lead to disinvestment in the United States.

10 U.S. local union officials have reported
11 layoffs occurring over the last few years at companies
12 such as Aerolite Extrusions in Youngstown, Ohio; Hydro
13 Aluminum in Kalamazoo, Michigan; and Bonnell Aluminum
14 in Newnan, Georgia. Of course, our union has seen
15 this pattern over and over again in the various
16 industrial sectors that we represent, and we know well
17 that the very policies designed to create jobs in this
18 case in particular in China and to maintain those jobs
19 again in this case in particular to China can often
20 destroy jobs in the United States.

21 These are jobs that provide family
22 sustaining wages and provide a strong revenue base for
23 communities across the country, especially local
24 communities that are the very fabric of our nation
25 like we've heard today from Utah.

1 It is my understanding that Chinese imports
2 of aluminum extrusions have increased by 138 percent
3 from 2008 to 2009. That's a pretty large number. And
4 this is during a time of decreasing demand in the
5 United States. The only way to rationally explain the
6 surge of imports from China during a period of
7 declining demand is that there was significant
8 underselling of aluminum extrusions by Chinese
9 producers. This occurs due to their ability to dump
10 after having received subsidies from their government.

11 Moreover, the Chinese industry and the
12 Chinese Government are unlikely to give up the U.S.
13 market -- clearly it's a very lucrative market, a very
14 open, large market -- in particular since Australia
15 and Canada have implemented their own antidumping and
16 I believe countervailing duty orders against China and
17 in particular, as you've heard here today, the massive
18 capacity expansion that China is undergoing in this
19 product, so we believe that they're not likely to give
20 up this market on their own.

21 Our members of the United Steel Workers are
22 ready and willing to compete and to compete fiercely
23 on a level playing field, but we cannot, no matter how
24 hard we may try and how much we may want to, compete
25 or win if that field is not level. It's just that

1 simple.

2 So we would urge you today to render an
3 affirmative finding to assist an industry and its
4 workforce that have been harmed substantially by this
5 unfair trade from China and to give us all the ability
6 to regroup and recover in the coming years. Thank
7 you.

8 MR. JONES: Could I get a time check,
9 please, Mr. Secretary?

10 MR. BISHOP: You have 18 minutes remaining.

11 MR. JONES: Thank you. Our last witness is
12 Rebecca Woodings from King and Spalding.

13 MS. WOODINGS: Good morning, Madame
14 Chairman, Mr. Vice Chairman, other Commissioners and
15 Commission staff. It is always a pleasure to return
16 to the ITC. I do so at this time on behalf of U.S.
17 producers of soft alloy aluminum extrusions.

18 My testimony will focus on the statutory
19 indicia for the Commission's determinations regarded
20 injury and threat of material injury. I begin with
21 several important conditions. First, price is a
22 critical purchase criterion. Price closely followed
23 quality in purchasers' ranking of factors affecting
24 their purchase decisions. Let me add that the large
25 majority of purchasers judged U.S.-produced aluminum

1 extrusion to be comparable to Chinese extrusions in
2 terms of quality.

3 U.S. extrusions were also held to be either
4 comparable or superior to Chinese extrusions in terms
5 of availability and delivery. But in actual purchase
6 decisions, nonprice factors are minimized, and price
7 becomes the deciding factor. In fact, 86 percent of
8 purchasers judged a price a very important purchase
9 consideration, and more than 70 percent of purchasers
10 said that the lowest priced aluminum extrusion either
11 sometimes or always wins the sale.

12 Second, as the industry witnesses have
13 testified and the record demonstrates, there is
14 competition between U.S. and Chinese extrusions across
15 the continuum of products and markets. The prehearing
16 report demonstrates that the subject imports include
17 mill finished, painted, and anodized extrusions.
18 These imports consist of standard and custom products
19 in very similar proportions to those of the domestic
20 like product.

21 Chinese extrusions were also present in all
22 market segments. And from the last revenue and sales
23 discussions, it is clear that there is competition
24 from many types of fabricated products and from many
25 different types of customers.

1 Third, we are all very aware of U.S.
2 economic conditions over the past several years, and
3 such depressed sectors as residential housing. Demand
4 for aluminum extrusions declined from 2008 to 2010.
5 Many segments of the market had been in decline
6 starting back in 2007. And in fact, the U.S. housing
7 slumped in 2006.

8 New data show a steep decline in demand from
9 2008 to 2009, and then a smaller increase from 2009 to
10 2010. We have data that suggest that the recovery was
11 somewhat more modest, the new data report. In any
12 event, the subject reports remained at very high
13 levels in 2010, and the aluminum extrusion industry
14 showed mostly negative performance indicia.

15 Ladies and gentlemen, this is an injured
16 industry, and large volumes of aggressively priced
17 Chinese imports have been a leading cause of distress,
18 along with weak demand.

19 The final condition of competition that I
20 will note is the role that aluminum import material
21 plays in pricing. As Mr. Brown has described, the
22 metal cost is generally not negotiable. As a result,
23 U.S. producers' pricing flexibility is limited to
24 conversion costs. In cases with this type of variable
25 cost structure, the Commission would expect to see

1 relatively larger what I'll call volume effects from
2 the low-priced imports, and relatively smaller priced
3 effects. So let's turn to those data now.

4 The staff report quantifies the subject
5 imports using the HTS items identified in the petition
6 as accounting for most of those imports. We do not
7 disagree with this methodology, although subject
8 imports also entered under other tariff
9 classifications and we're unable to capture those
10 volumes. As a result, the aggregator will be
11 understated. The subject import volume data will be
12 understated.

13 The HTS items identified are the appropriate
14 data source for this purpose. These data show a 138
15 percent increase in imports from China from 2008 to
16 2009, and that is as demand is declining. So the
17 Chinese market share, as we see, went from 6.9 percent
18 to 19.4 percent.

19 This is huge surge imports during a period
20 of already considerable distress for U.S. producers.
21 The Commission's preliminary opinion also noted an
22 increase in the margins of underselling by Chinese
23 imports during 2009, just as this surge is occurring.
24 The combined impact was devastating to U.S. producers.

25 The next slide you will see is the monthly

1 imports from China throughout the entire POI.
2 Purchasers' questionnaires are replete with evidence
3 regarding the impact of the filing of the petition and
4 the imposition of preliminary remedies. Basically,
5 purchasers of the subject imports began turning to
6 U.S. producers about halfway through 2010.

7 Now, as you can see, the monthly import
8 volumes remained quite high until October. But the
9 request for price quotes from U.S. producers -- to
10 U.S. producers were increasing after about mid-year.
11 Overall, the volume of imports declined 5 percent from
12 2009 to 2010, and the Chinese market share declined to
13 16.3 percent -- 16.2 percent, excuse me.

14 Here is another visual for the next slide.
15 This is another visual showing the steep drop in
16 imports between the first half and the second half of
17 2010. In sum, the clearly show that the volume of
18 subject imports is significant, both absolutely and
19 relative to domestic consumption and production.

20 Turning now to price effects. The staff
21 report demonstrates underselling in 45 of 59 possible
22 price comparisons. That's 79 -- 76 percent of the
23 time, excuse. And underselling margins were from 3.5
24 percent to 54.4 percent. We have pointed out some
25 problematic pricing data and believe that the

1 instances of underselling were actually greater.
2 However, the uncollected data clearly point to
3 significant underselling, as envisioned by the
4 statute.

5 With regard to price suppression, Chinese
6 prices for six of the seven products fell over the
7 period. And these price declines were from 9.5
8 percent to 43.7 percent. Meanwhile, U.S. prices for
9 five of the seven products surveyed also fell over the
10 period, and these price declines were from 3 percent
11 to 27.2 percent.

12 As summarized on the slide, Chinese prices
13 fell more and for more products over the same period
14 compared with domestic prices. Viramid aluminum is a
15 globally traded commodity, and metal costs are
16 generally passed onto the customer, as steeper price
17 declines for the Chinese demonstrate significant price
18 suppression by reason of the subject imports.

19 I recognize that U.S. operating results
20 improved over the POI, and I will address that in a
21 moment. Meanwhile, there is no public total for the
22 confirmed lost sales and revenues. We provide a total
23 based on a prehearing report summary, and you can find
24 that in our brief on page 44. I can only refer the
25 Commission to the confidential record and state that

1 confirmed loss sales and revenues were substantial and
2 fully support findings of adverse price effects and
3 significant subject import volumes.

4 As a result of the sharply increased subject
5 import volume, underselling, and price depression,
6 there were significant declines in domestic
7 performance indicia for the industry. I'm going to
8 skip over capacity because as we have discussed with
9 the staff -- I believe the staff is aware -- there is
10 a data problem there. But production, capacity
11 utilization and U.S. production shipments -- the
12 shipments volume, value, and unit value all fell,
13 while inventories and inventory ratios rose.

14 Employment indicators also fell. Even
15 hourly wages are down. And my experiences in these
16 cases suggest that that is rare. The financial data
17 show another steep decline in revenues. And the
18 variance analysis in your prehearing report shows that
19 this drop was driven by both declining volumes and
20 declining prices. The surge in imports in 2009 simply
21 took substantial sales volumes from U.S. producers,
22 and this caused deepening losses for the industry.

23 Now, in 2010, several things happened.
24 First, there is a pickup in demand in some market
25 segments. Second, starting in the summer and

1 accelerating into the fall after the imposition of the
2 provisional remedies in early September, there is some
3 shift by purchasers of Chinese extrusions to U.S.
4 extrusions. This enabled U.S. producers to increase
5 sales volumes, and in some places to increase prices.
6 There is evidence in the record to support both
7 factors occurring during 2010 and directly tied to
8 post-petition behavior.

9 Third, and we note this in our brief, there
10 were a number of U.S. extruders that exited the market
11 during 2008 and 2010 -- 2008 to 2009. For the most
12 part, your prehearing report does not include that
13 data. I can expand during the question and answer
14 period if you want, but in sum, the producers that
15 survived and responded to the Commissioners'
16 questionnaires all benefitted from the exist of these
17 suppliers and their capacity. Thus, we believe there
18 is a good bit of survival bias in the data.

19 Overall, and despite these positive
20 developments, the 2010 results show only a very slim
21 operating margin for the industry as a whole.

22 Finishing up on the financial data, capital
23 expenditures were down 46 percent, R&D was off 18
24 percent, and total asset value declined by 20 percent.
25 Again, my experience in these cases is that that kind

1 of decline in asset value is unusual.

2 Net return on investment for the domestic
3 industry was 3.8 percent in 2010. And I ask you,
4 outside of T bills and maybe some tax exempt bonds,
5 how many of you consider a 3.8 percent return good on
6 an investment.

7 In sum, I submit that the record establishes
8 more than a sufficient basis for a finding of material
9 injury by reason of the subject imports. With regard
10 to the question of threat of material injury, you have
11 an insufficient foreign questionnaire response rate to
12 address the threat criteria pertaining to unused
13 capacity or likely future increase in capacity.

14 The prehearing report does contain other
15 evidence on that score, as does our prehearing brief.
16 One of the facts that I'll highlight is the planned
17 expansions by the Chinese industry are expected to add
18 4.5 million metric tons of U.S. new capacity in China.

19 Let's move to the next slide and put that in
20 comparison. This slide shows the current size of the
21 U.S. market, the size of the U.S. market in 2010
22 compared to the capacity planned to come on in China.
23 And I will refer -- the prior slide also noted the
24 imposition of countervailing duties and antidumping
25 remedies on these imports from China -- or these

1 exports from China, excuse me, by Canada in 2009 and
2 Australia in 2010.

3 Mr. Jones has addressed the issue pertaining
4 to like product. But I'm going to add some very
5 limited remarks on the data, first regarding heat
6 sinks. The data that the Commission has on finished
7 heat sinks do not represent what either producers or
8 consumers in this country consider to be heat sinks,
9 finished heat sinks. The definition put forward by
10 Aavid Thermalloy serves their interest as an importer
11 of these products.

12 I ask you to take a look at the public
13 prehearing report table presenting pricing for product
14 setting. Here it is. It's on page Z-14 of your
15 report. This is a particular kind of heat sink, the
16 definition for which was provided by Aavid Thermalloy.
17 You will see that there are zeroes for the imported
18 products for the first six quarters. And then for the
19 domestic like product, there are zeroes for the last
20 five quarters.

21 I don't know what other conclusion you can
22 draw from this table except that sourcing has shifted
23 entirely to China. And while heat sinks are not a
24 separate like product, the available data for those
25 products indicate that that portion of the domestic

1 industry is also injured by imports.

2 As Mr. Jones indicated, we do not have
3 industry data and the bath and shower enclosure
4 extrusions which are proposed as separate like
5 products. We do have some general information on the
6 volumes and prices of this product type in general.
7 For example, we can tell that the subject imports
8 dominated the bath and shower enclosure segment of the
9 overall U.S. aluminum extrusion industry throughout
10 2008 to 2010.

11 You also have some pricing evidence for
12 these extrusions. It's product 4. These are bath and
13 shower enclosure extrusions. That's page V-11 of your
14 staff report. The table is confidential.

15 That concludes my testimony. I'm happy to
16 respond to any questions you may have, and I'll return
17 to Mr. Jones for any further concluding remarks.

18 MR. JONES: Madame Chairman, that concludes
19 our presentation. Whatever few minutes we have left
20 we'll reserve for rebuttal.

21 CHAIRMAN OKUN: Thank you, and before we
22 turn to our questions I would take this opportunity to
23 thank all the witnesses for appearing here,
24 particularly for industry witnesses who have traveled
25 to spend the day with us and to answer our questions

1 and to Ms. Andros for representing labor here today.
2 And with that, a reminder to just repeat your name
3 when you answer questions for the benefit of the court
4 reporter. We'll turn to Commissioner Pearson to start
5 the questions this morning.

6 COMMISSIONER PEARSON: Thank you, Madame
7 Chairman. And allow me to express my appreciation to
8 Mr. Crowdis and others from Bonnell who did provide a
9 very interesting tour of their facility at Newman. As
10 sometimes happens after those tours, I find myself
11 noticing aluminum extrusions in this case now wherever
12 I go, and not just when I get into the shower. And,
13 no, I did not put that door together by myself, and,
14 yes, it does include glass.

15 This really is, I think, rather an unusual
16 case. To the best of my knowledge, no Respondent is
17 actually arguing on the basic issues of volume price
18 and impact. Instead, the main issues appear to be
19 like product disputes for two quite minor items,
20 finished heat sinks and shower door kits. The like
21 product arguments seem to me not to be trivial. We
22 have very capable counsel who have come forward with
23 colorable and thoughtful arguments on like products.
24 And having myself made like product decisions in the
25 past that are entirely removed from what is being

1 suggested here, I am interested in understanding that.

2 So my question, Mr. Jones, why hasn't this
3 issue been resolved? You know, there is a lot of
4 precedent for scope issues to get sorted out before
5 they get here.

6 MR. JONES: Well, the issue has not been
7 resolved because the inclusion -- well, finished heat
8 sinks and shower door knockdown units, the products in
9 dispute, were very clearly, we think, intended to be
10 included in the scope of the investigation, very
11 consciously, very intentionally, because as you heard
12 today, these are products that are important to
13 domestic producers, and they are products that have
14 been imported from China, we think unfairly, have been
15 dumped and subsidized, and have unfairly taken market
16 share from domestic producers.

17 So they were very consciously and
18 intentionally included within the scope.

19 COMMISSIONER PEARSON: Okay. But does that
20 mean that you consciously and intentionally kind of
21 picked a fight with some of your customers? Because
22 aren't the Respondents who are here customers who buy
23 a product from people who actually run extruders?

24 MR. JONES: There are. In fact, they are in
25 fact customers, some of the extruders, that's correct.

1 COMMISSIONER PEARSON: Have there been any
2 efforts to have a negotiation or discussion with the
3 Respondents about possibly changing the scope?

4 MR. JONES: There were some discussions
5 early on, but they did not lead to any sort of
6 settlement.

7 COMMISSIONER PEARSON: Okay. And I can
8 infer from your presentation today that you are not
9 inclined to make changes in the scope to accommodate
10 the Respondents.

11 MR. JONES: At this time, we are not
12 inclined to do that. That's correct.

13 COMMISSIONER PEARSON: Okay. Do you know of
14 any efforts to get Commerce to change its scope?

15 MR. JONES: Well, the issue has been briefed
16 and argued at Commerce, and Commerce today will issue
17 its final determinations in the antidumping
18 countervailing duty investigations, and will speak to
19 these scope issues today.

20 COMMISSIONER PEARSON: Okay. It would be
21 correct to say that you have not supported scope
22 changes at Commerce.

23 MR. JONES: That's correct. We have opposed
24 changes in our scope.

25 COMMISSIONER PEARSON: Then help me to

1 understand the commercial significance of these two
2 products where we have the like issues. And let's
3 start with finished heat sinks, where we do have some
4 data, quite detailed data, in response to
5 questionnaire responses. And I know Ms. Woodings has
6 just said that there are other data that we can look
7 at.

8 In both cases, I have found the -- looking
9 both at tables V-9 that Ms. Woodings pointed us to and
10 looking at table E-1, which provides the confidential
11 information on the finished heat sink production --
12 now, I express regrets to those who have no access to
13 the confidential business information. But we're
14 going to have a lot of discussion about stuff that you
15 can't see here.

16 I did the numbers. I looked at the
17 percentage of total production, sales quantity, and
18 sales value of finished heat sinks relative to the
19 totals for the entire like product, as you've defined
20 it. And we can't talk about specific numbers, but we
21 oftentimes characterize trends and whatnot. And my
22 characterization would be to say that for finished
23 heat sinks, the sales quantity, sales value, and the
24 percentage of production are very, very small.

25 So how is this commercially significant?

1 I'm just missing something. And perhaps other people
2 than Mr. Jones would want to answer because you have
3 commercial experience with this product.

4 MR. JONES: Well, I'll start off. There are
5 certainly large producers in the industry, such as
6 Sapa and others here today, Hydro, Bonnell, for which
7 heat sinks would not be a significant portion of their
8 shipments. But there are other producers, smaller
9 producers, for which heat sinks is a significant part
10 of their business. And it is very, very important to
11 them whether heat sinks are included within the scope
12 or not.

13 And that's not to suggest it's not important
14 to folks sitting here. They'll speak for themselves
15 on that. But in terms of a percentage of domestic
16 production or percentage of domestic shipments, for
17 some companies, it is very significant.

18 MR. HENDERSON: Jeff Henderson with Sapa
19 Extrusions. Mr. Pearson, in my testimony I mentioned
20 that we lost jobs in Magnolia, Arkansas due to this,
21 in the shower and bath enclosure. It's very
22 significant to those folks. And that was a very
23 successful business for our company for years until
24 the industry declined, coupled with the option of
25 cheap imports from China, a very significant issue.

1 COMMISSIONER PEARSON: Even though the
2 actual tonnage of finished heat sinks involved here is
3 really quite small, that could cost jobs?

4 MR. HENDERSON: Yeah. Now, I was referring
5 to the bath and shower in Magnolia. Now, in heat
6 sinks, what we tend to find is that some of our
7 operations will get better at extruding certain shapes
8 than others. And so they tend to -- I almost want to
9 say specialize, but that's probably an overstatement.
10 But they do a good job at it, so they get the
11 business.

12 So even though in a macro sense those
13 buckets may look very small, to a given operation, it
14 may be extremely significant and important. And our
15 Cressona, Pennsylvania operation is a good heat sink
16 extruder. They're good at it. And they've lost
17 hundreds of jobs over the years, some of which were a
18 result of the lost sales in the heat sink area.

19 MR. JONES: Commissioner Pearson, it's
20 important to consider that the data that you have on
21 finished heat sinks is a very narrow definition that
22 was proposed by Aavid. But heat sinks encompasses
23 both finished heat sinks, of course, but also
24 unfinished heat sinks. And a lot of companies in the
25 industry, including Sapa, produce unfinished heat

1 sinks, heat sink blanks that they then sell to -- they
2 may finish and sell, or they sell it to others that
3 would finish and sell them onto the LEM.

4 So, you know, if finished heat sinks are a
5 separate like product, then clearly unfinished heat
6 sinks are part of that like product. And there are a
7 lot of companies in the domestic industry that produce
8 unfinished heat sinks.

9 MS. JOHNSON: Susan Johnson from Futura
10 Industries. As you mentioned earlier, now that you
11 know about aluminum extrusions, you see them
12 everywhere. Well, heat sinks are no different. They
13 have been narrowly defined by Aavid Thermalloy, who
14 primarily supplies the electronic cooling market,
15 which is a very specific application. However, heat
16 sinks are everywhere. I have no doubt that they're
17 operating in this room right now.

18 They operate on mass transit facilities,
19 class eight trucks, lighting systems, audio systems.
20 So my guess is that many of your Respondents, producer
21 Respondents, characterized heat sinks as OEM products
22 in a general characterization. They can masquerade in
23 many forms. And I would suggest that if we allow this
24 exclusion, there will be a tremendous amount of
25 confusion in the industry as to what is a finished

1 heat sink or not because as I mentioned, this
2 particular 2C or final inspection operation that Aavid
3 has chosen to add would be considered by our industry
4 to be somewhat arbitrary.

5 So the confusion would enter in as to we
6 make a lot of heat sinks in our company, and none of
7 them for the specific application they're talking
8 about. We consider them finished when they ship
9 because we cut them to length, we do machining, we'll
10 put secondary products with those heat sinks. So it's
11 an arbitrary, and as Steve mentioned, small slice of
12 the market that has been called a finished heat sink.

13 COMMISSIONER PEARSON: Okay. Thank you.
14 Madame Chairman, my time has expired.

15 CHAIRMAN OKUN: Commissioner Aranoff.

16 COMMISSIONER ARANOFF: Thank you, Madame
17 Chairman. I want to join my colleagues in welcoming
18 all of you on this morning's panel. I appreciate your
19 taking the time to answer our questions. I'm going to
20 take up where Commissioner Pearson left off and
21 continue to ask some questions about like product.

22 First, a legal question for you, Mr. Jones.
23 The analysis that you provided to us on the like
24 product issues, and indeed the analysis that all of
25 the Respondents provided as well, was based on the

1 traditional six-factor test. But since the products
2 -- well, two of the three products that various
3 Respondents are proposing to have a separate like
4 product are in fact downstream of other products in
5 the scope.

6 Would it be more appropriate to be using the
7 semifinished product analysis?

8 MR. JONES: That's something we'll think
9 about and discuss in our posthearing brief. I think
10 that certainly at a minimum, in addition, those are
11 factors that you could look at in determining whether
12 we have one like product or separate like products.
13 And we're certainly prepared to discuss that in our
14 posthearing brief, and we can give you more analysis
15 of that then.

16 COMMISSIONER ARANOFF: Okay. I appreciate
17 it. I would like to see that analysis. I tend to
18 lean towards that as being the more appropriate
19 analysis at this point, although I wouldn't say I've
20 totally made up my mind.

21 Back to the more factual question.
22 Respondents argue that -- and this is a quote, that,
23 "The point at which the extrusions are fabricated for
24 a specific purpose and combined with other components
25 of a product that is known by consumers as a

1 particular identifiable product different from all
2 other aluminum extrusions," end of quote, constitutes
3 a true bright line division between aluminum
4 extrusions and other products. That's the SDMA
5 arguing about the knockdown kits, I think, in
6 particular.

7 How do you respond to the idea that once
8 you combine aluminum extrusions with other parts into
9 a product that the market views as some final product
10 that's a combination of aluminum and other things,
11 that that's a clear dividing line? And can you
12 describe other products within the scope that would
13 also have these non-aluminum extrusion parts?

14 MS. JOHNSON: By way of example, this would
15 be -- you want to talk small markets, and Commissioner
16 Pearson just left, but we produce a product that is
17 used in its final application as hanging systems for
18 very high net worth art and museum-grade art. And I
19 would guess that most of the museums in this area use
20 them.

21 So we put them together in a kit along with
22 wires and grommets, along with the extrusion we
23 produce in a machine. And this kit leaves, and it is
24 a finished product that is used in these museum
25 hanging systems.

1 We produce products for the gas fireplace
2 market, where the fronts that look like they're brass
3 or they're nickel are actually aluminum. They leave
4 as a kit ready to be installed on the front of a gas
5 fireplace.

6 COMMISSIONER ARANOFF: Okay. Those are
7 helpful factual examples, so let me go back to Mr.
8 Jones and ask for a comment on the broader question.
9 Is that a clear dividing line once you add other
10 points?

11 MR. JONES: Well, the dividing line that we
12 think exists is when an aluminum extrusion is
13 completed into a final downstream product that is not
14 an aluminum extrusion. The problem with the knockdown
15 units for shower doors -- and there are knockdown
16 units in other types of aluminum extrusion products.
17 You know, it's not unique with respect to shower doors
18 -- is that shower door knockdown extrusions are just
19 extrusions. They're just extrusions that have been
20 cut to length and fabricated, and they're shipped
21 together with some hardware.

22 But they aren't a complete shower door. And
23 where we drew the line for purposes of scope is that
24 imports that were extrusions and other hardware but
25 not the glass for a complete shower door, and not the

1 glass for a window, would be included within the
2 scope. But if the glass were included, and it was
3 actually a completed downstream product, a complete
4 shower door that could be used in a shower door, a
5 complete window that could be used as a window, the
6 final finished downstream product, that would be
7 excluded. And we have been very clear on that line,
8 we think, from day one.

9 COMMISSIONER ARANOFF: Okay. Just so that I
10 understand, when SDMA member companies are purchasing
11 extrusion, but maybe they're -- because they're not
12 extruders, and then they're further fabricating them,
13 and they're combining them with other parts to make
14 their products, what is the product that they're
15 buying from an extruder? Does it look like any of the
16 products that are on the table here? Or how can you
17 describe it to me?

18 MR. HENDERSON: This is Jeff Henderson with
19 Sapa. It varies. It depends on what the customer,
20 our customer, would ask for. And I think this goes to
21 the heart of the matter. And from an extruder's
22 standpoint, you know, we're a full service extruder.
23 If a customer comes to us and says, I want to buy
24 sticks of aluminum, then that's what we will provide
25 them. Sometimes they come and say, we'd like you to

1 punch holes in it, like some of these examples.

2 Sometimes they say, we'd like you to package
3 it in a way where all my shapes come into one box, and
4 for whatever reason they want, and we do that for
5 them. Some of them ask even for sub-assemblies of
6 products in some cases.

7 So we want to add those values, those added-
8 value services, because as you've seen, the margins in
9 extrusions are not great. So these value-added
10 services, our concern from the beginning -- I'll speak
11 from Sapa's point of view. But I think I can say on
12 the industry and coming forward with this petition is
13 that if the scope did not include kitting, okay, up to
14 whatever level legally we could be aggressive with
15 that, then that would create a loophole. And the
16 problem with that is in competing against the Chinese,
17 the more value they add to a product, the more they
18 undercut our prices.

19 So when we compete for a kitted product, we
20 may provide for a customer here out of our extrusion
21 plants against the Chinese doing the same. The gap is
22 even greater than if it's just simply a mill finished
23 extruder. So where it's the best opportunity for us,
24 it is the steepest competition against the Chinese.
25 So they can be shower doors, heat sinks, or anything.

1 And we just don't see any reason why shower doors or
2 heat sinks should be made an exception.

3 COMMISSIONER ARANOFF: Okay. Oh, Mr.
4 Crowdis.

5 MR. CROWDIS: This is Duncan Crowdis with
6 Bonnell. Just to add something. This has been an
7 incredibly interesting process for us because the
8 extrusion industry really is made up of a whole raft
9 of entrepreneurs across the country. And the thought
10 of actually doing anything together is -- it's just
11 never been done. And, you know, one of the concerns
12 that many extruders had when we were trying to, you
13 know, see what kind of support we would get for this
14 whole process was how easy would it be for the Chinese
15 to circumvent any kind of order by just punching a few
16 holes in it, drilling it, mitering it, sticking it in
17 a box.

18 So the whole concern about circumvention,
19 and the fact that we were going to take care of this,
20 is what brought a lot of folks on board because it
21 would be so easy to circumvent an order by just doing
22 a few other things, which we often do, don't always
23 do, that would be easy to change the definition.

24 So that's why we've been so strong in terms
25 of any kind of scope change and exception because it

1 could be applied to all the other different kinds of
2 products that we do.

3 COMMISSIONER ARANOFF: Well, I appreciate
4 those answers. And I'm still going down into those
5 factual claims that have been raised by each of the
6 Respondents because, you know, we want to have a
7 really complete record on this when we make our
8 decision. So you shouldn't draw from it necessary
9 that we don't agree with you. We will make that
10 decision later. And I don't want to seem like I'm
11 badgering you, but I do want to go through one by one
12 some of the things.

13 MR. CROWDIS: Badger away, we're okay.

14 COMMISSIONER ARANOFF: Let me get one more
15 question in then before my time is up. One of the
16 references to these so-called jewelry-grade
17 extrusions, one of the arguments made was that these
18 are very rare, rarely made, difficult to make, they're
19 bright dipped, anodized, and then you have to use a
20 separate vat, I guess, for the anodizing that you
21 can't use on anything else in order to avoid
22 contamination.

23 So if there is any domestic producers here
24 today who engage in bright dipped anodizing, if you
25 could tell me whether you really need a separate set

1 of production equipment for these jewelry-toned
2 products, and also what other products you make that
3 use that bright dipped anodizing process.

4 MR. CROWDIS: Again, Duncan Crowdis with
5 Bonnell. We do bright-dipped in our Newman, Georgia
6 facility. And quite frankly, there is nothing that
7 would differentiate what is being termed as a jewelry-
8 grade product, which by the way is not an industry
9 term -- it's the first I heard of it in the briefs
10 from the Respondent. But it's the same alloy. It's a
11 specific alloy that we use and that the Chinese use,
12 and anyone else that would do bright dip. It's the
13 same chemical process. It is unique to the bright dip
14 process. There are certain specific tanks and
15 chemicals that we use. But it's no different than
16 anyone else that would use to produce the same kind of
17 products. Quite frankly, a jewelry-grade product is
18 more in the handling side. You just have to make sure
19 you don't scratch it. It's a defect-free type
20 product. And while it's a challenge, without out,
21 it's more of a questioning of, you know, how you
22 handle it to ensure that there is no defects
23 whatsoever.

24 COMMISSIONER ARANOFF: These are the brushed
25 nickel finish pieces of my shower door?

1 MR. CROWDIS: They could be, you know, or
2 any -- the chrome-like surface, the 70s grade, you
3 know, your --

4 COMMISSIONER ARANOFF: Your lamp.

5 MR. CROWDIS: -- lights in front of you
6 there, the gold bright. It's all part of that.

7 MS. JOHNSON: Susan Johnson, Futura
8 Industries. Interestingly enough, there are three of
9 us here that bright dip. And the reason that's
10 unusual is because the Chinese have so significantly
11 undercut bright dipping in this country that many of
12 the people that used to do it, General Extrusions in
13 Youngstown, Ohio, for instance, have gotten out of the
14 business.

15 So the fact that there is three of us here
16 that bright dip -- you asked about like products.
17 Storm door bottoms, if any of you have storm doors in
18 your house, the bottom that looks like it's brass or
19 nickel, is bright dipped aluminum made out of 6463.
20 We make grills for Kenworth and Peterbilt Trucks, as
21 well as Freightliner and Western Star Truck, in our
22 plants. All that metal is bright dipped.

23 COMMISSIONER ARANOFF: Thank you so much for
24 those answers. I have gone way over my time, so I'll
25 come back in the next round. Thank you, Madame

1 Chairman.

2 CHAIRMAN OKUN: Commissioner Pinkert.

3 COMMISSIONER PINKERT: Thank you, Madame
4 Chairman. And I thank all of you for being here today
5 to help us understand this industry and what is
6 happening and likely to happen in the future. I want
7 to begin by just highlighting something that
8 Commissioner Aranoff asked about in regard to the
9 semifinished product analysis, and that is that one of
10 the elements of that analysis is whether or not the
11 product has been substantially transformed. And so
12 for purposes of discussing the downstream product,
13 particularly in the posthearing submission, it would
14 be useful to have your views about whether the
15 products in question have been substantially
16 transformed from the basic aluminum extrusion product.

17 MR. JONES: We would be happy to do that,
18 Commissioner Pinkert, in our posthearing brief.

19 COMMISSIONER PINKERT: Thank you. Now,
20 staying with the domestic like product issues, is it
21 true, as argued by the shower door manufacturers, that
22 many aluminum extrusion vendors will not make the dyes
23 to the shower door manufacturer specification because
24 of the sophistication and volume involved?

25 MR. CROWDIS: Could you repeat the last

1 point?

2 COMMISSIONER PINKERT: Yes. The allegation
3 is that many aluminum extrusion vendors will not make
4 the dyes to the shower door manufacturer's
5 specifications. And then the explanation is because
6 of the sophistication in the volume involved.

7 MR. CROWDIS: I can only say no. I don't --
8 that is not true, to my knowledge. We can do exactly
9 what is required, just like any other extruder,
10 whether they be located in China or the United States.

11 COMMISSIONER PINKERT: Any other comments on
12 the panel?

13 MS. JOHNSON: We have seen a resurgence in
14 shower door manufacturers since the preliminary
15 remedy, and we have never had any trouble making the
16 dyes for whichever producer is coming to us.

17 MR. CROWDIS: Excuse me, Commissioner
18 Pinkert. If I could just add something. Duncan
19 Crowdis with Bonnell. There are some thing that we
20 may have been less willing to do, but it has always
21 been a question of price. There are certain things to
22 get a product that we're absolutely capable of
23 producing those kind of products, but perhaps not at
24 the price point that we were given relative to the
25 Chinese competition. That happens frequently, and has

1 happened more frequently, in the past number of years.

2 COMMISSIONER PINKERT: Thank you. Now, Mr.
3 Jones, you testified about the distinction between the
4 shower door kit with the glass panel and the shower
5 door kit without the glass panel. And I'm wondering
6 whether that distinction, which is clear, is a
7 distinction that is relevant for the purposes of the
8 domestic like product analysis.

9 MR. JONES: It's certainly relevant for the
10 purposes of scope determination that the Department of
11 Commerce is making today. That's something I'll have
12 to think about. I would say that it probably is
13 relevant for the domestic like production. But we'll
14 take a look at that specific in our posthearing brief
15 and provide you an analysis of that.

16 COMMISSIONER PINKERT: Thank you. Now, this
17 is another question that may require posthearing
18 analysis, but I'll throw it out here anyway. When you
19 talk about price depression, in many instances you
20 have a situation where the pricing product for the
21 subject merchandise is leading down the prices for the
22 domestic shipments. Do we have that here, or do we
23 simply have parallel declines in prices?

24 MS. WOODINGS: Rebecca Woodings for King and
25 Spalding. Commissioner Pinkert, thank you for that

1 question. What we see here is clearly trends of
2 steeper price declines for the imported products.
3 That's clear across perhaps not all, but the overall
4 -- I can't speak to individual price declines. I can
5 also address that in confidence if you wish. But the
6 overall picture is that there were more declines from
7 more Chinese products, and those price declines were
8 steeper relative to the price declines for your
9 domestic like product.

10 But if you permit, we might address that
11 also, the specific individual pricing items in
12 question afterwards in the posthearing briefs.

13 COMMISSIONER PINKERT: Thank you. Now,
14 going back to the basic presentation and the slides
15 that you presented today, I think one of the question
16 marks here is what do you when an industry is
17 suffering from poor financial performance throughout
18 the period? For example, from 2008 to 2009, apparent
19 consumption declined by about 15 percent, and subject
20 imports increased dramatically, including market share
21 of subject imports. What was the impact of that on
22 the financial performance of the industry?

23 MS. WOODINGS: Again Rebecca Woodings from
24 King and Spalding. The financial analysis that is
25 evident in the variance analysis that is in the

1 prehearing report makes clear that the domestic
2 industry suffered as a result of those declining
3 volumes and declining prices. Declining volume,
4 certainly there is -- demand is at play there. But
5 the loss of 10 percentage points, 12 percentage points
6 of the U.S. market to the subject imports, which were
7 -- that also is highlighted in the preliminary
8 opinion, high margins of underselling, particularly in
9 2009. Those contributed materially to the losses for
10 the domestic industry in that period.

11 I'd also like to speak the condition of the
12 industry in 2008. Many sectors were also depressed at
13 that point in time. It's also a fact that some
14 sectors -- there was a 7 percent market share by China
15 already at that point. That's not insignificant in
16 and of itself, and particularly if you consider the
17 fact that those imports were focused in sectors like
18 the bath and shower enclosure market, already heavily
19 impacted by imports into that segment of the market,
20 so that a price depression and competition with China
21 is already very evident in 2008, even before the
22 increase in imports in 2009.

23 COMMISSIONER PINKERT: Well, there are a
24 couple of hypotheses that one can have about the
25 situation between 2008 and 2009. One would be that

1 you can't go much lower in profitability than the
2 industry was experiencing in 2008. So you wouldn't
3 see much decline, even though you see lost market
4 share and other indicia of injury.

5 Another hypothesis might be it's not
6 reflected in unit profitability, but it might be
7 reflected in some other measure of profitability for
8 the industry. Or maybe there is a third or fourth
9 explanation. But I'm wondering how you cope with the
10 fact that the unit profitability numbers don't decline
11 as much as one might expect from 2008 to 2009.

12 MS. WOODINGS: As you see in the data, the
13 domestic industry was in an operating loss position
14 already in 2008, and individual U.S. producers that
15 were in that position. Given the opportunity perhaps
16 to price against Chinese products in 2009, they want
17 the volume. They've squeezed their margins already.
18 They're trying to be very competitive for how they
19 price against the Chinese product. But they still
20 lose it because it's undersold, because they're being
21 undersold and they lose that volume.

22 So they lose -- the impact is largely -- or
23 to a large extent, it's the fixed costs that they are
24 unable to cover because they try to price each time to
25 cover the variable cost. You see that in the gross

1 profit margins. But the loss of volume spilled over
2 into the fixed costs that the industry also bears,
3 which are not insignificant. We're talking about
4 people like engineers that develop the dyes, that
5 develop the designs that would go to a dye.

6 Ms. Johnson spoke in the preliminary
7 investigation about the efforts on the part of her
8 company to develop designs that then were shopped and
9 taken to China, out to China, after they had done the
10 design.

11 So there is a lot of fixed costs. And
12 again, the loss of volume in 2008 made it so the
13 industry was unable to cover those fixed costs, and
14 that caused the deepening losses within their
15 operating results.

16 COMMISSIONER PINKERT: One other question,
17 and this is on an issue that I often refer to as the
18 BRASk issue, although there is some disagreement on
19 the Commission as to what is required under the line
20 of cases.

21 I note that the quantity of imports from
22 Canada increased at a faster rate than apparent
23 consumption from 2009 to 2010. How should I view that
24 for purposes of considering alternative or alternate
25 causation of harm to the domestic industry?

1 MR. JONES: The imports from Canada,
2 Commissioner Pinkert, I think you'll see in the data a
3 lot of cross-border transfer between domestic
4 producers that have facilities in Canada as well as
5 facilities in the United States. A lot of the
6 Canadian trade is cross-border flow back and forth.
7 Some domestic producers have plants in Canada that
8 supply products banned in the United States and vice
9 versa.

10 We do not think that there is really any
11 evidence here in the record that supports the
12 conclusion that imports from Canada are a potential
13 source of any industry to the domestic industry. If
14 you look over time, the average unit value of imports
15 from Canada and the volumes of imports from Canada
16 have been fairly constant, and in terms of average
17 unit values comparable to what you would see on the
18 U.S. side.

19 So we see no -- we see nothing in the record
20 that should give the Commission any concern that a
21 remedy against China is going to lead to imports from
22 Canada taking that market share as China recedes.

23 COMMISSIONER PINKERT: Thank you. And I too
24 am past the end of my period of questioning for this
25 round. But I thank the witnesses.

1 CHAIRMAN OKUN: Again, I thank all the
2 witnesses for being here. You know, it is somewhat
3 unusual when I'm thinking of my questions here because
4 again today we have a panel appearing in opposition,
5 but on very specific products. And if the scope
6 decision goes another way, maybe they all disappear,
7 and we're not really arguing -- they're not really
8 arguing the big picture.

9 So I have some big picture questions, but I
10 think I do need to understand the industry a little
11 better. And, Mr. Crowdis, you helped me out in
12 talking about what the industry is like. You know,
13 you just have a lot of people doing a lot of different
14 things. So maybe I'll have you all just help me a
15 little more in just understanding who is out there,
16 who is doing what, and how that relates to this issue
17 about the kits needing to be in it to avoid
18 circumvention.

19 So just help me first of all. Is there a
20 segment of the industry -- and again, you may not be
21 able to speak to it if you're in it. But is there a
22 segment of industry where this is a greater concern
23 than not? In other words, if we look at table 3-7 in
24 the staff report on page 3-12, which talks about a
25 figure of shipments by market sector in the building

1 and construction and transportation and similar
2 products and some other market sectors, among those
3 sectors, is one of them -- is it really in
4 construction where you're more likely to have kits,
5 where it would be the extrusion that could be put
6 together with hardware, or not?

7 Ms. Johnson, you're shaking your head back
8 there. So just help me understand the --

9 MS. JOHNSON: Susan Johnson, Futura
10 Industries. There are many different market segments
11 for OEMs in the U.S. that make a variety of products
12 that import either length of extrusion or forms of
13 kits. That may be in the exercise industry. It may
14 be in the fireplace industry, the shower door
15 industry. We don't see any distinguishing difference
16 between the shower door industry and all the other OEM
17 manufacturers in the U.S. that buy -- they're
18 arbitrary. Whatever works for their manufacturing
19 facility, either kits or lengths of metal.

20 CHAIRMAN OKUN: Okay. Do others have
21 comments on that? Mr. Brown.

22 MR. BROWN: Yes. Lynn Brown from Hydro
23 Aluminum. My response would be quite similar. I
24 don't see a difference based on the major end use.
25 It's rather a reflection of the specific customer and

1 the way that they would like to optimize their supply
2 chain. We provide kitting services for people in the
3 exercise equipment industry, in the solar energy
4 industry, in the window industry. And again, it's what
5 they have chosen to do in terms of where they wish to
6 organize and add value, and where they're looking for
7 us to optimize the supply chain, streamline things,
8 provide inventory advantages.

9 CHAIRMAN OKUN: Okay. Mr. Crowdis?

10 MR. CROWDIS: Yes. And I would also add
11 that that changes all the time. Strategically, our
12 customers may choose to do it one way today. You
13 know, next year they may choose to use their
14 facilities in other ways and want us to perform more
15 added value activities that could end up in a kit of
16 some sort.

17 So, you know, that has changed over the
18 time, and we expect it to continue to change.

19 CHAIRMAN OKUN: Mr. Henderson.

20 MR. HENDERSON: I agree with -- Jeff
21 Henderson with Sapa. I agree, and I think there is a
22 general trend here. I mean, the last to use keep in
23 mind. I mean, fixed costs have been an issue we have
24 had to deal with in our industry, as well as our
25 customers. I mean, we're all manufacturers. And we

1 sit down together and think about how we can take cost
2 out of the supply chain, having more done at our
3 facilities, and putting them in a position to be more
4 focused on the actual product is a trend that we see.
5 And it's good business for us. It's good business for
6 our customers. And in light of this petition, it's a
7 very, very threatening loophole that could be created.

8 And I think, frankly, in the Shower Door
9 Manufacturers Association case, they make that case to
10 you, saying, okay, if I can't buy the extrusions from
11 China because there is going to be a duty placed on
12 them, then I'll just buy kits. And we're saying,
13 exactly, that's why we don't there to be an exclusion
14 in that. And if the shower door can make the case,
15 then other industries could as well.

16 CHAIRMAN OKUN: Okay. And then you may have
17 reported this individually. I don't want to touch on
18 anything that is confidential. But in terms of how
19 big a portion kitting is in the different sectors, is
20 that information available?

21 MR. JONES: Chairman Okun, I'm not aware of
22 any data on that. You know, we might be able to
23 discuss that and provide you with some estimates in
24 our posthearing brief, but I'm not aware of any
25 industry data that is collected on kits.

1 CHAIRMAN OKUN: Okay. Well, if there is
2 anything available that would help me understand if
3 it's prevalent now and why that might be, if you can
4 put it together. I'm trying to understand that part
5 of the industry.

6 Then turning to some of the other arguments
7 made by the shower door folks, which relates to
8 availability. And, Mr. Crowdis, you touched on it in
9 response, I think, to a prior question, saying, yes,
10 maybe you have to refuse work if it wasn't -- if you
11 couldn't meet the price. And some of the other
12 arguments were made with respect to size and volume,
13 and you talked about having a lot of small producers
14 out there. Do any of you find volume being an issue,
15 you cannot meet the volume required by a customer?

16 MR. CROWDIS: Specifically on the bright
17 dipped type -- this is Duncan Crowdis from Bonnell.
18 On the bright dipped type products, we've got a
19 significant amount of spare capacity that we would
20 turn on in a heartbeat, given that opportunity. I
21 don't know what the whole industry looks like, but I
22 know that we've got significant spare capacity to be
23 able to service an increase in the need for bright
24 dipped products.

25 In terms of the heat sink thermal treatment

1 or any other kind of product, quite frankly, it's just
2 extrusion prices that were required. There isn't any
3 capacity issues. When the industry is operating at 55
4 percent capacity, 60 percent capacity, there is no
5 issue there whatsoever, in my view.

6 CHAIRMAN OKUN: Okay. Any other comments
7 with respect to that on any of the other products, the
8 shower doors, or the heat sinks in terms of capacity
9 to produce or customers that have been turned down
10 based on volume?

11 MR. HENDERSON: Yeah. Jeff Henderson with
12 Sapa. We have confidence that we'll be able to meet
13 any capacity demand for the market, absolutely. And
14 our view of the industry is that it is in place to do
15 so. There is a lot of idle capacity still available,
16 a long way to go to fill that.

17 CHAIRMAN OKUN: That reminds me of another
18 question on capacity. And again, I don't want to
19 touch on any of your individual business proprietary
20 information. And Ms. Woodings or Mr. Jones can jump
21 in here as well, which is trying to understand
22 capacity utilization and how that relates to
23 profitability for this industry. When you're talking
24 about producing all kinds of different shapes and
25 having OEMs with specific requirements, how do I

1 evaluate what the capacity utilization rate that this
2 industry needs in order to be profitable? Again,
3 without touching on your --

4 MR. CROWDIS: Duncan Crowdis with Bonnell.
5 You know, the aggregate data says that several years
6 ago, we had an operating loss, and the industry was
7 running at about 50 to 55 percent capacity. So that
8 tells us that the break-even point of our industry
9 probably is in that 60 percent range. And I would
10 suggest that's probably not a bad figure. Just a
11 break even. That doesn't mean we're getting a good
12 return on our investment, but that is just to keep our
13 head above water.

14 CHAIRMAN OKUN: Would other producers have
15 any different view? Ms. Johnson.

16 MS. JOHNSON: I would think that the break
17 even would be higher than that. This is a basic
18 infrastructure industry. The aluminum extruders in
19 this country make products that supply every form and
20 shape of business in the United States. And it's a
21 very high fixed-cost industry. You don't get into
22 this lightly. There are high barriers to entry.

23 Duncan just finished a press in. They spent
24 \$27 million or something like that. It's a high
25 fixed-cost industry. We need to have the volume to

1 cover those costs.

2 CHAIRMAN OKUN: Okay. Other comments on
3 capacity? Mr. Henderson, Mr. Brown?

4 MR. BROWN: Lynn Brown from Hydro. I would
5 agree that I think the break-even is probably a little
6 bit higher than that 60 percent number. The other
7 observation I'd make is these capacity numbers that
8 we're talking about are based on a five-day work week.
9 Typically this industry in good times, we like six
10 days. We like Saturdays. Sometimes we even like
11 Sunday.

12 The other comment that I'd make about
13 capacity is -- and it particularly goes back to the
14 heat sink discussion -- is that there is press
15 capacity and there is downstream capacity. Press
16 capacity takes significant dollars to add. And when
17 we talk about 55 or 60 percent capacity, that's what
18 we're talking about.

19 Downstream capacity for finishing, for
20 fabrication, can often be added much more quickly.
21 And often when we have a customer that challenges us
22 with high volumes, we will add C&C equipment, we will
23 add automation. We will do what is necessary to ramp
24 up to meet those volume requirements. So that's not a
25 factor.

1 CHAIRMAN OKUN: Okay. I appreciate all of
2 those comments. My red light is on. Vice Chairman
3 Williamson.

4 VICE CHAIRMAN WILLIAMSON: Thank you, Madame
5 Chairman. And I too want to express my appreciation
6 to the witnesses for their testimony today. Before I
7 begin my formal questions, Ms. Johnson, I was
8 wondering if you could answer a personal question for
9 me. My son is an artist. And when you mentioned
10 those museum kits, I remember spending two days trying
11 to hang the aluminum extrusion in that kit. And so I
12 want some tips after this hearing about how do you
13 hang that in a 100-year old house when you can't find
14 the studs. But as soon as you mentioned that, I said,
15 oh, that's what I had.

16 So right now, I'd like to turn to -- I
17 forgot my question here. I was wondering about these
18 heat sinks and just what -- are they a higher value
19 product than many of the aluminum extrusion products
20 that you make?

21 MR. JONES: I think the answer to that, Vice
22 Chairman Williamson, is it depends on what type of
23 heat sink it is and what it's going to be used for.
24 But I'll let the manufacturers speak to that.

25 VICE CHAIRMAN WILLIAMSON: And the reason I

1 ask the question -- and I'm just trying to think about
2 if you're looking towards the future, what is the
3 segment of the business that is going to grow, and
4 what is not going to grow, since we're using more and
5 more electronics products. I was just wondering.

6 MR. HENDERSON: Jeff Henderson with Sapa. A
7 couple of different responses there. It can be. Like
8 Mr. Jones mentioned, it can be of a higher value, not
9 because it's a heat sink per se, but because of the
10 nature of that particular design and its
11 extrudability, and maybe the downstream fabrication
12 that's added to it, not because it's a heat sink.
13 It's just because of the manufacturing process that's
14 involved to develop it.

15 But yes. I know there was a question
16 earlier about heat sinks, that it being a small
17 market. But, you know, our ambition around heat sink
18 is very high. I mean, we're seeing -- I mean, we're
19 at the ground level in manufacturing innovation in
20 this country. I mean, when we hear folks talk about,
21 you know, America can be the best and everything else,
22 we're there working with America's manufacturers to
23 develop tomorrow's products. And what we're seeing is
24 a move towards electricity. And that means thermal
25 management, which is going to be a high demand for

1 heat sinks. So we see it as a very good market, and
2 one we should keep in the United States and keep it
3 home.

4 VICE CHAIRMAN WILLIAMSON: Okay. Mr.
5 Crowdis.

6 MR. CROWDIS: Duncan Crowdis with Bonnell.
7 You can have very complex shapes that are not in the
8 heat sink business as well, with a significant amount
9 of fabrication and other post-extrusion processes that
10 would render it more valuable, or more valuable -- at
11 least as valuable as the most complex heat sink. So I
12 don't think there is -- there is nothing in the heat
13 sink and final heat sink products that would indicate
14 it's more valuable. And by the way, that large heat
15 sink you see on the table in front of you is one for
16 commercial LED lighting product, which is just --
17 we're at the very starting phase of that entire growth
18 area. So that is we think a growth opportunity for
19 this industry.

20 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
21 I think that was kind of my question, you know, where
22 is the industry going, you know, whether we do the
23 competitive products in the future. Thank you.

24 I was wondering to an extent if any of you
25 know, could you describe the way in which labor is

1 used in China in plants in the aluminum extrusion
2 industry as compared to the way it's used in the U.S.
3 Are there any differences there?

4 MR. CROWDIS: I mean, I've been there. They
5 typically have a lot more folks working on the similar
6 kind of processes that we do. The processes are
7 identical. If you walk into a Chinese extrusion
8 operation, it wouldn't look any different than walking
9 into one of ours. Same equipment, same process. They
10 generally have more people doing things, what we may
11 have automated. But no difference.

12 MS. JOHNSON: One phenomenon that seems to
13 be consistent in the Chinese extruders is the tendency
14 to extrude one-hole dyes. U.S. manufacturers, where
15 possible, will not do that because it's not
16 productive.

17 VICE CHAIRMAN WILLIAMSON: What kind of
18 dyes?

19 MS. JOHNSON: Where you just extrude one
20 piece at a time. So those products that are on the
21 table, depending on the size and the size of press
22 that they're on, you may extrude three or four, in
23 some cases at our plant eight products at the same
24 time, where in China you would see one product being
25 pressed. Obviously, the eight-hole dye is eight times

1 more productive than the single-hole dye.

2 VICE CHAIRMAN WILLIAMSON: Okay. What does
3 that say about the skill of the worker who is, say,
4 operating -- loading and unloading that dye or
5 operating that press, the demands on the workforce?

6 MS. JOHNSON: Well, it's a lot more work.
7 Actually, we have highly automated systems in the
8 U.S., where they may have just manual systems in
9 China. My guess is that our costs are extremely --
10 you know, we have optimized our costs as much as
11 possible, and we're still at a price advantage because
12 labor isn't a consideration.

13 VICE CHAIRMAN WILLIAMSON: One thing I was
14 curious about is this question of -- Ms. Woodings had
15 mentioned the fact that because wages had actually --
16 the hourly wages had actually gone down, which is
17 something we rarely see. And I was wondering, is
18 there anything about this industry as to why that
19 happened in this period?

20 MS. WOODINGS: Rebecca Woodings with King
21 and Spalding. I would want to look at maybe the
22 individual companies driving that. The companies that
23 reported, there were mill closures, and there were
24 also a number of companies that aren't included in
25 your data.

1 I would like to look at the confidential
2 data underlying the employment numbers, and see who
3 might be driving that trend.

4 VICE CHAIRMAN WILLIAMSON: Okay. The reason
5 why I asked you is the injury to the workers in this
6 industry seems to be quite great, because as I said,
7 you don't usually see that application, or see it work
8 out that way.

9 And so I was just wondering if there was
10 anything about whether the workers might be more
11 vulnerable than they might be in some other industry.

12 MS. WOODINGS: Between the number of jobs
13 lost, and the number of hours lost, and the number of
14 shifts lost -- and Mr. Crowdis talked about the number
15 of shifts that they are operating now compared to what
16 would be considered optimal for their operation.

17 Industry-wide, you can see that has been the
18 response by a number of U.S. producers to the volume
19 that they have lost to China. They have cut down the
20 shifts first, and they cut down the number of people
21 on the shifts. And if they can sustain operations at
22 that level that's fine, but then there is the plants
23 that have closed.

24 MS. JOHNSON: Susan Johnson, Futura
25 Industries. Remember that there is a spectrum of

1 wages across all of these plants, where your
2 maintenance people and your dye technicians are going
3 to be your highest paid, and so on down the spectrum.

4 And due to the reduction in volume, it may
5 have represented a differential change in the
6 employment at each one of those levels of pay.

7 VICE CHAIRMAN WILLIAMSON: Okay.

8 MS. JOHNSON: With that clarification.

9 VICE CHAIRMAN WILLIAMSON: I understand.
10 Thank you. Thank you for the clarification of those
11 questions. I think that the industry has indicated
12 that a key to competition is that the industry cannot
13 control the price of metal, which means that the
14 negotiations between customers concerning the
15 conversion price of turning the metal into extrusion.

16 Now, do the Chinese producers face the same
17 metal costs as you do? When people talked about it
18 being a world wide price, I was just wondering.

19 MR. JONES: Vice Chairman Williamson, Steve
20 Jones from King and Spalding. That is hard to say.
21 We know that there are -- that there is of course the
22 London Metal Exchange Index for aluminum prices.
23 There is also the Shanghai Metal Exchange.

24 Those two exchanges are usually in sink.
25 Sometimes not. So it may get out of bounds from time

1 to time, and of course, there are also subsidies that
2 have been documented in China that provide for the
3 provision of aluminum for less than adequate
4 renumeration.

5 And we expect that subsidy to be discussed
6 in the final determination by the Department of
7 Commerce in their CDD investigation that will be
8 released today. So we don't have any data on what
9 they are paying, but we think that it should be the
10 same price, but there are some factors in the market
11 that sometimes provide advantages on metal costs in
12 China.

13 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
14 I think that this has already been asked, but I just
15 wanted to make sure I ask anyway. The domestic
16 producers can make all of the types of extrusions --
17 you know, the finishes, and the quality that are used
18 in the bath and shower enclosure industry?

19 MR. CROWDIS: Duncan Crowdis for the Bonnell
20 Company. Yes.

21 VICE CHAIRMAN WILLIAMSON: And I guess you
22 notice that sometimes some people come to you and ask
23 for things that you aren't willing to give at the
24 price that they want. Does that mean that it is
25 possible because there are so many different players

1 in the industry that they can find it someplace else
2 domestically, within reason?

3 MR. CROWDIS: That is always possible in a
4 specific situation. I am sure that has been the case.
5 You know, in the context of what we are talking about
6 here, the prices is not a little different. It is
7 significantly different, and that is the hurdle that
8 we have.

9 VICE CHAIRMAN WILLIAMSON: Okay. I want to
10 thank the witnesses for their testimony. I have no
11 further questions at this time.

12 CHAIRMAN OKUN: Commissioner Lane.

13 COMMISSIONER LANE: I, too, want to thank
14 this panel for coming and providing us testimony, and
15 I am sorry that I didn't get to go on the tour. But I
16 do understand what shower doors look like, and I am
17 not quite sure that I know what a heat sink is, but
18 is there one down there on the table?

19 MR. CROWDIS: The ones with all the little
20 splines that you see, all of those would be heat
21 sinks. There is quite a few of them on that. Most of
22 them actually on that table are either heat sinks or
23 shower/tub enclosure products.

24 COMMISSIONER LANE: Okay. Thank you. And
25 this question may have been asked while I was out of

1 the room, and if so, I'm sorry, but if we were to find
2 that shower doors were a separate like product, and
3 that heat sinks, finished heat sinks were a separate
4 domestic like product, is the domestic industry
5 producing these products materially injured or
6 threatened with material injury?

7 MR. JONES: Commissioner Lane, Steve Jones
8 from King and Spalding. We think that the data that
9 have been collected show that an industry producing
10 finished heat sinks would be materially injured, and
11 that you would have the data to support it in a
12 determination if you were to make that like product
13 finding.

14 With respect to shower doors, unfortunately,
15 there have not been data collected on U.S. production
16 of shower door enclosures. So there really is no
17 basis in the record in our view to make a finding with
18 respect to injury to that industry if you were to
19 define it that way on the record right now.

20 COMMISSIONER LANE: Okay. Thank you.
21 On page 6 of the Prehearing Public Report, we discuss
22 indicators of impairment that were sufficient for one
23 company to actually record an impairment of assets in
24 2009. I would like you to discuss the impairment
25 indications that led to that impairment write-down.

1 And I would like to know if other companies
2 represented on the panel today have recorded
3 impairment write-downs during the period of
4 investigation.

5 MS. JOHNSON: We took an impairment write-
6 down on one of our extrusion presses that is no longer
7 in operation.

8 COMMISSIONER LANE: So it was the shutdown
9 that caused the impairment breakdown? Does somebody
10 else have any answer? And if you would feel more free
11 to answer it in post-hearing that would be fine.

12 MR. BROWN: Lynn Brown from Hydro. We
13 similarly took impairments on a number of our
14 facilities based on assessment of the future earning
15 potential given market conditions at the time, and we
16 could certainly provide additional information in a
17 post-hearing brief.

18 COMMISSIONER LANE: Okay. Thank you.

19 MR. CROWDIS: Duncan Crowdis, Bonnell. We
20 also are a publicly traded company and that
21 information is publicly available, but we also took a
22 fairly significant impairment because of the condition
23 of our business.

24 MR. HENDERSON: Jeff Henderson with Sapa.
25 We will be happy to provide in the post-hearing brief

1 as well.

2 COMMISSIONER LANE: And maybe we will get
3 the same answer to this question. The public hearing
4 report indicates a significant decline in total assets
5 between 2008 and 2009. Could you explain what caused
6 that decline in assets? Is that because of the trends
7 that you were seeing in the market place?

8 MR. HENDERSON: In general terms the answer
9 would be yes. This is Jeff Henderson with Sapa.

10 COMMISSIONER LANE: Okay.

11 MR. CROWDIS: Duncan Crowdis, Bonnell. It
12 was both from -- you know, just an asset value, as
13 well as a significant reduction in volume that has an
14 impact on your total asset value from a working
15 capital perspective.

16 COMMISSIONER LANE: Okay. And one of you
17 alluded to this earlier, but given the level of
18 interest expense and other net deductions from
19 operating income, you said that the 3.8 percent ratio
20 of operating income to assets was not a reasonable
21 return.

22 Could you tell me what a reasonable return on your
23 assets would be?

24 MS. WOODINGS: Commissioner Lane, this is
25 Rebecca Woodings with King and Spalding. My point was

1 a 3.8 percent return is not considered particularly
2 good. But it would be to individual companies to
3 probably identify internally, and perhaps for the
4 post-hearing brief again, what might be acceptable, or
5 what their target rates of return are for each
6 company.

7 COMMISSIONER LANE: That would be fine.
8 Thank you. Do very many or any of the members of the
9 domestic industry have internal or affiliated sources
10 of aluminum raw materials?

11 MR. BROWN: Lynn Brown from Hydro. We
12 certainly have affiliated sources. We are a global
13 producer and we operate smelters in Europe and in the
14 Middle East.

15 COMMISSIONER LANE: Okay. Then my question
16 is how is the raw material priced when transferred to
17 the extrusion operations?

18 MR. BROWN: Based on LME value.

19 COMMISSIONER LANE: I'm sorry, say that
20 again?

21 MR. BROWN: The price is transferred based
22 on LME value, fair market value. Our upstream
23 operations operate as a separate entity, and frankly
24 we don't get any advantage buying from them. We buy
25 from them and we also buy from other producers.

1 COMMISSIONER LANE: Okay. Thank you. Does
2 anybody else have anything that they want to add to
3 that?

4 (No Response.)

5 COMMISSIONER LANE: Okay. Thank you. The
6 prehearing report indicates that the domestic supply
7 elasticity for domestic aluminum extrusions is four to
8 six. Do you agree with this supply elasticity, or if
9 not, what do you think the domestic supply elasticity
10 is? Ms. Woodings, you might be the right person to
11 answer that.

12 MS. WOODINGS: Yes, Commissioner Lane. We
13 reviewed the elasticity for supply and the other
14 elasticity suggested in the prehearing report. We
15 don't disagree with the ranges that have been proposed
16 or suggested by staff.

17 COMMISSIONER LANE: Okay. And do you have
18 any analysis regarding the supply elasticity of
19 subject and non-subject producers of aluminum
20 extrusion?

21 MS. WOODINGS: Perhaps we might address that
22 in the post-hearing brief as well.

23 COMMISSIONER LANE: Okay. Thank you. Let
24 me stick with you, please. The prehearing report
25 indicates that demand is relatively inelastic. Do you

1 agree that it is inelastic and that the elasticity is
2 between minus .25 and minus .5?

3 MS. WOODINGS: Again, we feel that is a
4 reasonable range based on what we know about the
5 industry and the market, yes.

6 COMMISSIONER LANE: Okay. Now, let me ask
7 you about substitution elasticity. The report says
8 that it is within the range of 4 to 6. Do you agree
9 with that range?

10 MS. WOODINGS: Our feeling is that it would
11 be above or near the high range of that, but the range
12 of 4 to 6 is consistent with what we know about the
13 industry. The staff report makes clear that there is
14 a high substitutability between the domestic and the
15 imported product, and that would be towards the high
16 end of 4 to 6, we would agree.

17 COMMISSIONER LANE: Okay. Thank you. There
18 are some proponents of smart electric grids, smart
19 electric distribution facilities, smart meters, and
20 other energy efficiency initiatives for the United
21 States.

22 Would a green energy future have any
23 implications, either positive or negative, for the
24 aluminum extrusion industry?

25 MR. BROWN: Lynn Brown from Hydro. We

1 certainly believe that it would. Given that a green
2 energy future tends to incorporate alternative energy,
3 solar, and wind, there is significant opportunities
4 for the use of extrusion in both of those
5 technologies, and we in fact participate in both
6 today.

7 COMMISSIONER LANE: What are your
8 projections regarding the U.S. moving forward with
9 widespread green energy initiatives in the near
10 future?

11 MR. BROWN: A great question, and my answer
12 will vary almost daily, depending on what I read in
13 the papers. We can be very optimistic about the
14 potential consumption of product into that industry in
15 the next couple of years, or depending on the news of
16 the day relative to project announcements, we can be
17 pessimistic.

18 I think it is fair to say that it will grow.
19 It will grow significantly. The question is how
20 rapidly, which specific technologies, and what the
21 magnitude will be. We are still in a very early
22 phase, but an encouraging opportunity.

23 COMMISSIONER LANE: Okay. Thank you, and
24 with that, Madam Chairman, I am right on time and I
25 give it back to us.

1 CHAIRMAN OKUN: Commissioner Pearson.

2 COMMISSIONER PEARSON: Thank you, Madam
3 Chairman. Ms. Woodings, you brought my attention
4 earlier to Table V-9. This deals with pricing product
5 number seven. Now, as I read the definition for
6 pricing product number seven, it does not include
7 thermal testing of that particular heat sink.

8 So is it your understanding that product
9 seven is not a finished heat sink, but rather a heat
10 sink blank that has undergone coating and some
11 drilling, but is not ready to be sold to a customer
12 and put into use?

13 MS. WOODINGS: I have not read the
14 definition -- Rebecca Woodings with King and Spalding.
15 Having read the definition just now, it was my
16 understanding that product seven was a finished heat
17 sink.

18 COMMISSIONER PEARSON: Okay. Well, I will
19 discuss this with the Respondents, too, because it is
20 not clear to me that the data for product seven are
21 directly comparable with the material that we have in
22 Table E-1. It is Table V-9 directly comparable with
23 Table E-1.

24 MS. WOODINGS: An excellent question, and I
25 will make sure to clarify in my remarks in the post-

1 hearing brief if I may.

2 COMMISSIONER PEARSON: Okay.

3 MR. JONES: Commissioner Pearson, this is
4 Steve Jones from King and Spalding. Product 7 is a
5 very specific product, and even more specific than the
6 broad finished heat sink definition that the
7 questionnaire set forth.

8 So this is a very specific product, with
9 specific specifications, and specific dimensions, and
10 so forth. This is a subset of the heat sink category.
11 We think that the addition of the thermal testing is
12 arbitrary, and that a finished heat sink may or may
13 not be thermal tested by the producer, or by the
14 aluminum extruder who manufactures it.

15 It depends on the customer's specifications,
16 and what the customer asks for. So the addition of
17 that thermal testing, we think, is an arbitrary
18 addition to the finished heat sink definition.

19 COMMISSIONER PEARSON: Okay. You have no
20 additional observations on the direct comparability of
21 Table V-9 and E-1?

22 MR. JONES: I would just say again that
23 Product 7 is a subset of what would be in the data, in
24 the overall data, which I believe is what is set forth
25 in E-1.

1 COMMISSIONER PEARSON: Okay. Thank you.
2 Now, am I correct to understand that Aavid's position
3 is that only finished heat sinks should be found to be
4 a separate like product, and that heat sink blanks,
5 any heat sink that is not finished, should continue to
6 be covered by any ADCVD order that might result from
7 this investigation?

8 In other words, if we give them a separate
9 like product, and then put an order on aluminum
10 extrusions broadly, heat sink blanks from China would
11 be covered by that order. Is that a correct
12 understanding of their position as you understand it?

13 MR. JONES: That is how we understand it,
14 Commissioner Pearson. Yes, and we think that makes
15 absolutely no sense, and the reason why is because I
16 think as I mentioned earlier, if a finished heat sink
17 is included, or is a separate like product, but an
18 unfinished heat sink is not, then products that are
19 much closer in similarity to the finished heat sink
20 would be excluded from that downstream domestic like
21 product.

22 And I think that Commissioner Aranoff noted
23 before the applicability of the semi-finished product
24 analysis potentially to this investigation. I think
25 it would have to apply to a semi-finished product

1 analysis to that situation.

2 And when you have a finished heat sink, and
3 an unfinished heat sink, the argument is that they are
4 separate like products. I think that you would have
5 to apply semi-finished product criteria to that
6 situation.

7 And we think that you would have to conclude
8 that an unfinished heat sink and a finished heat sink
9 are the same like product if you did that.

10 COMMISSIONER PEARSON: Okay. Ms. Johnson.

11 MS. JOHNSON: The allegation that thermal
12 testing is mandatory to leave the heat sink in a
13 finished state is akin to a woman's clothing
14 manufacturer alleging that every size eight dress
15 needs to be tried on by the producer at the factory to
16 ensure that it is a size eight.

17 If the garment is used, it is produced using
18 a size eight pattern, and it will be a size eight. If
19 heat sinks are extruded to the design that the
20 customer, such as Aavid, provide, the parts will
21 perform in final application.

22 COMMISSIONER PEARSON: Okay. Now, Mr.
23 Jones, getting back to the commercial significance.
24 If the order only excludes finished heat sinks, isn't
25 the potential risk to the U.S. industry greatly

1 reduced because unfinished blanks from China would be
2 covered by the order?

3 MR. JONES: But finished heat sinks would
4 not, and so the market for producers of heat sink
5 blanks to tell to companies that may be fabricating,
6 and then producing a finished heat sink, were U.S.
7 producers themselves who produced finished heat sinks,
8 would be injured by the imports of finished heat
9 sinks, and the reduced market opportunities for the
10 shipments of heat sink blanks.

11 COMMISSIONER PEARSON: Okay. So even though
12 heat sinks often are used in quite sophisticated
13 equipment, and customers may well have high standards
14 for them, your position is that that finishing can be
15 done comfortably in China, and they can all come in
16 here, and that that would be acceptable to the
17 customer base, Mr. Henderson?

18 MR. HENDERSON: Well, I think the data that
19 we saw in Ms. Woodings' presentation suggested that is
20 exactly what has taken place. You saw an example in
21 the table I think on heat sinks, or finished heat
22 sinks, and were produced in the U.S. and then they
23 moved to China.

24 It has been our experience that we have
25 started to manufacture, and I think by the definition,

1 it has been kind of created to call it finished heat
2 sinks. We have been making those this year.

3 We have never been asked to test anything by
4 a customer. We can. We have the capability in fact.
5 We can do that and we can put that capability here in
6 the U.S. if we need to do it, but we have not been
7 asked to do it.

8 Basically in simple terms what would happen
9 is if finished heat sinks are allowed to come in from
10 China, that is where all that business will go. There
11 won't be any reason for somebody to buy a blank in the
12 U.S., because adding the holes and punching in what
13 you see the fabrication there that makes it a finished
14 heat sink, that is easy in China.

15 That is peanuts on the price, and that is no
16 big deal. So there would not be any motivation for a
17 U.S. OEM, a U.S. based OEM to bring in a heat sink
18 blank from China anyway, because they would have to
19 unpack it, and fabricate it, and repackage it to their
20 customer.

21 They would just go ahead and bring it in as
22 a turnkey from China. There would be no reason to do
23 that, and those volumes that chart showed that were
24 lost in heat sinks, they would stay lost. We will
25 never see it again.

1 COMMISSIONER PEARSON: Okay. And just to be
2 clear, I am still uncertain what the data mean that
3 were presented. That's why I have gone back and forth
4 on this issue. So I know that the chart was up there,
5 and I don't yet know how to interpret it.

6 MR. HENDERSON: Yes, and I know that it
7 didn't get on a customer level, but we were pretty
8 involved with heat sink and supply, and we fabricated
9 for heat sink folks, and even some OEMs that bought
10 heat sinks over the years off and on, we never called
11 them or considered them finished heat sinks.

12 We did not see any distinction in that, but
13 just an extrusion that someone wants a hole punched
14 in. What they are going to do with it is up to them.
15 Over the years -- and this year, we made a decision
16 that we have to be more involved in a more finished
17 heat sink if we want to go after that business in our
18 view, to be quite candid about it, and the only hope
19 of bringing that back to the U.S. is not allowing a
20 change in the scope.

21 COMMISSIONER PEARSON: Ms. Woodings?

22 MS. WOODINGS: Yes. Commissioner Pearson, I
23 just wanted to mention that there is a definitional
24 problem that affects the data. You start off by
25 discussing or characterizing the data that are

1 available for finished heat sinks as being a
2 relatively small part of the industry as a whole.

3 The data that you are looking at -- there
4 has been a lot of confusion about what qualifies as a
5 finished heat sink in that, because as the producers
6 here are describing, there was an understanding that
7 to read the definition in the questionnaire, the
8 product had to be fully tested, including the thermal
9 testing that may take place, often bore by the
10 purchaser and not the manufacturer.

11 So what you are looking at in terms of the
12 finished heat sink data are an extremely narrow part
13 of what the industry overall would consider a finished
14 heat sink. Futura, for example, Ms. Johnson has
15 indicated that her company produces a product that
16 could be physically indistinguishable from what Aavid
17 considers a finished heat sink.

18 The only difference is that her company does
19 not do the thermal testing internally. So I would
20 welcome comments from Respondents that might clarify
21 this definition. It has been a source of confusion
22 for a number of companies filling out the
23 questionnaire, and the staff is aware of this.

24 COMMISSIONER PEARSON: Okay. Thank you for
25 those responses, and Madam Chairman, my time is

1 expiring.

2 CHAIRMAN OKUN: Commissioner Aranoff.

3 COMMISSIONER ARANOFF: Thank you, Madam
4 Chairman. Mr. Jones, assuming that we accept your
5 argument that all of these various products,
6 downstream products, are within the scope, and within
7 one like product.

8 Do you agree with the Respondents that
9 producers of knockdown units in particular conduct
10 sufficient production related activities to be
11 considered domestic producers and members of the
12 aluminum extrusion industry?

13 MR. JONES: Commissioner Aranoff, Steve
14 Jones. My understanding is that the data that are
15 relevant to that determination are still being
16 collected, and we intend to analyze the record, and
17 comment on that in our post-hearing brief.

18 But I would say that fabrication, unlike
19 what the shower door folks say that they are doing, is
20 done all across the aluminum extrusion industry. So I
21 would be very loathe to say that that is not domestic
22 production, because aluminum extruders do that all
23 across the United States.

24 So again we will provide our interpretation
25 of that in the post-hearing brief, but I think it is a

1 question of degree, and how much are they doing,
2 because certainly there could be fabrication that is
3 so significant that it would constitute domestic
4 production.

5 COMMISSIONER ARANOFF: Okay. I will be
6 interested in your additional thoughts on that. I
7 think in some places in Petitioners' brief that there
8 is a suggestion that the essence of being a domestic
9 producer in this industry is the extrusion process,
10 which makes certain sense, and yet the like product in
11 this case, as currently defined, will include products
12 that are made by companies that are not extruders.

13 So we have to figure out how to treat all of
14 them, and that includes the shower door folks, but
15 obviously a host of other people. Okay. Let me turn
16 to some questions for Mr. Henderson.
17 When Sapa purchased the assets of Indelux, that was in
18 2009, right?

19 MR. HENDERSON: Yes.

20 COMMISSIONER ARANOFF: Can you tell us what
21 was the company's thinking in terms of why this was a
22 good investment, and how much were you thinking about
23 imports from China at the time that you were doing the
24 calculus on that?

25 MR. HENDERSON: Well, one of the things that

1 -- well, one of the aspects of the opportunity that
2 appealed to Sapa was the complimentary nature of the
3 offerings to our customers. Sapa was the number one
4 supplier in the U.S., and Indelux was number two, and
5 you would have thought that there was a lot of
6 overlap.

7 But when you looked at the data, it wasn't
8 an overlap. It was complimentary, and the geographic
9 footprint that it established for us was also
10 extremely attractive. We didn't have many occasions
11 where plants were on top of each other.

12 It came us -- for instance, for Sapa, it
13 gave us a presence in the west, where we didn't have
14 much other than up in Portland, and a presence in
15 Canada, which we didn't have really at all. So that
16 was attractive.

17 There were synergies on paper. I mean,
18 again, this was a time where the critical element in
19 the economy and the market then was that we were
20 probably in month number nine after the financial
21 collapse.

22 And so we were a bit reeling there, and
23 there was some synergies on round fixed costs by
24 merging the two companies together that made a lot of
25 sense, and some rationalization of some assets that

1 made some sense as well.

2 So putting it all together on paper, it
3 looked like a good opportunity if it was well
4 executed, and in the meantime, while we were busy,
5 because all of this took place in about 90 days. It
6 was at lighting speed.

7 And then when we got back to reading
8 headlines, we saw this surge that had just begun to
9 occur in imports, and so we immediately became plugged
10 into the Aluminum Exteriors Council, where we were
11 asked by the industry if we would be willing to
12 support the effort, and given the data, we decided to
13 support.

14 COMMISSIONER ARANOFF: Okay. Excuse me, but
15 if there is anything that you can add to the record
16 post-hearing in terms of documents that were prepared
17 as you were doing your due diligence on the deal that
18 would show how you assessed the likely value of the
19 acquisition, I think that would be helpful to us.

20 MR. HENDERSON: Yes, we will do that
21 Commissioner Aranoff.

22 COMMISSIONER ARANOFF: Thank you very much.
23 Also, with reference to Indelux, I knew that when we
24 looked through the lost sales and lost revenues
25 allegations in some of the narrative responses that

1 are in the report.

2 And I know that at least some of that is
3 public, and some of it is not, one thing that is
4 striking about it is that a number of customers cite
5 problems with obtaining reliable supply from Indelux
6 around the time of its bankruptcy, and they cite that
7 as their reason for going to Chinese sources. Does
8 anyone have a comment or a response to those claims?

9 MR. JONES: I can't speak to the Indelux
10 situation, but I would note that there were a lot of
11 other domestic producers who could have provided the
12 products, and it wasn't necessary to go to China.

13 MR. HENDERSON: Yes, I think typically what
14 you would find -- and it wasn't unique to Indelux at
15 that time, is that when a customer makes the decision
16 to change extruders, it is a big decision.

17 There is a lot of tooling that has to be
18 bought, and there is a big engineering expense
19 involved in it, and so they don't really spend a lot
20 of time shopping around. I can't overgeneralize, but
21 when you start shopping, and somebody from a -- when
22 an agent from a Chinese extruder walks in and says,
23 hey, since you are in the market, I can save you a big
24 chunk, and make this easy for you, it is extremely
25 attractive.

1 So when customers are on the look, and when
2 they go shopping and they see that kind of price
3 dangling in front of them, it makes sense. But there
4 were domestic suppliers including Sapa and others, on
5 this panel that could have taken care of those needs
6 with no difficulty at all.

7 COMMISSIONER ARANOFF: Well, Sapa would have
8 acquired Indelux's customer lists, right, as part of
9 the acquisition?

10 MR. HENDERSON: That was our hope, yes.

11 COMMISSIONER ARANOFF: Okay. So for post-
12 hearing, if there are particular customers, for
13 example, that you know were Indelux's customers, and
14 once you had rationalized and combined the assets, and
15 they were gone, that might be useful information to
16 know. Thank you.

17 A couple of questions on pricing. I know
18 that Mr. Brown testified that it is very typical to
19 have the London Metal Exchange price, or the midwest
20 price, it builds off of that as a pass through in a
21 pricing formula, and you said it was common in North
22 America, South America, and Europe, which were the
23 markets that he was familiar with.

24 Do all domestic producers follow this
25 practice, or are there some domestic producers that

1 don't include this pass through formula in their
2 pricing?

3 MR. CROWDIS: This is Duncan Crowdis of
4 Bonnell. There are perhaps several pricing
5 mechanisms, but for the ongoing business, I am not
6 sure of anyone that would do it any other way.
7 Perhaps on a midwest prior basis.

8 The other pricing mechanisms, there could be
9 some customers that want some sort of forward price
10 which we would do through some sort of financial
11 instrument to help lock a price in, but on the ongoing
12 business, a midwest price past through with the
13 conversion costs is how as far as I know how everyone
14 does it.

15 And it is not just the extrusion industry, but the
16 aluminum industry generally.

17 COMMISSIONER ARANOFF: And has that been the
18 case for a long time, or is that a fairly recent
19 phenomenon because aluminum prices have been so
20 volatile?

21 MR. CROWDIS: It has been that way a long
22 time. It is obviously very critical because it has
23 been so volatile in the past 3 or 4 years, but it has
24 been that way -- I have been in this business 36
25 years, and it has always been that way as far as I

1 know.

2 COMMISSIONER ARANOFF: And Mr. Brown
3 testified to the Americas and to Europe. Has it
4 always been that way? Is it that way globally, and in
5 particularly in Asia?

6 MR. BROWN: I can't specifically speak to
7 the Asian situation because I am not familiar with it.
8 In Europe, it is a little bit different. Often in the
9 U.S., we will quote a conversion on top of the
10 midwest, and so the customer knows that they are going
11 to pay 50 cents, 60 cents, 70 cents a pound on top of
12 the midwest.

13 In Europe, very often they would quote a
14 three months price. Metal would be buried in that,
15 and they would index their price on a three months
16 basis. But it is well understood in these markets,
17 and also in South America, that the price does vary
18 with the underlying cost of the metal.

19 COMMISSIONER ARANOFF: Okay. Are any of you
20 aware of specific importers of products from China who
21 are not pricing their product this way, with a pass
22 through for aluminum, or are the importers basically
23 doing it the same way?

24 And I take it from the fact that no one is
25 answering that they probably are doing that, and so

1 when we are looking at pricing, you are saying that we
2 should just be looking at what they are doing with the
3 conversion costs?

4 MR. JONES: I don't think that we have any
5 specific information on that, but we will discuss
6 that, and if we do have a comment on that, we will
7 provide it in our post-hearing brief.

8 COMMISSIONER ARANOFF: Okay. That would be
9 very helpful. My time is up. Thank you, Madam
10 Chairman.

11 CHAIRMAN OKUN: Commissioner Pinkert.

12 COMMISSIONER PINKERT: Thank you, Madam
13 Chairman. I just have a few additional questions.
14 First of all, I have a couple of questions about
15 circumvention. The threshold question is do you
16 believe that circumvention is an appropriate
17 consideration when defining the domestic like product?

18 I understand that it is considered often in
19 determining scope over at the Commerce Department, but
20 is the potential for circumvention appropriate in the
21 domestic like product context?

22 MR. JONES: Commissioner Pinkert, Steve
23 Jones. It certainly is not one of the traditional
24 criteria. I think it is relevant to what you are
25 looking at. We think that you can find one like

1 product coextensive within the scope without looking
2 at circumvention, but it certainly adds flavor to the
3 analysis in our view.

4 COMMISSIONER PINKERT: Thank you. Now,
5 since the preliminary determinations were made, is
6 there anything that has happened in the marketplace
7 that might give some flavor to the consideration of
8 circumvention?

9 MR. BROWN: This is Lynn Brown from Hydro.
10 We know of at least one situation where a customer,
11 who is buying substantial quantities, and who has been
12 buying substantial quantities from China, has raised
13 the possibility that they would ask their Chinese
14 supplier to provide material in kits as a way around
15 any type of countervailing or anti-dumping duty.

16 This is product that they have not been
17 buying in kit form, and it would not be all components
18 as we have defined kits, but clearly they have been
19 thinking down that road, and saying, okay, how can we
20 continue to buy subsidized product.

21 MR. JONES: Commissioner Pinkert, this is
22 Steve Jones. We have heard a lot of rumors during the
23 pendency of the investigation, and there are probably
24 going to be a number of circumvention problems that we
25 face, not necessarily involving the definition of a

1 kit.

2 But just more general problems of the kind
3 that perhaps some of you have read about involving
4 steel pipe, where product is just simply transhipped
5 through a third-country market, or a product is not
6 declared as subject to the order because it doesn't --
7 it is not classified under the harmonized tariff
8 schedule under one of the HGS numbers that is
9 specified in the scope.

10 There are a number of different things that
11 we have heard, and if we are fortunate to obtain the
12 relief that we seek, we will have some work to do with
13 customs to educate folks who are administering the
14 order about what the scope covers, and what it doesn't
15 cover, and what some of the schemes are that we have
16 been told about so that the order can be effectively
17 enforced.

18 COMMISSIONER PINKERT: Ms. Woodings.

19 MS. WOODINGS: Yes. Commissioner Pinkert, I
20 wanted to add that I have been since the filing of the
21 petition following Customs rulings that pertain to
22 aluminum extrusions.

23 And there have been an extraordinary number
24 of requests with regard to this product, and a number
25 of them -- there is a certain number. These are

1 public. I get them off the Custom's website.

2 A number of them were generated because one
3 importer in particular asked to reclassify products
4 from Chapter 76, which is the aluminum chapter, to
5 Chapter 82 in the tariff schedule. Chapter 82
6 pertains to a number of different products, to include
7 building hardware, door hardware, and that kind of
8 thing.

9 In some of these cases the company was --
10 the importer was successful in having the product
11 reclassified to Chapter 82, and in a number of cases,
12 Customs ruled that that was not appropriate and that
13 they should be in Chapter 76.

14 There are also a number of requests that
15 have come in to Customs to ask to have certain
16 products defined as a kit. So there is activity
17 bubbling by importers to try to deal with or to try
18 get around this order, and bring in imports either in
19 kit form that would be excluded, or to try to classify
20 them in another category.

21 I can't say that they might be particularly
22 very legitimate reasons why products might be
23 classified under another chapter. It might be also
24 that the products would not be detected because that
25 chapter isn't identified thus far in the scope. So

1 there is a lot of activity going on.

2 COMMISSIONER PINKERT: Just as a practical
3 matter could an extrusion be brought in, in the form
4 of a kit, and then used for some purpose other than
5 the purpose that might be indicated by the inclusion
6 in a kit?

7 MR. JONES: Commissioner Pinkert, Steve
8 Jones. That is possible. The reason why we have
9 defined a kit that would be excluded the way we have,
10 that is, for shower doors, including the glass for the
11 shower door, and a window, including glass for the
12 window, is because that type of activity that you
13 referenced would be more difficult if the glass were
14 included.

15 But there is only so far that we can go to
16 try to address this problem, and we are going to have
17 to rely at some point on the Department of Commerce to
18 administer the scope, and the Customs folks who are
19 very taxed as we all know to enforce the order, and if
20 people are illegally circumventing to bring them to
21 the justice system.

22 COMMISSIONER PINKERT: Thank you. Now, with
23 regard to the related parties issue, in determining
24 whether domestic producers primary interest is in
25 importing versus domestic production, what

1 consideration should we give to the ratio of imports
2 to domestic production?

3 MR. JONES: This is Steve Jones,
4 Commissioner Pinkert. That is certainly a factor. If
5 a producer is much more at a higher ratio of imports
6 to domestic production, and if its primary interest is
7 more in importing than in domestic production, then
8 that would be a factor indicating that they are not a
9 domestic producer. So that is definitely a relevant
10 factor in your analysis.

11 COMMISSIONER PINKERT: Well, let's just
12 suppose hypothetically that the number starts out
13 above, or the ratio starts out above a hundred percent
14 during the period under examination, but then drops to
15 below 100 percent.

16 Does that indicate that the interest, the
17 primary interest has shifted from importation to
18 domestic production?

19 MR. JONES: I am not sure I understand how
20 far the shift has moved. A couple of percentage
21 points probably would not indicate a shift, but it is
22 hard to address that in the abstract.

23 COMMISSIONER PINKERT: Thank you. Well,
24 perhaps for the post-hearing, if you could look at
25 that issue and look at some of those ratios, that

1 would be helpful.

2 MR. JONES: We will do that, Commissioner
3 Pinkert.

4 COMMISSIONER PINKERT: Thank you, and with
5 that, I have no further questions, but I do thank you
6 all.

7 CHAIRMAN OKUN: Just a few questions left
8 for me. One is, and this would be just a follow-up to
9 Commissioner Pinkert's question about whether
10 appropriate circumstances would exist to exclude any
11 party if the Commission were to define a like product
12 as argued.

13 And if you can address all the factors that
14 we would look at that would be helpful. Then going
15 back from not having had the opportunity to travel,
16 but on your continuum argument for purposes of like
17 product, Mr. Jones, the things that are in front of
18 me, I am assuming that this is not really the
19 continuum, and that you brought examples of what the
20 Respondents are arguing would be things that they
21 would see as different like products.

22 But if you were instead had a table out here
23 and were trying to show me how these things all fit
24 within the continuum, and this would be for the
25 producers, what would be on one end versus the other

1 end?

2 And maybe some of these, as you said in
3 response to Commissioner Aranoff on other examples,
4 but just help me understand your continuum and how it
5 may or may not relate to the arguments made by the
6 Respondents of where their products sit?

7 MR. JONES: Well, I will start out, and then
8 the producers can chime in with their comments. The
9 continuum ranges from very simple shapes, and what we
10 would call, what the industry would call standard
11 shapes, that literally every aluminum extruder
12 produces, which would be a simple L-shape or some sort
13 of a bar, a simple tube product. There are very
14 simple shapes that everyone does.

15 CHAIRMAN OKUN: And when you say everyone,
16 just help me. For the shower door manufacturers, and
17 for the heat sink, they would also have to be able to
18 do this to produce what they produce?

19 MR. JONES: Well, the shower door
20 manufacturers, specifically, those who are just
21 fabricating and don't extrude, would be purchasing the
22 extrusions that they need from extruders, and then
23 doing the fabrication process at some level to those
24 products.

25 So, no, what we are talking about here are

1 extruders, those with extrusion presses, and everyone
2 has standard shapes, and then there are custom shapes
3 that can become increasingly intricate and difficult
4 to produce.

5 And there can be just what is called mill
6 finish, which is where it comes out of the extrusion
7 press, and pretty much that's it. Nothing more is
8 done to it. It is cut to length, and it is packaged
9 and shipped.

10 But then there are various types of
11 finishing, which painting or anodizing in various
12 types, including bright dip anodizing. And then there
13 are also various types of fabrication, which could be
14 cutting to length, bending, drilling holes in it,
15 other types of processes to the extruded shape.

16 So from one of the spectrum, very simple
17 shapes, mill finish, on up to very complex shapes,
18 proprietary shapes, that are highly finished, highly
19 fabricated, a lot of value added. So, very simple, to
20 high value added.

21 CHAIRMAN OKUN: Okay. And I heard Mr.
22 Crowdis discuss on the jewel finish and where the
23 other types of products, or what that would mean for
24 what you produce, and the value added. Can other
25 producers give me other examples of something that to

1 them would be very similar on the continuum to the
2 finished heat sink?

3 MS. JOHNSON: Commissioner Okun, I can
4 appreciate not being in the extrusion industry how
5 difficult this is to wrap your mind around because it
6 is everything, but in our plant the continuum would
7 run from, say, a simple floor covering trim, like a
8 ceramic tile trim, or carpet metal, kind of the most
9 basic product known to man.

10 And to where we produce locking systems
11 after 9/11 that were put on all commercial cockpits.
12 They were tiny little components that consisted of
13 extrusions, machining, and then they were put
14 together, and they were instantaneous locking systems.

15 And we would produce everything in between.
16 Nothing on that table could not be produced by all
17 four of us, with the exception of maybe that big heat
18 sink, but it depends on the weight per foot.

19 So the continuum, the jewelry is an
20 arbitrary tag put on metal by one segment of the
21 industry. However, many segments use it. The classic
22 truck, and the manufacturers trucks are the big
23 annoying guys on the road that haul the trailers
24 behind them, and you can see that they have a lot of
25 decorative metal on the cab.

1 Often in the industry that is referred to as
2 jewelry metal. It refers to the finish. It is
3 usually buffed before it is bright dipped. All three
4 of us do that along any kind of product that you can
5 think of.

6 So the continuum can run from a very simple
7 application to complex applications. The continuum
8 can also run from small size to large size, depending
9 on the size of your press. And then finishing
10 operations, from anything from painting to anodizing,
11 to bright dipping.

12 One last thing that I would like to say.
13 There have been a lot of questions about kits. I
14 think that most other extruders would agree with me
15 that instead of using the term kits, we are really
16 talking about semi-fabricated parts.

17 So parts rather than a big stick of metal,
18 which you saw when you went to Duncan's plant on
19 carts. Something is done to that secondarily. It is
20 cut to a smaller cut to length. It has got some holes
21 punched in it, or some highly intricate CNC machining.

22 These typically then go with a couple of
23 semi-fabricated parts to create something downstream
24 for an OEM. I think that kits are a little arbitrary.
25 In our mind, we are really talking about semi-

1 fabricated parts.

2 CHAIRMAN OKUN: Okay. And then just
3 sticking with you, Ms. Johnson, when you say the
4 different things, the different extrusions that one
5 would see around you, and if an OEM came to you and
6 said that I want you to produce X, you could do it
7 without adding machinery, adding a different
8 production line? You can do all of those with what
9 you have in your facility?

10 MS. JOHNSON: We could. Often though, or in
11 the last few years, we have had to add highly
12 automated processes to compete with China. I can
13 think of a specific case where we were manufacturing
14 six thousand items a day that were finished product
15 that went on a door.

16 And we had just left the supplier meeting,
17 and winning the Supplier of the Year Award, and then
18 being told that they had several containers of this
19 metal on the way from China. And when we talked to
20 the customer, they said, well, what can we do. It was
21 50 percent cheaper than your price.

22 Well, we were bound and determined to keep
23 that work, and so we cut our price by 25 percent, and
24 went about building as automated a process as we
25 could to take the extrusion, and put it in, and out

1 the other end would pop the flatted punch taped,
2 bright dipped product.

3 And we were determined to try and make money
4 because we didn't want to let that work go, and so we
5 don't always necessarily have the equipment necessary
6 for high volume application for a specific customer to
7 do it competitively with the Chinese, but we will add
8 it. But in general, yes, we have all the downstream
9 applications. We have presses and an anodizing line.

10 CHAIRMAN OKUN: Okay. I appreciate all
11 those comments. When you had talked about the volume
12 work, I know that in an earlier round I had asked if
13 there were times when you couldn't meet customer
14 requests because of large volume. And what about the
15 reverse, of small volume? Do you have minimum orders
16 under which you can't produce or wouldn't produce?

17 MS. JOHNSON: We would probably take the
18 smallest orders of anybody in this room, and we will
19 take any sized order that the customer wants; just
20 generally if press fed, and a setup fee, and it
21 depends on what kind of work that we are looking at to
22 come from this initial run.

23 CHAIRMAN OKUN: And how about other
24 producers?

25 MR. CROWDIS: This is Duncan Crowdis of

1 Bonnell. I think that certainly we take small orders.
2 We may not take as small an order as Sue's company
3 does because we are a larger business. And I think
4 that is what you will find with 160 some extruders
5 around North America.

6 There will be folks that specialize in that
7 kind of thing. There are folks like us that probably
8 are in the larger volume type applications. So I
9 don't see that as an impediment whatsoever.

10 CHAIRMAN OKUN: I am just curious about your
11 industry. If somebody came to you and said that we
12 want to produce this, and this is our amount, and you
13 say, well, we don't do that, do you know enough about
14 the industry to be able to say, no, we can't do it,
15 but that Company X can?

16 MR. CROWDIS: We may well do that, and of
17 course it always comes down to price. We will do
18 anything to make a profit, but if it can't be priced
19 appropriately, and we know another extruder that does
20 that type of thing, and it is not really of interest
21 to us, we will make those kinds of recommendations.

22 And it is not just in size. There is many
23 different extruders that specialize in certain things
24 that are just better at it than we are. That is the
25 nice thing about our industry.

1 CHAIRMAN OKUN: Okay. Any other comments
2 from the other producers? If not, with that, I very
3 much appreciate all those answers, and I will turn it
4 over to Vice Chairman Williamson.

5 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
6 Chairman. Just a couple of quick questions. Is there
7 any way to estimate the total size of the heat sink
8 market, the market as you understand it?

9 MS. JOHNSON: You know, I have been thinking
10 about that because there has been so many heat sink
11 questions, and I think in the post-hearing brief that
12 we need to go back and canvass the industry, and pull
13 into the scope all those things that correctly could
14 be characterized as heat sinks, because I think that
15 it is not as narrow as it may seem, or as it has been
16 presented by the particular Petitioner.

17 VICE CHAIRMAN WILLIAMSON: Thank you. I
18 think for post-hearing that that would be helpful, and
19 just tell us what definition that you are using, too.

20 MR. JONES: We will do that, Vice Chairman
21 Williamson.

22 MS. JOHNSON: It dissipates heat.

23 VICE CHAIRMAN WILLIAMSON: Okay.

24 MS. JOHNSON: A heat seek trap, and it is a
25 heat transfer device. It takes heat from something

1 that is getting hot, and gets rid of it.

2 VICE CHAIRMAN WILLIAMSON: And does nothing
3 else. Okay. Thank you. Just one other question.
4 The shower door folks are saying that they are subject
5 to a higher degree of engineering precision production
6 to create water tight seals.

7 That they have to do that, and that it just
8 sort of makes them unique. And I was wondering if
9 there are any other types of aluminum extrusions that
10 have to be used that way, and to have the same type of
11 tolerances?

12 MR. BROWN: Lynn Brown from Hydro. You
13 know, I think if we spoke to many of our customers, we
14 would end up in a very similar discussion. I
15 mentioned that we have an involvement in the solar
16 energy area. Much of what we do is to provide framing
17 for mirror assemblies, which are used in concentrated
18 solar.

19 And very slight variations in precision of
20 that framing can equal several degrees of lost optical
21 efficiency, which basically says that you get fewer
22 megawatts out of the plant that you had anticipated.

23 Those customers say that an extreme degree
24 of tolerance across a piece of extrusion that could be
25 40 feet long is vital to their performance. Does that

1 deal with water tightness? No, but I think in almost
2 all of our end markets that we have customers that are
3 pushing us to degrees of precision which are essential
4 to the effective operation of their products.

5 VICE CHAIRMAN WILLIAMSON: Thank you.

6 MS. JOHNSON: We make solar PV, photo
7 voltaic frames, for a German solar power manufacturer,
8 and we are cutting the tolerances to plus or minus
9 one-thousandths for these frames that are going around
10 the photo voltaic.

11 I don't think that the shower door industry
12 has any kind of corner on precision.

13 VICE CHAIRMAN WILLIAMSON: Okay. Good.

14 MS. JOHNSON: Duncan or Jeff may want to
15 comment.

16 VICE CHAIRMAN WILLIAMSON: What about with
17 windows on big office buildings?

18 MR. CROWDIS: I can talk about our
19 specialty, which is on the non-residential side, and a
20 curtain wall system as an example, which is the
21 framing on the large high-rise buildings that holds
22 the glass systems.

23 They may provide us with a tolerance, but it
24 has to fit, and you don't want a cap that sits over
25 the exterior side of what we call a mullion, and that

1 is one of these vertical sections in a curtain wall
2 that is loose.

3 Because if that comes off a building when it
4 is 50 stories up, that is not a good thing, and so we
5 have become very specialist at not only ensuring that
6 the tolerances are right, because the customer gives
7 us tolerance, but it has got to fit, and it has got to
8 snap well, and it can't be too loose. So I would
9 suggest that in that market that tolerances are
10 absolutely critical.

11 VICE CHAIRMAN WILLIAMSON: Okay.
12 I have no further questions and I want to thank the
13 panel for their answers. Thank you.

14 CHAIRMAN OKUN: Commissioner Lane?

15 COMMISSIONER LANE: Thank you. Aluminum
16 billets make up your largest manufacturing cost.
17 Could you please describe for me what kind of energy
18 you use, and what are the sources?

19 MR. CROWDIS: Duncan Crowdis with Bonnell.
20 We do cast our own billets ourself, so, you know, we
21 certainly have that knowledge. We use natural gas, in
22 general, to, you know, we pull in prime ingot from
23 various smelting operations around. We've pulled in
24 scrap, both our internal run around scrap, as well as
25 external scrap that we can recycle. We pull it into a

1 furnace, and, you know, we put heat to it in the form
2 of natural gas, melt it and then cast it and freeze it
3 in that round, cylindrical billet, which is the
4 feedstock in an extrusion process.

5 COMMISSIONER LANE: And do you just buy your
6 natural gas on the open market?

7 MR. CROWDIS: That's correct.

8 COMMISSIONER LANE: Okay. Now, do the rest
9 of you all use natural gas?

10 MR. BROWN: We use natural gas extensively.
11 Lynn Brown from Hydro. Also, obviously we use some
12 electrical power.

13 MR. HENDERSON: Sapa uses natural gas.

14 COMMISSIONER LANE: Okay. Thank you. Now,
15 you described your contracts. Some are spot, some are
16 long-term, some are short-term. Are your contracts
17 fixed with regard to volume and price or both?

18 MR. BROWN: I'll be glad to address that.
19 Lynn Brown from Hydro. Very few of our "contracts"
20 are real contracts in terms of the take or pay
21 definition of a contract. In most cases, our
22 contracts with customers are an agreement as to how
23 we're going to do business, the price level relative
24 to metal. There may be target volumes but they
25 generally have very little weight behind them. The

1 only exception to that is when we enter into what we
2 call a forward agreement where we are purchasing metal
3 forward so that we can assure that customer of a
4 guaranteed metal price. In that case, we're taking a
5 financial position in the metal market and it's
6 incumbent on that customer to take that volume at the
7 appropriate time.

8 COMMISSIONER LANE: And do you have many of
9 those contracts percentage-wise?

10 MR. BROWN: It varies with what's going on
11 in the metal market. Typically, it probably
12 represents no more than 20 percent of our total
13 activity.

14 COMMISSIONER LANE: And that would be on a
15 yearly basis?

16 MR. BROWN: In some cases those would extend
17 for more than a year, in some cases they would extend
18 for as little time as three to four months.

19 COMMISSIONER LANE: Okay. Mr. Crowdis, do
20 you want to comment on that question?

21 MR. CROWDIS: Almost exactly the same
22 answer. The only areas where we will enter into, just
23 as Mr. Brown described, fixed forward contracts are
24 with a customer that's building a large building and
25 the life cycle of that building, the production, is

1 going to take 18 months and he needs to have that
2 price fixed for 18 months. So it's virtually on a
3 project by project basis. It can go up to 18 months.
4 It typically is about a year. For us, you know, it
5 would represent anywhere from 20 -- now it's probably
6 about 15 percent of our business just because the
7 residential construction business is so poor. It
8 typically in strong years might be 30 percent, and I
9 would think that we are very high in the industry in
10 that area.

11 COMMISSIONER LANE: Okay. Thank you.
12 Anybody else want to comment?

13 (No response.)

14 COMMISSIONER LANE: Okay. Thank you. Could
15 you tell me what level of inventory of aluminum
16 billets you tend to have on hand on a regular basis.

17 MS. JOHNSON: It depends on the size of the
18 extrusion operation, but it's typically a couple of
19 months depending on how close they are.

20 MR. BROWN: Lynn Brown from Hydro. Our
21 situation would be quite different, in part because we
22 operate three of our own cast houses and supply the
23 majority of our own billet internally. We do purchase
24 some billet in specialty grades that we choose not to
25 cast, but as a result, we try to operate with

1 relatively little billet.

2 COMMISSIONER LANE: So you don't keep much
3 inventory on hand at all?

4 MR. BROWN: We don't want to see money tied
5 up in metal.

6 COMMISSIONER LANE: Okay. Mr. Crowdis?

7 MR. CROWDIS: Similar to Hydro Aluminum, we
8 cast our own billet, and we would probably keep two
9 weeks of billet on site, so very similar to what Mr.
10 Brown described; however, we also have to keep raw
11 materials on site to create that billet and we would
12 hope to turn that inventory about 20 times. That
13 would be billet and all the raw materials, prime and
14 scrap, combined.

15 COMMISSIONER LANE: Mr. Henderson?

16 MR. HENDERSON: Yeah. I agree with Mr.
17 Brown. If you've got more than 30 days of billet on
18 hand, you've got some explaining to do. Our ambition
19 would be closer to what Mr. Crowdis had said. It just
20 ties the capital into the metal. The metal's
21 available, we have a cast house, so we can get it when
22 we need it.

23 COMMISSIONER LANE: Okay. Thank you. Ms.
24 Woodings?

25 MS. WOODINGS: Commissioner Lane, I just

1 wanted to mention a point that was made earlier in the
2 testimony. The largest part, or the largest number of
3 extruders are actually more on the order of magnitude
4 of Ms. Johnson's facility, and so for those producers,
5 I can't speak to all of those producers, but her
6 comments might be more indicative of what's happening
7 in a larger number of producers.

8 MS. JOHNSON: Utah tends to be a little on
9 the fringes of out there for a lot of the producers,
10 and, in fact, the aluminum extrusion industry tends,
11 it's very heavily concentrated on the east coast and
12 it tends to diminish as you move westward, although
13 Jeff did have some facilities in California. The
14 producer that's selling us our prime extrusion -- and
15 we only extrude with prime extrusion, we sell our
16 scrap to Jeff's company -- holds that inventory in
17 consignment for us.

18 COMMISSIONER LANE: Okay. Thank you.
19 Producers, importers and purchasers have all stated
20 that lower demand is based in part on the movement of
21 lower value added extruders into higher value niches
22 of the market. Can you explain to me what this means?

23 MR. HENDERSON: Would you repeat that one
24 more time?

25 COMMISSIONER LANE: Okay. You all said that

1 lower demand is based in part on the movement of lower
2 value added extruders into higher value niches of the
3 market, and I just wondered what that meant. That was
4 on page 2-9 of the staff report. Well, maybe if I put
5 it this way. What is a lower value added extruder,
6 and what are higher value niches of the market?

7 MR. BROWN: Lynn Brown from Hydro. I can
8 answer that. It goes back a little bit to the
9 discussion we were having earlier about the continuum.
10 If we talk about that continuum, at one end, we might
11 produce a 20 foot long tube. A customer might buy
12 that and do very little to it. We don't have a lot of
13 value added in that. At the other end, we might take
14 an extrusion, we might cut it to length, we might bend
15 it, we might machine it, we might polish it and
16 deliver it to somebody for a treadmill assembly.
17 There we have a high value added because we're doing
18 many subsequent operations, creating more value for
19 our customer.

20 COMMISSIONER LANE: Okay. Thank you.

21 MS. JOHNSON: I think what you've seen is as
22 the OEM producers in the country have become more
23 conscious of their supply chain costs, whereas maybe
24 20 years ago all extruders did was extrude metal and
25 anodize it or bright dip it, I think that the supply

1 chains have shortened and they're depending more on
2 their raw material suppliers, that we are, to do more
3 value added to take steps out of the supply chain.
4 It's not uncommon that someone used to buy an
5 extrusion, they would bring it at house and send it
6 somewhere else to get it anodized and send it to a
7 third place to get it machined. Now they can get all
8 that done under one roof.

9 COMMISSIONER LANE: Okay. Thank you. I'm
10 going to hurry up this next question because my time
11 is running out, but aluminum prices dropped from
12 \$3,200 per metric ton to \$1,300 in about six months in
13 2008, so how did that affect your financials, and
14 then, of course, there was the increases in the
15 aluminum prices from 2007 to 2008, so how did all of
16 this volatility affect your financials?

17 MR. CROWDIS: Duncan Crowdis with Bonnell.
18 I can start. It actually did not affect our
19 financials. We do have a very neutral, complete pass-
20 through of metal. It certainly kept us awake at night
21 because the fixed forward prices that we had increased
22 our exposure significantly, and, you know, we do have
23 a take or pay kind of arrangement on these and we're
24 locked in a financial instrument with an institution
25 and we don't have any choice. So other than it kept

1 us awake at night, it didn't actually affect our
2 bottom line.

3 COMMISSIONER LANE: Okay. Does anybody else
4 have a different answer?

5 MR. BROWN: Lynn Brown from Hydro. Duncan
6 was obviously doing a better job of inventory
7 management than we were at the time because when your
8 metal prices crash that rapidly and demand evaporates
9 at the same time, you can be long on inventory and
10 then the price that you're able to charge to your
11 customer is less, and so you have an inventory hit, a
12 loss on your metal inventory. We experienced a little
13 bit of that when it was crashing. When it was going
14 up, we managed our inventories well, we didn't receive
15 much benefit.

16 COMMISSIONER LANE: Okay. Thank you. With
17 that, I have no further questions. I want to thank
18 this panel for all of their answers today. Thank you.

19 CHAIRMAN OKUN: Commissioner Pearson?

20 COMMISSIONER PEARSON: Thank you, Madam
21 Chairman. I regret, here I am going for the third
22 round, still on like product. I'll try to get this
23 wrapped up. When you defined the scope, you found a
24 dividing line between shower kits with glass doors and
25 shower kits without. Would you see that as a clear

1 dividing line in the way that we look for clear
2 dividing lines?

3 MR. JONES: Yes, we think that's a clear
4 dividing line that can guide your determination and be
5 easily administered.

6 COMMISSIONER PEARSON: Okay, but doesn't
7 that difference just reflect a slight difference in
8 how the product is marketed? I mean, there's no
9 change in the actual aluminum extrusions themselves,
10 is there?

11 MR. JONES: There's a significant change in
12 the product that's imported. As I said earlier, we'll
13 take a look at this and analyze this from, you know,
14 provide a more fulsome analysis of the like product
15 issue on this, but in our view, that is a workable
16 line between what is an aluminum extrusion and
17 therefore subject to this case and part of the
18 domestic like product, and what is a downstream
19 finished product that is a product of another
20 industry.

21 COMMISSIONER PEARSON: Okay. And so you
22 would see it as different than a marketing situation
23 where, hypothetically, someone is selling aluminum
24 extrusions along with a bushel of potatoes and, you
25 know, that as long as there's something besides the

1 aluminum, then it could be in or out of the scope. I
2 mean, I'm confused on this, and I should explain. A
3 lot of my confusion this morning is self-inflicted and
4 you shouldn't think that it's your answers that are
5 giving me difficulty. Part of the lack of
6 preparation. Sorry, Mr. Jones. Did you have any
7 thoughts on that?

8 MR. JONES: Well, we appreciate the
9 questions, and, you know, this is, it's an important
10 issue for the industry so we're happy to answer all of
11 your questions. The task that we had in defining the
12 scope was how can we include all of the various things
13 that this industry does and exclude things that
14 different industries do, and we've made an effort to
15 do that. The way we've done it is to include aluminum
16 extrusions that are finished, that are fabricated,
17 that are imported in subassembly form, but we've
18 excluded downstream products containing aluminum
19 extrusions, such as a finished shower door or a
20 window. We think that's a workable way to do it.

21 COMMISSIONER PEARSON: Okay.

22 MR. JONES: There may be other ways to do
23 it, but that's the way that we did it here.

24 COMMISSIONER PEARSON: Okay, but to me it
25 might seem to be a clearer dividing line if you had

1 gone a step upstream and made the line at the point
2 when anything gets packaged together with the
3 extrusions that's not an aluminum extrusion to put
4 together a kit. I mean, then I can see it a little
5 moreso than when you throw in the glass.

6 MR. JONES: Then, in our opinion,
7 Commissioner Pearson, you have a very easy
8 circumvention route. By just adding a few fasteners,
9 a few nonextrusion componentry to the kit, you have a
10 very easy work around that, as the witnesses today
11 have said, applies to products in the industry,
12 including shower doors of course, that's been raised
13 before you and we're discussing it today, but there
14 are a number of other products in the industry to
15 which that could be done. To us, that would make the
16 order far less effective, again, if we're fortunate to
17 get an order.

18 COMMISSIONER PEARSON: Do some of your
19 companies knock down shower door kits or just the
20 extrusions themselves?

21 MR. HENDERSON: In our case, you know, we
22 manufacture shower doors in Magnolia, Arkansas. At
23 one time we extruded the metal ourselves and we had to
24 shut down that operation to remain competitive, and we
25 currently offer shower doors to our shower door

1 customers that are fully glazed with glass, if that's
2 what they want, or in KD flat packs. We make the KD
3 flat packs -- I call them flat packs, I think it,
4 visually, it gives you an idea -- in our Magnolia
5 operation, okay?

6 COMMISSIONER PEARSON: Okay. So KD, that's
7 a knock down flat pack.

8 MR. HENDERSON: Knock down. That's right.
9 I'm sorry. Yes.

10 COMMISSIONER PEARSON: And so that's all of
11 the components that it takes to put together the
12 shower door and install it?

13 MR. HENDERSON: All of the components, minus
14 the glass.

15 COMMISSIONER PEARSON: Minus the glass.

16 MR. HENDERSON: Right, because the glass is,
17 I mean, it's a critical element. Earlier there were
18 questions about are there other applications where --
19 well, you know, you see it in furniture, you see it,
20 but you also see it sometimes in window products,
21 patio door, door products, where they may be,
22 components may be sent out and then glass is installed
23 later. Glass is a distinguishing characteristic that
24 is very easy to notice, and by installing the glass,
25 you have a substantially different product that you're

1 looking at in terms of just visual, right? If
2 somebody brings in a shower door, you'd say that's a
3 shower door. If somebody brings in a KD kit, it's in
4 a cardboard box about this long maybe or something and
5 you really don't even know what's in there.

6 COMMISSIONER PEARSON: Okay. And does any
7 other firm produce the KD kits?

8 MR. JONES: Commissioner Pearson, we will
9 canvas others in the petitioning group and the
10 committee to see if there are others. I suspect that
11 there are, but I'm not going to assure you of that
12 until I've had a chance to talk to some of those
13 companies, but we will provide an answer for you in
14 our posthearing brief.

15 COMMISSIONER PEARSON: Okay. And then now a
16 question for Mr. Henderson, but then go along with
17 that, if you learn more, in the posthearing brief.
18 Have you faced competition from subject imports in
19 these KD shower kits? I mean, are you dealing with
20 those in the marketplace now?

21 MR. HENDERSON: Sure. I mean, well, I mean,
22 not the way I believe the preliminary orders have come
23 down. I still believe that they're not allowed in,
24 right? A KD shower door kit?

25 COMMISSIONER PEARSON: Okay, but previously.

1 MR. HENDERSON: But historically,
2 absolutely. We even looked at it as an option. Now,
3 keep in mind, as a shower door business, if we choose
4 to go to KD kits from China, I will probably have to
5 let another few hundred people go in our business that
6 are currently fabricating and making kits in Arkansas
7 right now. It will cost us jobs to allow kits to be
8 brought in. Those kits represent work here in terms
9 of fabrication, and packaging and delivery.

10 COMMISSIONER PEARSON: Okay. Any other
11 observations? Otherwise, I think I've about run out
12 of questions, which my colleagues are very glad of
13 that, so thank you so much for your patience, and I'll
14 pass it back to the Chairman.

15 CHAIRMAN OKUN: Commissioner Aranoff? Do
16 any of my colleagues have questions for the witnesses?

17 (No response.)

18 CHAIRMAN OKUN: Does staff have questions
19 for this panel?

20 MR. MCCLURE: Jim McClure, Office of
21 Investigations. Staff has no questions for this
22 panel. We thank you for your informed testimony.

23 CHAIRMAN OKUN: Do Respondents have
24 questions for this panel?

25 (No response.)

1 CHAIRMAN OKUN: Counsel indicates by shaking
2 their head no, they don't have questions. Well then I
3 think this would be an excellent place to take a lunch
4 break before we hear from our second panel. I'll
5 remind everyone that the room is not secure so please
6 don't leave confidential information, and also, just a
7 final thank you to all the witnesses on this panel for
8 answering all our questions. We look forward to your
9 posthearing submissions. We will take a break until
10 2:00. We will see you back in this room at 2:00.
11 This hearing stands in recess.

12 (Whereupon, at 1:00 p.m., the hearing in the
13 above-entitled matter was recessed, to reconvene at
14 2:00 p.m. this same day, Tuesday, March 29, 2011.)

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1 over to Norm.

2 MR. SOUCY: Good afternoon. My name is Norm
3 Soucy. I am Vice President and Director of Global
4 Manufacturing and Supply Chain at Aavid Thermalloy.
5 In that capacity, I am responsible for managing the
6 production and distribution of Aavid products around
7 the world, including finished heat sinks. I've worked
8 at Aavid for the past 16 years in various leadership
9 positions within the company.

10 We manufactured finished heat sinks in
11 Laconia, New Hampshire since 1964. A finished heat
12 sink is a finished good that is installed in an
13 electronic component, in order to cool it down through
14 natural or forced convection methods. To better
15 explain the design and manufacturing challenges we
16 face, you must understand that semiconductors operate
17 efficiently only in a narrow temperature band. If the
18 semiconductor gets too hot, it will not operate at
19 this point.

20 You will probably notice that your computer
21 will eventually get hot. When it does, it is not
22 operating efficiently and, ultimately, may fail.

23 Now, an electronic products are getting
24 smaller, but with more power and thus more heat. Our
25 business is to remove that heat from expensive and

1 sophisticated electronic products. Our product, which
2 range from finished heat sinks, to even greater
3 sophisticated products that use liquids, fans, pipes,
4 fillers, et cetera, are all designed, tested, and
5 manufactured to cool electronic components at an
6 optimum cost per lot.

7 I can tell you without hesitation that Aavid
8 is not part of the aluminum extrusion industry and
9 finished heat sinks are nothing like aluminum
10 extrusions. Aavid is part of the electronics industry
11 and finished heat sinks are finished goods used in the
12 production of electronic equipment. Our customers
13 include IBM, Dell, GE, Alcatel Lucent, Oracle, and
14 Motorola, just to name a few.

15 Aavid's finished heat sinks do not compete
16 against any of the Petitioners, as aluminum extrusion
17 providers or any other U.S. extrusion producer. In
18 fact, several of the petitioning companies supplies to
19 Aavid heat sink blanks, which are these extruded
20 aluminum raw material input used to manufacture heat
21 sinks. The only finished heat sink manufacturing even
22 named in the Petition is Wakefield Solutions and
23 Wakefield is also a manufacture of aluminum
24 extrusions. Abbot was not named and neither were any
25 other finished heat sink manufacturers like Radian,

1 Thermal Solutions, and M&M Metals.

2 We were all left out for a reason. The U.S.
3 extrusion industry does not consider finished heat
4 sinks to be part of their industry. Our brief
5 explains in detail why finished sinks and aluminum
6 extrusions are separate like products. Without
7 duplicating that discussion, I want to walk you
8 through some basic facts that illustrate the
9 differences in simple terms.

10 First, physical characteristics: there is
11 one physical characteristic that dictates whether you
12 have a finished heat sink and that is its thermal
13 performance. Any finished heat sink must specify its
14 thermal performance. Customers have to know that in
15 order to determine whether the heat sink in question
16 were properly dissipate the use. It is quite easy to
17 demonstrate this.

18 In the packet you have been provided, at
19 Attachment A, we have provided sample catalog sheets
20 for several companies that produce finished heat
21 sinks. On page one of Attachment A, you will notice
22 in the middle of the page a graph. This graph is a
23 representation of a finished heat sink thermal
24 resistance capability. That particular page is from
25 Wakefield. Pages three, four, and five are

1 representative samples of Aavid Thermalloy from our
2 website. In the middle of those pages, you will see
3 various graphs showing the overall thermal resistance
4 of any particular product that we manufacture. Pages
5 six and seven is a representative sample of Radian
6 heat sinks; however, they do not show it in a graph
7 form, but rather show it in a table form in the far
8 right last three columns.

9 An electronics manufacturer cannot produce a
10 finished heat sink without knowing those
11 specifications. Extruded aluminum products are not
12 specified for thermal performance and companies like
13 Petitioners are not in the business of owning the
14 equipment necessary to conduct such testing.

15 There are other important differences. For
16 example, many finished heat sinks must meet flatness
17 requirements that go well beyond a standard aluminum
18 extrusion. Many finished heat sinks must be flat to
19 within 1,000 of an inch per inch. Aluminum extrusion
20 just specifies it between 4,000 and up to 14,000 of an
21 inch per inch. A great example of this is when
22 installing a door frame, window frame, or gutters in
23 your house. Typically, the contractor will shim this
24 product for it to fit. You cannot shim a heat sink,
25 as you would these aluminum extrusion products. Also,

1 finished heat sinks are sold by the piece, while
2 extruded aluminum is sold by the ton or pound. Thus,
3 there are many differences between the products. How
4 the thermal performance and its use in end products
5 are the lynchpin that differentiate a finished heat
6 sink from any other extrusion.

7 Second, interchangeability. Finished heat
8 sinks are not interchangeable with any other product.
9 Obviously, our customers would never buy a gutter or
10 window frame to cool their electronic components. But
11 even more concretely, our customers would never buy a
12 heat sink blank or any other heat sink that is not
13 specified for thermal performance. Finished heat
14 sinks must be very precisely manufactured, in rigid
15 thermal performance requirements. Those
16 specifications go well beyond anything that is
17 standard in the extruded aluminum market.

18 Third, channels of distributions. As I
19 stated earlier, Aavid is in the electronics industry.
20 Our channel of distribution is entirely different from
21 extruded aluminum products. You can see this clearly
22 when looking at who distributes finished heat sinks.
23 Attachment B, pages eight and nine, are samplings of
24 Aavid's authorized distributors for our finished heat
25 sinks. As you can tell, these are all electronic

1 distributors. Page nine is a typical distributor for
2 the aluminum extrusion industry. This is an example
3 of Eastern Metal Supply. You can tell on this sheet
4 that there are door frames, window frames, tubes,
5 angles, et cetera, but nowhere on here will you see
6 finished heat sinks. An electronics manufacturer --
7 excuse me -- there is, in short, a clear dividing line
8 in the channel of distribution between aluminum
9 extrusions and finished heat sinks.

10 Fourth, market perception. Regardless of
11 what you may hear today or see in briefs, both
12 extruded aluminum producers and finished heat sink
13 producers clearly distinguish themselves in the
14 market. Wakefield is a perfect example. Attachment C
15 provides a printout of Wakefield's brochure.
16 Wakefield clearly distinguish itself, its thermal
17 business from its aluminum extrusion business. On
18 page 13 of Attachment C, Wakefield lays out its
19 business sector, which clearly separates aluminum
20 extrusions from heat sinks, which is characterized
21 under thermal management. Page 14 refers to
22 Wakefield's thermal business, which includes heat
23 sinks. On page 16, under the category of industrial
24 applications, it identifies aluminum extrusions, such
25 as bars, angles, and tubes.

1 Thermal Solutions, another U.S. producer of
2 both finished heat sinks and heat sink blanks,
3 represents them as completely separate businesses.
4 Page 19 are the heat sinks portion of their website,
5 which highlights the company's finished heat sink
6 capacity. Pages 21 show the company's extrusion
7 webpage, which sells heat sink blanks, which are
8 indicated to be normally between four and eight feet
9 long. Both Thermal Solutions and Wakefield, there is
10 a clear dividing line between heat sink blanks or
11 other extrusions on the one hand, and finished heat
12 sinks on the other hand.

13 Finally, our customers do not even follow
14 the aluminum extrusion market. They do not think of
15 us as extruded aluminum suppliers. That's evidence of
16 how our products are purchased. When our customers
17 seek our products from distributors, they go to
18 electronics distributors, not aluminum extrusion
19 distributors. We are viewed as part of the
20 electronics industry, not the extrusion industry.

21 Fifth, manufacturing processes. Attachment
22 D provides pictures of the unique equipment required
23 to test and sell finished heat sinks. We need wind
24 tunnels, testing units, flow meters, and sophisticated
25 computational fluid dynamic software to simulate heat

1 flow and air flow. You will see on page 22 of
2 Attachment D a typical picture -- or a typical piece
3 of equipment called a wind tunnel, which will simulate
4 the overall air flow of the particular heat sink and
5 helps get the overall thermal resistance at a given
6 air flow. Pages 23 and 24 are various types of other
7 testing equipment that will demonstrate the overall
8 heat load to a particular heat sink that we can then
9 simulate the overall thermal resistance on.

10 We, also, have highly-trained engineers, who
11 are capable of managing the equipment and analyzing
12 the test results. Similar capabilities exist at
13 Wakefield, as well. Extrusion manufacturers simply
14 have no need for this equipment or software. The key
15 point is this, Aavid has not taken a lot of extrusions
16 and simply finishing it into a finished extrusion.
17 Heat sink blanks are, themselves, often fabricated,
18 sometimes even cut to length. We take the extruded
19 aluminum and transform it into something entirely
20 different. Our machine and testing procedures
21 transform the extrusion into a new and different
22 product that requires a level of engineering and
23 testing that goes well beyond anything in the
24 extrusion industry.

25 Sixth, pricing. Prices for finished heat

1 sinks are significantly higher than extruded aluminum
2 products, even heat sink blanks. Aavid heat sink
3 blanks, which are purchased from unaffiliated U.S.
4 suppliers, cost less than one-third the price of a
5 U.S.-produced finished heat sinks. The post blank
6 manufacturing processes accounts for the vast majority
7 of the total cost of producing a finished heat sink.
8 Thus, pricing is radically different.

9 The evidence on the record is really
10 overwhelming and clear cut. For every single factor
11 that the Commission would typically consider in its
12 light product analysis, the facts show that finished
13 heat sinks and extruded aluminum are very different
14 products.

15 Finally, let me touch on the question of
16 injury. Imports of finished heat sinks are not
17 injuring the domestic heat sink industry. Aavid
18 imports finished heat sinks from China and so does
19 Wakefield. We are by far the two largest producers in
20 the U.S. market. We manufacture finished heat sinks
21 in China, ourselves. Our Chinese facility serves a
22 global market, including the U.S. We import from the
23 Chinese facilities, where there is demand for products
24 produced there that we do not produce in the U.S.
25 market.

1 One of the Petitioners even owns a company
2 that produces some finished heat sinks and that
3 company does not appear anywhere in the petition.
4 Alexandria Extrusion wholly owns a company named M&M
5 Metals. We know M&M Metals. M&M Metals is not listed
6 in the petition as a petitioner or other U.S.
7 producer. Presumably, if imported finished heat sinks
8 were harming the U.S. industry, M&M Metals would have
9 at least been mentioned in the petition and presumably
10 would have appeared here today. We've included in
11 Attachment E the press release issued by Alexandria
12 Extrusion, noting its purchase of M&M Metals.

13 Finally, imports of finished heat sinks do
14 not harm any of the Petitioners despite claims that
15 they can or do produce them. The bottom line is that
16 we do not compete against these companies. They are
17 not recognized in our industry as suppliers of
18 finished heat sinks. I'm happy to answer any
19 questions you might have.

20 CHAIRMAN OKUN: Thank you.

21 MR. MINTZER: Thank you. That concludes the
22 finished heat sink portion of this presentation. I'll
23 hand it over to David.

24 MR. SPOONER: Thank you, Sid. Madam
25 Chairman, Mr. Vice Chairman, members of the

1 Commission, my name is David Spooner of the law firm
2 of Squire, Sanders & Dempsey and, of course, I appear
3 today on behalf of a group of shower door and shower
4 inclusion manufacturers, who are effected by this
5 order.

6 Before we launch into our witnesses, I'd
7 like to briefly take care of two items. Madam
8 Chairman, Congresswoman Jean Schmidt of Ohio mailed a
9 statement this morning, conveyed that she had hoped to
10 attend the hearing and asked to submit her statement
11 for the record. We'd like to do so with your
12 permission, Madam Chairman.

13 CHAIRMAN OKUN: Without objection, and we
14 have copies of that statement available.

15 MR. SPOONER: Thank you. The second item,
16 of course, is to briefly introduce our witnesses.
17 Madam Chairman, we have two witnesses today. To my
18 right, George Rohde, CEO of Basco Shower Enclosure of
19 Mason, Ohio; and Bill Cobb, the CEO of Coastal
20 Industries of Jacksonville, Florida. I should also
21 note that we have Larry Langefels at the table, as
22 well. Larry is the CFO of Basco and is well apprized
23 of the issues in the case and has been active in the
24 case and thought he would be a helpful witness for the
25 Commission. And with that, I will turn it over to Mr.

1 Rhode of Basco.

2 MR. ROHDE: Good afternoon. I am George
3 Rhode, President and Chief Executive Officer of Basco
4 Manufacturing Company in Mason, Ohio. We and the
5 other members of the Shower Door Manufacturing
6 Alliance appreciate this opportunity to bring our
7 industry and its concerns to the Commission's
8 attention.

9 Our concerns are that our industry will be
10 hollowed out, if not destroyed entirely by the
11 antidumping and countervailing duty orders that may be
12 issued in these investigations. To avoid this result,
13 it will be necessary to find that the specialized
14 aluminum extrusions our industry requires are products
15 separate and distinct from all other extrusions
16 involved in these investigations and that the few
17 domestic producers who make them, are not injured or
18 threatened with injury by Chinese imports of these
19 extrusions. If those extrusions are not found to be a
20 separate like product, a portion of our industry could
21 be saved by recognition that shower enclosures
22 knockdown units are a separate like product and that
23 we, who produce them in the United States, are not
24 injured or threatened with injury by reason of the
25 accused imports.

1 Basco, which was founded by my father, Bill
2 Rhode, has been manufacturing bath and shower
3 enclosure products since 1955. I have worked at Basco
4 since 1980 and have been president and CEO for nearly
5 25 years. The members of the Alliance are
6 manufacturers of bath and shower enclosure products.
7 We are not distributors or retailers. We are
8 factories that produce these products for sale to
9 glass distributors, plumbing wholesalers, and shower
10 door installers, who either sell them at retail or
11 install them for the customer. Members of the
12 Alliance are family-owned companies that have
13 manufactured shower door enclosure products who are
14 depending on the company 30 to 60 years and sell into
15 a domestic market for these products believed to
16 account for approximately \$500 million in sales per
17 year.

18 Basco employs over 172 today at our Ohio
19 plant. There are roughly 10 United States shower door
20 enclosure producers like us, each of which employs
21 from 100 to 500 workers. In addition, our industry
22 supports countless and other jobs at the domestic
23 firms that supply us with various necessary materials,
24 parts and components. The recent economic recession
25 and downturn in new home building and remodeling

1 reduced demand for bath and shower enclosure products
2 and has forced Basco to reduce its workforce by more
3 than 50 employees over the past couple of years. If
4 extraneous factors do not interfere, we anticipate our
5 business to recover as the economy recovers and we
6 hope much of this employment will be recovered with
7 it.

8 But this recovery in the survival of our
9 industry are threatened by the looming prospect of the
10 imposition of antidumping and countervailing duties on
11 specialized aluminum extrusion imports used by our
12 industry. These extrusions are distinguished from all
13 other aluminum extrusions by unique shapes, unique
14 finishes, tight tolerances, and the comparatively low
15 volumes in which particular lineals are purchased.

16 U.S. manufacturers generally have shown
17 little interest in manufacturing to our specification
18 in the less than truckload quantities of particular
19 lineals we purchase. That has forced us to rely
20 heavily on suppliers in China. If the specialized
21 highly engineered, jewelry grade finished extrusions
22 we need were to become unavailable from China, we
23 would be effectively precluded from continuing
24 manufacture in the United States. Our operations
25 would be uncompetitive with imports from China of

1 complete shower enclosure kits with glass. Those
2 articles are excluded from the scope of the
3 proceedings and are already manufactured in China.

4 A recognition that knockdown shower kits are
5 a separate like product and that we, the domestic
6 producers of those kits, are not injured or threatened
7 with injury by imports of such products. We could
8 then continue to produce the glass elements of the
9 shower enclosures and other related items, which would
10 be sold as shower enclosure kits with glass. But
11 because it would save only part of our operations,
12 this is not a preferred solution.

13 To help explain the threat to our industry,
14 I will describe the products we produce and the nature
15 of our operation. One product we make and sell is
16 shower and bath enclosure units complete with glass.
17 Usually, it consists of glass panels, the aluminum
18 frames to enclose them, and all other components
19 necessary for a functioning shower door or enclosure.
20 The other components involved include door handles,
21 knobs, rollers, guides, hinges, brackets, latches,
22 mounts, hangars, anchors, fasteners, and vinyl seals,
23 among many others. Petitioners have stated that these
24 units that include glass are not covered by these
25 investigations or any orders that may result from

1 them.

2 Another product, which also accounts for a
3 substantial part of our sales, is called a knockdown
4 unit or KD. It contains all of the previously
5 mentioned parts necessary for an installed shower door
6 enclosure, except for the glass. If you would, please
7 see the example on the table and Exhibits 1 through 7
8 in the packet of the BPI exhibits from our pre-hearing
9 brief we have supplied the Commissioners for their
10 convenience.

11 Installers often purchase the glass
12 separately from the other parts of the shower door
13 enclosure. There is a variety of types of glass that
14 can be used in the shower enclosure application,
15 including clear, tinted, mirrored, frosted, and
16 obscured. The particular glass selected by an
17 installer will then be custom cut to fit and assembled
18 -- custom cut to fit the assembled KD unit. This is
19 often done on a construction site after the purchase
20 and delivery of the KD unit.

21 Aluminum extrusions call manuals are used to
22 create the framing pieces in a KD unit or complete
23 shower door enclosure. These include wall jambs,
24 headers, tracks, and towel bars. The unfabricated
25 aluminum extrusions used by the shower door industry

1 to produce these pieces are more advanced and
2 sophisticated and designed and finished than the vast
3 majority of aluminum extrusions. Shower door
4 extrusions have unique, highly-engineered cross
5 sections and must be manufactured to close tolerances,
6 to assure tight fits. Shower door extrusions also
7 require a unique jewelry-like finish that can
8 withstand the human conditions of a shower
9 environment. These finishes include bright dip
10 anodized in silver or gold colors, satin, etched
11 and/or anodized, oil rubbed bronze and brushed nickel
12 or other specialized brushed patterns.

13 Shower door manufacturers do not extrude
14 aluminum; rather, we purchase the necessary
15 specialized extruded aluminum pieces from extruders.
16 Prior to ordering the extrusions, the shower door
17 manufacturer must first design the shower enclosure or
18 KD unit. That design includes design of their
19 aluminum components, including the dyes used to make
20 the specialized cross sections needed. This requires
21 significant technical expertise and engineering
22 resources. Each cross section design is proprietary
23 to an individual shower door manufacturer. The
24 technical drawings of the dyes are then provided to
25 the extruders to manufacture the extrusion dyes.

1 Due to the cost to us of the dyes, we must
2 limit the number of vendors with whom we work.
3 Moreover, extrusion vendors, themselves, have limited
4 the number of vendors with whom we can work -- with
5 whom we can work. Many vendors will not make dyes to
6 our specifications due to the level of sophistication
7 and limited volume involved. These specialized
8 extrusions must then be specially finished, has to be
9 fitted for the environmental conditions and cosmetic
10 requirements of shower enclosures. This finishing
11 will be described by my colleague, Bill Cobb.

12 Shower door manufacturers purchase or import
13 the specially designed, specially finished, but as yet
14 unfabricated extrusions that we require. Exhibits 8
15 through 10 in the packet will describe that. Then, we
16 perform a series of fabrication operations on the
17 purchased extrusions to transform them into shower
18 enclosure components. The unfabricated extrusions or
19 so-called lineals are first cut to length in miters,
20 shown in Exhibits 11 through 15. We need a miter
21 block to ensure that the length and angle of the cut
22 is precise. If the length and angles of the miter and
23 angle cuts are not within the required tolerance, the
24 frame component will not properly fit together. Then
25 holes are drilled or punched in the lineals for

1 assembling and installation, as shown in Exhibit 16
2 through 25. The lineals are also nice for assemblies
3 and fit, shown in Exhibits 26 and 27.

4 Basco uses a sophisticated computer
5 numerical control or CNC machine for drilling,
6 punching, and knocking. This machine allows Basco to
7 produce several hundred KD units in one day, as shown
8 in Exhibit 28. The extruded aluminum lineals may also
9 be bent to produce curved shower doors. That's in
10 Exhibit 29 and 30.

11 After fabrication, the resulting frame
12 components are then subject to rigorous quality
13 control testing, using sophisticated measuring
14 equipment. Some customers request custom colors or
15 coatings that require additional finishing of the
16 extruded aluminum lineals and other metal pieces of
17 the KD unit. Basco and some other shower door
18 manufacturers provide these powder-coated operations
19 internally. Others use third-party coaters.

20 In addition to fabricating and finishing the
21 aluminum lineals, shower door manufacturers affix
22 other components to the rail pieces. For example, our
23 workers install hinge sleeves, manuals, vinyl sleeves,
24 and double-sided tape to complete the manufacture of
25 the rail pieces, as shown in Exhibits 32 through 35.

1 The finished final pieces are then wrapped and
2 included with other hardware and components in the
3 final KD units, shown in Exhibits 36 through 41.

4 Therefore, basic generic aluminum
5 extrusions, such as in examples pictured in the pre-
6 hearing staff report and bath enclosure -- and bath
7 and shower enclosure products are significantly
8 different products manufactured by different producers
9 and far different in their value. Before concluding
10 my testimony, I would like to emphasize that I am here
11 in an effort to save the U.S. industry and the jobs of
12 the workers it employs. If orders are issued and do
13 not address our concerns, that industry will be
14 largely lost and we will become importers and sellers
15 of Chinese-made shower enclosure kits with glass. In
16 our view, this is neither desirable nor a necessary
17 result. I am happy to answer any of your questions
18 you may have. Thank you.

19 MR. SPOONER: Turn it over, Madam Chairman,
20 to Bill Cobb, the CEO of Coastal.

21 MR. COBB: Good afternoon. My name is Bill
22 Cobb and I am the founder and CEO of Coastal
23 Industries, Inc., a manufacturer of bath and shower
24 enclosures and a member of the Shower Door
25 Manufacturers Alliance.

1 Coastal has been located in Jacksonville,
2 Florida since its founding in 1972. We employ over
3 100 professionals in a state-of-the-art, 250,000
4 square foot manufacturing facility. Before the
5 economic downturn, we employed over 250 employees. My
6 testimony today will focus on two unique products of
7 great importance to the shower door and enclosure
8 industry: first, the knockdown or KD unit that Mr.
9 Rohde described; and, second, shower door and
10 enclosure extrusions made with high-quality, jewelry-
11 grade finishes and that are highly engineered and
12 custom made for specific and proprietary shower door
13 and enclosure designs, or what we refer to in our pre-
14 hearing brief as shower door extrusions. Each of
15 these products is absolutely distinct from the typical
16 aluminum extrusions that are produced and sold by the
17 members of the aluminum extrusion industry that was
18 represented by the Petitioners' panel this morning.
19 Each of these products, therefore, should be found to
20 be a separate like product, in your analysis in this
21 investigation.

22 Also, when analyzed properly as separate
23 like products, it is clear that the domestic industry
24 producing KD units and shower door extrusions are not
25 materially injured by the subject imports from China.

1 And they, also, are not threatened with such material
2 injury. As you can see from the samples on the table
3 in front of you, KDs are completely different from the
4 raw aluminum extrusions made by the aluminum extrusion
5 industry.

6 The KD, which is the product in front of
7 you, is a complete shower enclosure assembly that
8 contains both fabricated aluminum extrusions and other
9 components needed to assemble a complete shower door
10 enclosure. The single aluminum extrusion, again in
11 front of you and actually in the back of the table, is
12 also known as a lineal. It is what the aluminum
13 extrusion manufacturer produces. It is an input used
14 in making only one component of a KD.

15 KDs have completely different uses from
16 standard aluminum extrusions. While an aluminum
17 extrusion producer can produce shapes and sizes for
18 use in a multitude of different downstream
19 applications, KDs are used only for assembly into the
20 specific shower door enclosure designed for which they
21 were produced. There is simply no interchangeability
22 between standard aluminum extrusions and these
23 packaged assemblies that essentially are shower
24 enclosures that have not yet been assembled.

25 Another factor that sets KDs apart from

1 aluminum extrusions is their completely separate
2 channels of distribution. Aluminum extrusions are
3 sold by aluminum extruders either to distributors or
4 to end users, which for the most part use aluminum
5 extrusions as inputs in manufacturing other products.
6 There's a broad variety of end-use customers of
7 aluminum extrusions. Shower door and enclosure
8 manufactures are only one example. KDs, on the other
9 hand, are sold by shower door and enclosure
10 manufacturers directly to a very specific group of
11 customers: bath and shower retailers and installers.
12 These customers, of course, perceive KDs to be a
13 completely different product from the lineals sold by
14 aluminum extruders.

15 The production and equipment and processes
16 used to make KDs also sets them apart from aluminum
17 extrusions. Shower and bath enclosure manufacturers
18 do not own or operate aluminum extrusion presses, nor
19 do we use furnaces, metal dyes, or aging ovens, all of
20 which constitutes primary operation of an aluminum
21 extrusion producer. Instead, we purchase aluminum
22 extrusions as an input and then fabricate them and
23 incorporate them into other products.

24 Finally, the prices of KDs and aluminum
25 extrusions are very different. The additional

1 fabrications performed by shower and bath enclosure
2 manufacturers on the aluminum extrusions used in KDs
3 constitutes a very large percentage of the value of
4 the finished products we sell. The other components
5 included in KDs also represent a significant portion
6 of the final price of the KD to our customers.

7 When KDs are properly viewed as a separate
8 like product for purposes of your injury analysis, it
9 is clear that the domestic industry producing KDs,
10 which is our industry, is not materially injured or
11 threatened with material injury by reason of imported
12 KDs. While our industry experienced a decline in
13 sales of KDs over the past few years, we are now
14 seeing improvements as demand increases along with the
15 recovering economy. In our view, the declining sales
16 of KDs was due entirely to the economic recession and
17 drastic slowdown in construction and had nothing to do
18 with subject imports.

19 The second separate like product for your
20 injury analysis is the shower door extrusions we have
21 discussed, which are highly engineered and specified
22 extrusions with jewelry-grade finishes that our
23 industry uses as an input for our shower and bath
24 enclosures. These products are clearly distinguished
25 from other aluminum extrusions in at least two

1 important ways.

2 First, these shower door extrusions require
3 jewelry-grade finishes because of the unique cosmetic
4 demands of shower and bath enclosure applications.
5 Shower doors have evolved into a decorator item today
6 and have become a focal point in the home. Because
7 shower door extrusions are so highly visible to
8 customers once they are installed in a shower or bath
9 enclosure, the finish must be of the highest quality,
10 entirely free of scratches or blemishes that might be
11 deemed acceptable in aluminum extrusions used in other
12 applications. The consistency of these finishes also
13 is uniquely critical for shower door enclosures
14 because the finished pieces must match other
15 components with which they are assembled in a shower
16 or bath enclosure. This often includes lineals, drawn
17 from inventories that were made in different
18 production runs. Even slight differences in color,
19 finish, or brush patterns can mean they are unusable
20 together for cosmetic reasons. A relatively minor
21 changes, therefore, can cause entire inventories to
22 become obsolete.

23 The second very significant difference
24 between shower door extrusions and other extrusions is
25 that shower door extrusions are highly engineered

1 products that are custom made using proprietary dyes
2 to create unique shapes, to fit specific designs of a
3 given shower enclosure manufacturer. These shower
4 door extrusions must be precisely engineered and
5 produced to strict tolerance levels, so that they will
6 fit together properly with other shapes and components
7 in that shower enclosure assembly. In many cases,
8 they are made with very thin walls in a relatively
9 small volumes that domestic extruders are either
10 unwilling or unable to supply.

11 As a result of these critical distinguishing
12 factors, shower door extrusions are in no way
13 interchangeable with the other extrusions produced by
14 aluminum extrusion suppliers. Once extruded into
15 unique shapes, using a proprietary dye, finished to a
16 high grade and then further fabricated, a shower door
17 extrusion is unusable for any application other than
18 the specific shower door design for which it was
19 produced.

20 These factors also result in different
21 channels of distribution. Because shower door
22 extrusions are highly engineered to meet a particular
23 customer specification, they generally are sold
24 directly by the aluminum extruder to that particular
25 customer, with no wholesaler or distributor involved.

1 They cannot be simply sold to a wholesaler like
2 Standard Shapes.

3 Shower door extrusions also require unique
4 manufacturing facilities and production processes.
5 The jewelry-grade finishing essential to the
6 manufacture of these products involves equipment and
7 production processes not widely available among
8 aluminum extrusion producers. External finishing
9 operations are simply unacceptable for shower door
10 extrusions because of the potential for scratches in
11 the product during transport, prior to anything, and
12 in many cases the domestic producers' internal
13 finishing operations also do not sufficiently protect
14 against unacceptable scratches and blemishes.

15 Most domestic aluminum extrusion mills
16 simply do not have the equipment and employees needed
17 to produce the highly-engineered shapes and jewelry-
18 grade finishes required. Those claiming to be able to
19 make them also have not wanted to do so because of the
20 difficult specifications and small volumes needed.
21 The high degree of engineering and jewelry-grade
22 finishes involved also means the shower door
23 extrusions are priced considerably higher than other
24 aluminum extrusions. As with the KDs I discussed
25 earlier, once these shower door extrusions are

1 properly viewed as separate like products for purposes
2 of your injury analysis, it is clear that the domestic
3 industry producing shower door extrusions is not
4 materially injured or threatened with material injury
5 by the subject imports.

6 To the extent the domestic industry
7 producing shower door extrusions has experienced
8 declines in sale and volume and pricing, such declines
9 have been caused by the dramatic economic recession,
10 which has drastically reduced demand for our shower
11 and bath enclosure products and, therefore, also for
12 the shower door extrusions we use to make them.
13 Beyond that, domestic producers of shower door
14 extrusions have only hurt themselves by either
15 declining to supply us with shower door extrusions or
16 by failing to meet the quality and service levels
17 needed, which, in our industry, is absolutely
18 critical.

19 For the reasons I described, the leading
20 high-quality requirements for surface, finish, and
21 dimension tolerances is the number one purchasing
22 factor we consider, instead of price and all other
23 considerations. Two of our major domestic extrusion
24 suppliers have informed us in recent years that they
25 simply are unable to meet our quality standards. So,

1 we were forced to turn to other sources, including
2 foreign suppliers. In our experience, our foreign
3 suppliers consistently produce high-quality extrusions
4 with better color and texture. They help develop new
5 finishes and product.

6 As an American producer of shower door and
7 enclosures and a support of U.S. manufacturing, we
8 have gone out of our way to support the domestic
9 producers by continuing to purchase extrusions from
10 them whenever possible, despite their inferior
11 quality, more difficult product development, and
12 inconsistent supply. Because of quality issues, we
13 are forced to rely on foreign suppliers to provide us
14 with consistently high-quality finished shower door
15 extrusions. As a result, any injury the domestic
16 industry is experiencing beyond that obviously caused
17 by the recent economic recession is, in our view,
18 self-inflicted and is totally unrelated to the
19 allegedly unfair pricing of subject imports.

20 Thank you for your time. I would be happy
21 to answer any questions you might have.

22 MR. SPOONER: With that, Madam Chairman, I
23 will turn it over to Greg Mitchell of the law firm of
24 Frost Brown Todd, here on behalf of Floturn.

25 CHAIRMAN OKUN: Thank you.

1 MR. MITCHELL: Good afternoon. Madam
2 Chairman, Mr. Vice Chairman, members of the
3 Commission, thank you for the opportunity to make a
4 statement to the Commission in this proceeding today
5 on behalf of Floturn, Inc. My name is Greg Mitchell.
6 I'm a partner, in care of the International Trade
7 Compliance Group of the mid-western law firm, Frost
8 Brown Todd, LLC.

9 Floturn is an employee-owned Ohio
10 corporation located in Cincinnati, that specializes in
11 expert metal forming services. For many years,
12 Floturn's principle business has been the production
13 of organic odor receptor photo conductor substrates,
14 which are the simple devices used in a printer and
15 photocopier drums, which are sold to such OEM
16 customers like Xerox and other well-known companies.
17 Presently, Floturn is the only company remaining in
18 the United States that produces such OPC substrates and
19 fits the customers within the United States, South
20 America, Europe, and Southeast Asia.

21 Floturn, like Aavid and the shower door
22 industry, was not named in the petition as a U.S.
23 importer, as a U.S. producer, a foreign producer of
24 the subject merchandise. It was not sent
25 questionnaires by the Commission or Commerce. There

1 is no information in the record, to our knowledge,
2 regarding this product or the OPC industry.

3 Floturn is not an aluminum extruder, but a
4 highly specialized manufacturer of OPC substrates,
5 using a proprietary diamond turning process. An OPC
6 substrate is made from a specialized high purity, high
7 active aluminum OPC tube that is very distinct from
8 the standard grade, custom grade extrusion, noted in
9 the pre-hearing report. OPC tubes are not standard
10 grade, custom grade aluminum extrusions, and could be
11 produced at any extrusion facility in the United
12 States. They're not purchased based on price.
13 Because of the special nature of purity, alloy
14 specifications, and dimensional requirements, OPC
15 tubes require very distinct and proprietary
16 manufacturing processes, including de-gassing and TKR
17 filtration to five microns.

18 OPC tubes and photons, OPC substrates have
19 experienced the physical characteristics and uses are
20 not used by forming other aluminum extrusion products,
21 are not interchangeable with other extruded products,
22 are produced in distinct and specialized proprietary
23 manufacturing processes that are only sold to and by
24 Floturn, at prices that are substantially different
25 from those of other aluminum extruded products. Due

1 to the unusually broad classification of the domestic
2 like product, Floturn fears that the Commission may
3 wrongfully find material injury or threat of material
4 injury to this industry of one. OPC tubes and
5 Floturn's OPC substrates are not part of the aluminum
6 extruded industry, are a separate industry and one in
7 which if this petition is permitted to stand, will
8 cause the industry to be materially injured, when no
9 injury is existing today.

10 Just as with the substantial questions
11 raised today about heat sinks and shower doors, on
12 behalf of Floturn and its owner employees, we ask that
13 the Commission carefully consider the sweeping and
14 broad definition of the domestic aluminum extrusion
15 industry that is being proposed. Thank you, very
16 much.

17 CHAIRMAN OKUN: Thank you. And with that --

18 MR. MINTZER: I have nothing further, Madam
19 Chairman.

20 CHAIRMAN OKUN: Thank you, we will do so.
21 And before we turn to questions, I am going to take
22 this opportunity to thank all of the witnesses for
23 being here, and to answer our questions. I appreciate
24 you taking the time to be with us today. Just as a
25 reminder, if you could repeat your name when you

1 answer a question for the court reporter.

2 Commissioner Aranoff will start the questions this
3 afternoon.

4 COMMISSIONER ARANOFF: Thank you, Madam
5 Chairman, and welcome to all of the witnesses on this
6 afternoon's panel. We appreciate you taking time away
7 from your businesses to entertain our questions.

8 Let me start with a general question that I
9 think will go to any of the three groups of producers,
10 who are looking at separate like product issues. And
11 that's this: suppose the Commission finds that we
12 just can't, applying our criteria, find that each of
13 these three or four -- I guess it's now four, types of
14 products that you all have mentioned are separate like
15 products. Would you suggest that we instead look at
16 the question of whether the broader range of domestic
17 products could be divided into two products, one being
18 mill finished products and one being everything that's
19 further processed? Would that be a useful way for us
20 to be looking or maybe things that are mill finished -
21 - we discussed this with the panel this morning --
22 products that have parts that aren't extrusions added
23 to them? Is there a way to draw a line down the
24 middle instead of carving out separate products? Mr.
25 Mintzer?

1 MR. MINTZER: Thank you. Sydney Mintzer
2 from Mayer Brown. Our position would be no. From our
3 perspective, the record is pretty complete. We put
4 information on the record regarding the respective
5 test, regarding injury. The staff collected all the
6 data that it believes it needed to make a
7 determination on domestic like product. And drawing
8 the distinction between mill finished and everything
9 else would not get to the core issue, at least for our
10 products.

11 COMMISSIONER ARANOFF: Okay.

12 MR. SPOONER: Commissioner Aranoff, we'll
13 explore that issue in our post-hearing brief. If the
14 Commission were to decide to make such a decision,
15 that, of course, would take care of our concerns, but
16 I think we need to explore in our brief whether or not
17 the record is replete enough with evidence for the
18 Commission to make such a finding. It's probably
19 worth noting that -- frankly, I note this, simply that
20 the facts -- I don't mean to opine on it, but that
21 Canada, I believe when Canada issued its order found,
22 may have distinguished between custom shapes and
23 standard shapes and they made a very broad division
24 between two types of extrusion products. But, again,
25 we'll explore it in our post-hearing brief.

1 COMMISSIONER ARANOFF: Okay. There's a
2 limit to how many ways we can slice and dice the data
3 because we have -- do have data on some things and not
4 on others. The other question I want to pose to you,
5 and I posed it this morning to Petitioners was whether
6 we ought to be applying semifinished product analysis
7 here, because at least two of the products that we're
8 talking about here, the knockdown units and the
9 thermal sinks, heat sinks, are further processed
10 products, which arguably would be better looked at
11 under the semifinished product analysis. So, in your
12 post-hearing brief, if you could take a look at that,
13 that would helpful, because I think there's some
14 information we may not have with respect to value
15 added and things like that. I see nods. Thank you.

16 Mr. Soucy, this morning, there was a lot of
17 discussion about how we really ought to define
18 finished heat sink and what other -- the testing
19 that's done, the thermal testing that's done is really
20 part of the definition of the product as it's
21 understood in the industry, that makes it in the
22 industries that consume it. It was also suggested
23 that your company serves only a small part of the
24 market, for what Petitioners understand heat sinks to
25 be. Can you respond to that at all?

1 MR. SOUCY: I can. Aavid has been in
2 business since 1964. We are the U.S.'s largest
3 producer of finished heat sinks, in our opinion. Our
4 next largest competitor of the wide range of finished
5 heat sinks producers is Wakefield Thermal Solutions.
6 Those are the two largest companies in the United
7 States that make that, provide a complete thermal
8 solution to our customers. Complete thermal solutions
9 means collaborating with the customer on the design of
10 the particular product that's being made,
11 manufacturing the overall product, and doing testing
12 of that product and validating that the actual product
13 meets the overall design and test.

14 We serve a wide range of markets, which uses
15 a wide variety of product. The product you see in
16 front of you, there on the table, which is a finished
17 heat sink, has been validated by a customer, tested to
18 make sure it meets the overall thermal resistance
19 requirements. We want that with our customer. We
20 purchase a heat sink blank from a domestic producer.
21 We then -- went through and did the fabrication and
22 overall testing of that product.

23 COMMISSIONER ARANOFF: Now, Ms. Johnson this
24 morning mentioned that there are applications for heat
25 sinks outside of computer electronics related

1 products; she mentioned transportation and lighting as
2 two examples. Do you serve those markets?

3 MR. SOUCY: We serve all markets. We are in
4 a wide variety of markets. Our overall business is
5 not just segregated around any particular customer or
6 one small segment of the overall market. Heat sinks,
7 by definition -- finished heat sinks, by definition,
8 remove heat, remove unwanted heat that nobody wants in
9 their overall applications. Have it be in a
10 transportation piece of equipment, have it be in a
11 computer, or whatever type of application it is, our
12 business, Aavid, is the leader in that industry. We
13 work with our customers to make sure that the thermal
14 solution that they're buying from us is going to work
15 in their application across many different market
16 segments.

17 COMMISSIONER ARANOFF: One of the things
18 that I think we're struggling with, in terms of the
19 definition of this product is that the testing which
20 is one of the things that you've argued really
21 distinguishes this product from what a domestic
22 extrusion producer can supply, is not a manufacturing
23 process, Petitioners referred to it as a quality
24 control or it can be a service that can be out-sourced
25 to an independent tester. It's not really part of the

1 manufacturing process so I think we're struggling to
2 fit that in with the way that we look at like
3 products.

4 MR. SOUCY: I would respectfully disagree
5 with that. I believe it is part of our manufacturing
6 process. You can go to anyone of our manufacturing
7 facilities, anyone of our design labs and our design
8 centers, you will see this equipment. We have spent
9 hundreds upon hundreds of thousand of dollars on
10 training our employees on how to analyze the data out
11 of it and how to run the equipment. It is an integral
12 part of our company.

13 COMMISSIONER ARANOFF: Ms. Johnson said that
14 she had customers that purchased heat sinks, who don't
15 ask for and don't need thermal testing. Do you have
16 customers that don't ask for and don't need thermal
17 testing?

18 MR. SOUCY: Our customers work with us in
19 collaborating our new designs. The overall -- our
20 customers view Aavid as a complete thermal solution.
21 The products that are provided by anyone of the
22 Petitioners, that they may classify as a heat sink, I
23 don't know what the thermal performance of that is.
24 If they're not testing it, then we're not quite sure
25 what the overall thermal performance of that is. It

1 may or may not work. Presumably, somebody has done a
2 design on that and the application of that work, which
3 typically is what Aavid does, as a complete thermal
4 solution with our customers.

5 You would typically buy -- an OEM would not
6 go off and buy a heat sink without knowing if it's
7 going to work. You think about -- a computer, for
8 example, you would not go off and buy a heat sink for
9 a computer without knowing the overall thermal
10 resistance of a heat sink that you have to buy, to
11 make sure that it works. You've got to know that
12 beforehand. You're going to go through and work with
13 a company like an Aavid or a company like Wakefield on
14 developing that.

15 COMMISSIONER ARANOFF: Okay. I appreciate
16 those answers. I'm getting close to the end of my
17 time so I'm not going to start another question. I'll
18 just wait until the next round. Thank you, Madame
19 Chairman.

20 CHAIRMAN OKUN: Commissioner Pinkert?

21 COMMISSIONER PINKERT: Thank you, Madam
22 Chairman, and I join my colleagues in thanking all of
23 you for being here today and helping us with the
24 issues in this case. I want to begin with a question
25 that Mr. Jones raised in his testimony earlier today,

1 and it's more of a legal question, but perhaps it has
2 some factual elements to it, as well. Does it make
3 sense, in terms of our analysis of like product, to
4 exclude the finished heat sinks, but to include the
5 unfinished heat sinks within the product that would be
6 subject to the duties?

7 MR. MINTZER: Aavid thinks it makes perfect
8 sense because the two products, although it may have a
9 similar sink, are completely different products and
10 have completely different end uses. The products that
11 were up there today earlier, those are not products
12 that Aavid competes against. Those could be very well
13 into the heat sinks. I mean, we have no idea. You
14 can't look at it and know what it perhaps is. But,
15 the heat sink blank is basically an extruded item,
16 perhaps some fabrication, and sometimes it's cut to
17 length. But, it doesn't undergo any of the testing.
18 There's no certification of thermal performance. The
19 kinds of things you saw earlier today in the catalogs,
20 where a finished heat sink is one that's being
21 marketed in full, that has to demonstrate whether it's
22 thermal performance is in the graph you saw earlier
23 today, a blank doesn't undergo that. It is truly, and
24 we've argued it in our brief, that product is -- that
25 product is part and parcel of an extruded aluminum

1 product. But a finished heat sink is something
2 completely different.

3 COMMISSIONER PINKERT: Mr. Soucy, what
4 proportion of the value of the finished heat sink is
5 represented by the unfinished input?

6 MR. SOUCY: With regards to Aavid, I believe
7 that's in the 30 to 35 percent range, the heat sink
8 blank to the overall value of the finished heat sink.

9 COMMISSIONER PINKERT: And is it your
10 testimony, Mr. Soucy, that the unfinished heat sink
11 could be used to make various products, not just the
12 finished heat sink product?

13 MR. SOUCY: If I understand you correctly,
14 if you're asking can a heat sink blank be used to make
15 something else --

16 COMMISSIONER PINKERT: Right.

17 MR. SOUCY: -- I'm not quite sure why you
18 would use it to make anything else. I guess you could
19 use it to make a door stop or something like that.
20 But, it really has, you know, the -- there could be
21 other uses for it potentially; but, we procure heat
22 sink blanks for the use in making a finished heat
23 sink.

24 MR. MINTZER: May I add a point? I think --
25 understandably we're getting caught up in what does

1 finished mean and the reality is, Petitioners might
2 call what you saw earlier as finished heat sinks. We
3 call that, what is now before you, as finished heat
4 sinks. Initially, what are the specs of the product?
5 It is ultimately, it's the specifications that dictate
6 what market it's sold into, how it's sold, and how
7 it's distributed, because Aavid's product is not
8 distributed the way those other heat sinks might be
9 distributed. It's distributed through electronics
10 distributors. To our knowledge, the Petitioner
11 companies don't participate in that channel at all.
12 And price is completely different.

13 So, every factor that you look at, we've
14 analyzed. You have to look at the specifications,
15 because once there's a thermal test applied to that
16 product and that's how it's sold, it's simply
17 different.

18 COMMISSIONER PINKERT: Thank you. Now, Mr.
19 Spooner, I understand that the data that would permit
20 us to do an injury analysis for the separate domestic-
21 like products that you propose is not in the record at
22 this point; is that correct?

23 MR. SPOONER: Commissioner Pinkert, it's
24 partially correct. We worked with the Commission
25 staff during the comment period on draft

1 questionnaires to hone the definition of the shower
2 extrusion. We worked with Commission staff on product
3 number five in the questionnaires and we've worked
4 hard to respond to the questionnaires. But, we'll
5 continue to work with staff to get better data for the
6 Commission and staff, if needed.

7 COMMISSIONER PINKERT: Thank you. Now, I
8 have a similar question to the question I asked Mr.
9 Soucy for your clients, Mr. Spooner, and that is what
10 proportion of the value of the knockdown unit is
11 represented by the value of the extrusions that go
12 into it?

13 MR. SPOONER: With your permission,
14 Commissioner Pinkert, that's something we've talked
15 about, but maybe the CFO of Basco is in a better
16 position to respond to that question.

17 MR. LANGEFELS: Larry Langefels, CFO of
18 Basco. The answer to your question, it would depend
19 on the product line that I would describe it to you;
20 but, on average, similar to the other Respondents, it
21 would probably be somewhere in the 40-50 percent
22 range.

23 COMMISSIONER PINKERT: Okay. Well, this
24 next question applies both to the finished heat sinks
25 and to the shower door extrusions. In the preliminary

1 phase, we defined the domestic-like products somewhat
2 broadly. And I wonder whether we included within it
3 products that were specially designed for particular
4 purposes and customers, other than the products that
5 you're here today to argue for a separate domestic-
6 like product status for. So, I'm wondering if we
7 exclude your products from the domestic-like products,
8 do we have other products that are still in there,
9 that are specially designed for particular customers
10 and particular purposes.

11 MR. MINTZER: Sydney Mintzer of Mayer Brown.
12 From our perspective, you know, we weren't -- we
13 didn't participate in the prelim, so what's included
14 and what was accepted at that phase is completely
15 foreign to us. If the scope is so broad that it
16 includes other parties, presumably by now, perhaps
17 they would have figured that out. It's unfortunate
18 the way folks like Aavid and others perhaps found
19 about this investigation. But if, from our
20 perspective, we would have been here, we'd be able to
21 comment on that if we were mentioned in the petition
22 as a U.S. producer, foreign producer importer. And if
23 other parties were here advocating on their products,
24 they would certainly have that opportunity. But
25 whether there's other products in the scope that may

1 be similarly situated, we can't speak to that issue.

2 COMMISSIONER PINKERT: Mr. Spooner?

3 MR. SPOONER: Thank you, Commissioner
4 Pinkert. First of all, of course, our coalition
5 didn't participate in the prelim either. But, I would
6 also add to Mr. Mintzer's point, that it's inapposite,
7 irrelevant to the Commission's analysis. We don't
8 know whether we're the only four products that are
9 subject to this problem or whether there are 100
10 others; but, we're the ones who are before the
11 Commission and the Commission, of course, has a duty
12 to address our concerns. And if the scope is written
13 so broadly that there may be other similarly situated
14 companies, that's an issue which the Petitioners have
15 presented to the Commission, not something which the
16 Respondents have a cause to be before you.

17 COMMISSIONER PINKERT: Thank you. One more
18 question in this round for Mr. Mintzer. You suggest
19 that the channel distribution for finished heat sinks
20 is distinguished by the fact that you sell to
21 electronic equipment manufacturers. And what I'm
22 wondering is whether that is a channel of distribution
23 or whether that's a customer type or end user type or
24 some other sort of category.

25 MR. MINTZER: Well, we actually -- Sydney

1 Mintzer, Mayer Brown. We actually made a couple of
2 different points with respect to channels. We do sell
3 to OEMs, the Ciscos, the IBES, and so forth. But, we,
4 also, sell -- that's further evidence that we sell
5 through a unique channel. We identified specific
6 electronic distributors. And you can go on line to --
7 and we'll present this in our post-hearing brief --
8 you can go online and look at electronic distributors,
9 folks that only sell electronic components, and you
10 can go and see their list of suppliers. We're there.
11 Wakefield is there. None of the Petitioners are
12 there. They're just not there. Others --
13 semiconductor suppliers are there, but no one else.
14 There are no other aluminum extrusion suppliers. So,
15 we clearly sell to a completely different category of
16 customer, even distribution channel, as well as for
17 end users.

18 COMMISSIONER PINKERT: Thank you.

19 CHAIRMAN OKUN: Thank you, again. Let me
20 stay with heat sink. When you responded earlier about
21 the value added on finished heat sinks, in the range
22 of 30-35 percent, can you help me understand, is that
23 really just any -- those that you're saying that you
24 say tested? What I'm trying understand is -- the one
25 we have in front of us, the heat sink in front of us,

1 and we have the Petitioner's product, they have the
2 same -- they have all that. So, I'm trying to
3 understand where the value added is between -- that
4 you're describing, if you're able to talk about that
5 in open session.

6 MR. SOUCY: Yes. There's a few things with
7 that particular finished heat sink that is up in front
8 of you. One, the backside of it has been really
9 precisely machined as you can tell. Electronic
10 components and all those individual little pockets
11 that you see, this particular product is used in a
12 cellular application, okay. So, there's a whole bunch
13 of electronic components that are extremely precise.
14 The electronic components are very, very precise.
15 They'll fit into those components, then gets flipped
16 off and gets bolted into the overall application that
17 it's being used in. So that particular product has
18 gone through design validation, application
19 validation, and testing, to make sure that those
20 electronic components are going to work and perform
21 with the proper air flow flowing over the pins on the
22 backside.

23 CHAIRMAN OKUN: Okay. So, those are your
24 customer specifications?

25 MR. SOUCY: Correct.

1 CHAIRMAN OKUN: Okay.

2 MR. SOUCY: And we use a wide range of
3 equipment to do that, from taking a heat sink blank,
4 going through all the manufacturing processes to it;
5 to, at the same time before we even got the heat sink
6 blank, working with customers in a simulation
7 environment, using computational fluid dynamic
8 software, which costs a tremendous amount of money to
9 simulate their environment; and then coming through
10 the post-blank process, through manufacturing, which
11 includes the fabrication, the finishing, and the
12 overall validation of testing.

13 CHAIRMAN OKUN: Okay. I appreciate that and
14 I'll look forward to the post-hearing brief on that,
15 as well. Then, I'll direct this to counsel, it's a
16 little bit unfair and I appreciate where your clients
17 are, in terms of, I think realizing late in the game
18 that they were impacted by the scope of this case.
19 One of the points raised by Petitioners this morning
20 is that in looking at Commission precedent and what
21 you provided in your briefs, you couldn't cite to
22 cases where the Commission knows the type of dividing
23 lines that you're proposing. So, I wanted to give an
24 opportunity for you to respond to that because, on the
25 one hand, I've sat through a lot of these hearings, we

1 often have a steel product, let's say a steel product,
2 where you have big fat steel products, not very
3 refined, and then you have these highly alloyed, very,
4 very tight specifications, what goes in are much
5 different, cost a lot more to produce, and they're
6 often in the same like product. So, help me a little
7 bit. I know you proposed dividing lines of these
8 things are clear, but is there anything else you would
9 add that you could tell me today to help the
10 Commission feel comfortable with the product of like-
11 products you propose? And I'll start with you, Mr.
12 Mintzer, and then go back to Mr. Spooner and Mr.
13 Mitchell, if you wanted to add anything.

14 MR. MINTZER: Sure. Sydney Mintzer, Mayer
15 Brown. Well, first off, it's always a factual
16 exercise, so understanding the facts -- that facts
17 that are here are the facts before us and we're not in
18 the lumber case. We're not in other cases, where you
19 have a broad continuum of products. With what you all
20 have, as the Commission has stated previously on the
21 issue, I think I'm going to defer to post-hearing
22 brief because I think we want to give you a complete
23 answer and I'm fairly certain I can't give you one off
24 the cuff.

25 CHAIRMAN OKUN: Okay. Mr. Spooner?

1 MR. SPOONER: Just briefly, Madam Chairman,
2 a similar answer, of course. As the Commission knows,
3 these are case-by-case decisions and it's an issue,
4 which we'll respond to further and examine further in
5 our post-hearing brief. But, I probably should only
6 briefly mention that my gut reaction this morning was
7 that Petitioners had assumed, arguendo, at the risk of
8 paraphrasing the other side, but I think I'm
9 paraphrasing fairly, they assumed it was a continuum
10 and argued to the Commission that we had not given the
11 Commission to reason to distinguish these cases from
12 external factors as refusing to find separate like
13 products when there's a continuum. And I think it's
14 fair to say that, frankly, both our clients and the
15 heat sink folks will argue that there isn't a
16 continuum here and that our cases sit fairly well and
17 to existing separate like-product precedent.

18 CHAIRMAN OKUN: Okay. Mr. Mitchell, would
19 you like to add anything?

20 MR. MITCHELL: I would concur with other
21 counsel in that regard. And as I indicated in
22 Floturn's statement the OPC product is totally
23 different and outside -- we're aware of the scope of
24 the industry as aluminum extrusion process. We would
25 like to supplement that definition in our brief.

1 CHAIRMAN OKUN: Then let me ask you this,
2 and I don't know. I'll start with Mr. Cobb because I
3 think he was talking about the bright finishes in his
4 statement. The witnesses this morning, including Ms.
5 Johnson, I remember specifically talking about, and I
6 think other witnesses as well, other producers as well
7 saying that they have the capability to do the bright
8 finishes, they do the bright finishes, but it's a
9 matter of these processes, and so if the customer
10 wants that, they can do that.

11 They don't lack machinery, processes or
12 anything to do the types of finishes. The jewel, they
13 described is not an industry term, this jewel-like
14 finishes, but help me understand that because they
15 cited to the very specific things that also require
16 very bright finishes, not just the shower doors.

17 MR. COBB: Bill Cobb with Coastal
18 Industries. My experience, and it goes back better
19 than 50 years, is we look for consistency in our
20 finishing, and it not only has to do with batch-to-
21 batch finishing, but it has to do with shipment to
22 shipment, and it goes further than that. It goes
23 deeper than that. In some of these finishes, you have
24 to have a brushing.

25 In brushing, you have the problem of the

1 depth of the brush, the width of the brush as well as
2 the tint of the metal, and each one of these things
3 lends itself to whether it's going to match or not
4 match, but it's all consistency, and every single
5 shipment has to be the same as the one before it.

6 CHAIRMAN OKUN: And do you think that's
7 different than, and I should have looked specifically
8 at my note, I have in mind now she was talking about
9 the grills on trucks, so either you have bright shiny
10 components that were aluminum extruded, they have
11 finishes. Would that not require the same consistency
12 that you're talking about?

13 MR. COBB: No. In a shower door, shower
14 enclosure, the person that owns that shower door gets
15 up, and he gets into his shower, and he's at eye level
16 with that shower door, and he's six to eight inches
17 away from it, and they're looking at it with a very,
18 very high degree of criticism, where on a truck grill,
19 it's a completely different animal. The demand for
20 perfection in these finishes just is beyond a lot of
21 people's comprehension.

22 CHAIRMAN OKUN: Along that same line, and I
23 think stay with the shower door manufacturers on this.
24 The producers had discussed other places where
25 tolerances are also very, very specific. In other

1 words, if you're building the casing that goes on the
2 outside of a commercial building, and you're fitting
3 glass into that, you are also talking about very, very
4 narrow tolerances. Do you think that's different for
5 a shower door than it is for a commercial building?

6 MR. COBB: Yes, ma'am. We have many of
7 sections which snap together, and we had one instance
8 where we had like 800 units going to Indiana where the
9 tolerance was off like an eighth of an inch, and it
10 was from a domestic supplier, and that becomes a very,
11 very large cost for us because as opposed to price,
12 cost has to do with rejects of metal and field
13 failures, and so it becomes very critical for us that
14 once we ship material, we don't need field failures,
15 and we've experienced that firsthand.

16 CHAIRMAN OKUN: So that's more of a quality
17 issue as opposed to the product itself, do I
18 understand you correctly? Then, then other words
19 you're saying that the product that was produced
20 failed, not the product was different?

21 MR. COBB: It's a quality issue as far as
22 the angularity of that particular extrusion was
23 concerned.

24 CHAIRMAN OKUN: Okay. My time's expired.
25 I'll have a chance to come back. Thank you very much

1 for those responses. Vice Chairman Williamson?

2 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
3 Chairman, and I do want to express my appreciation to
4 the witnesses for coming this afternoon and giving
5 your testimony. Mr. Soucy, one thing I wanted to get
6 clear, if we take this heat sink right here, it's been
7 designed, you've done all the tests, you've got
8 certain certifications. Now, suppose you make 1,000
9 of those. Are you going to do all the same testing on
10 each one of those, or is it once you're making it to
11 the specifications, and you know that satisfies the
12 customer, the next 100, you may test every 100 or
13 every 500, but are you testing everyone for that?

14 MR. SOUCY: No, not for that particular one.
15 No.

16 VICE CHAIRMAN WILLIAMSON: Okay. So why
17 couldn't another company who can make the product to
18 all those specifications hire somebody to run all the
19 tests and be a separate service provider, what
20 prevents them from competing in this market?

21 MR. SOUCY: When OEMs, such as a Dell or the
22 Motorola or whatnot, when they're generating their
23 products, they come to an Aavid for their complete
24 thermal solution. They don't go to one of the
25 Petitioners for a complete thermal solution. We

1 provide that complete thermal solution including the
2 design and the manufacturing. The testing is part of
3 the manufacturing and all the validation with the
4 customer. There are --

5 VICE CHAIRMAN WILLIAMSON: I understand
6 that, but my question is could another company set up
7 and say I'm going to be a service company, and I'm
8 going to run all the tests and give the product the
9 same certification that you do, could they participate
10 in the business? I'm not talking about there's
11 reputation and all that kind of stuff, but why can't
12 that happen?

13 MR. SOUCY: They would be setting up
14 basically a design facility or design house,
15 invalidation house, which is possible. That's a large
16 chunk of our business today.

17 VICE CHAIRMAN WILLIAMSON: Yes.

18 MR. SOUCY: It's a large chunk of
19 Wakefield's business today, and then they would be
20 going to various types of other manufacturers to
21 provide them with a heat sink blank in post validation
22 in manufacturing.

23 VICE CHAIRMAN WILLIAMSON: Yes, so whether
24 or not it's going to be cost-effective, whether or not
25 they compete with you is another matter, but I just

1 wanted to make sure I understood. The heat sink that
2 you're talking about is not one that you test every
3 one?

4 MR. SOUCY: Not that particular one, no.

5 VICE CHAIRMAN WILLIAMSON: Okay. Yes, and I
6 imagine there probably are some that are so
7 specialized that you may have to do that.

8 MR. SOUCY: Absolutely.

9 VICE CHAIRMAN WILLIAMSON: Yes, but I just
10 wanted to understand sort of what the role of the
11 manufacturer is and what kind of additional services
12 they may be providing. Okay.

13 MR. MINTZER: Commissioner Williamson?

14 VICE CHAIRMAN WILLIAMSON: Yes.

15 MR. MINTZER: I just wanted to add one.
16 There's a difference between what's theoretically
17 possible and the way the market actually works, and at
18 least today, the market doesn't work as you've
19 hypothesized, so I think we have to deal with the way
20 the sort of the market is the way the market is, and
21 the way you've described the market, to my
22 understanding, isn't the way it actually functions,
23 which is why you only have the Aavids and the
24 Wakefields out there doing this kind of work for the
25 most part.

1 VICE CHAIRMAN WILLIAMSON: But somebody
2 could innovate. Somebody could come up. I mean,
3 there's nothing theoretically why it couldn't happen,
4 and that's what I wanted to understand because we're
5 not talking about the definition of a product as
6 opposed to what the testing. Okay. Let me move on
7 though. Okay. Mr. Mitchell, where do you obtain the
8 input aluminum for your products? I'm sorry?

9 MR. MITCHELL: Yes. I'm sorry.

10 VICE CHAIRMAN WILLIAMSON: Okay. I was
11 wondering where do you obtain the input? I guess what
12 you're doing I take it is putting your produce OPC
13 inside some kind of aluminum extrusion, and that's
14 what you sell to your customers?

15 MR. MITCHELL: We. We full-term purchase
16 the OPC tubes from only one supplier in the United
17 States that's capable of producing the OPC tubes
18 currently.

19 VICE CHAIRMAN WILLIAMSON: Okay. So do they
20 get the tubes from the U.S.?

21 MR. MITCHELL: Yes, sir.

22 VICE CHAIRMAN WILLIAMSON: And if it's not
23 proprietary, what's the value of the tube versus the
24 value of the end product?

25 MR. MITCHELL: I'd like to supply that

1 afterwards.

2 VICE CHAIRMAN WILLIAMSON: Sure. That's
3 fine.

4 MR. MITCHELL: Thank you.

5 VICE CHAIRMAN WILLIAMSON: Now, are all of
6 the extrusions, all of those products coming from the
7 U.S., or are some coming from other countries, too?

8 MR. MITCHELL: Floturn was in the process of
9 trying to arrive at a secondary source for its OPC
10 tubes, and at the point and time of this proceeding,
11 the initial test shipment was picked up by customs as
12 being part of the scope. That's how Floturn was aware
13 of this proceeding.

14 VICE CHAIRMAN WILLIAMSON: Okay. So the
15 problem for you is if orders go into effect, then
16 you're having those secondary sources are going to
17 be --

18 MR. MITCHELL: There will be not a secondary
19 source as well as no secondary source. Also,
20 Floturn's product itself would be then subject to the
21 order.

22 VICE CHAIRMAN WILLIAMSON: But I thought
23 your product is complete here, or is it imported?

24 MR. MITCHELL: But it is just that. It's a
25 photoreceptor drum that then goes into a printer.

1 VICE CHAIRMAN WILLIAMSON: And that's
2 brought in from overseas?

3 MR. MITCHELL: It is not know, but if the
4 order goes into effect, that probably would be the
5 effect which is all printers would come in imported
6 rather than produced here in the United States.

7 VICE CHAIRMAN WILLIAMSON: Okay. I see, so
8 you would then be competing with someone who's
9 bringing in the whole product in from overseas?

10 MR. MITCHELL: Yes, sir, which would be very
11 unfortunate. That's why we said we're an industry of
12 one, and Floturn's industry would be then injured
13 where there is no injury currently. There's not a
14 pricing issue with regard to price comparison because
15 the OPC tubes are not purchased based on price.
16 They're based on the proprietary nature of the OPC
17 tube itself. It's proprietary. No one else in the
18 United States can generate that OPC tube of which
19 Floturn then uses to make the OPC substrates for the
20 printing industry.

21 VICE CHAIRMAN WILLIAMSON: But doesn't it
22 mean that if you were to continue to make that in the
23 U.S., if is proprietary, nobody could, unless you
24 license them, to ship it into the U.S.

25 MR. MITCHELL: Yes, sir. Unfortunately, the

1 proprietary, it's my understanding, is owned by one
2 company.

3 VICE CHAIRMAN WILLIAMSON: Okay.

4 MR. MITCHELL: Which we have no control
5 over.

6 VICE CHAIRMAN WILLIAMSON: Okay. Okay.
7 Thank you. That's helpful for understanding the
8 problems. Mr. Cobb, you've stated that two domestic
9 companies have told you that they cannot supply you
10 with the quality of products you need. Do you have
11 any documentation on this that you could submit post-
12 hearing?

13 MR. COBB: Yes, sir. We could provide that.

14 VICE CHAIRMAN WILLIAMSON: Okay. And also I
15 was wondering to what extent is it that they can't
16 provide the product, or is it that they can't provide
17 it at the price that you want or need? The
18 Petitioners this morning made this statement.

19 MR. COBB: Well, the question we ask is can
20 you provide us with the material, and the answer was
21 no.

22 VICE CHAIRMAN WILLIAMSON: Okay. So you're
23 saying it's not a matter of price?

24 MR. COBB: And one was one of the
25 Petitioners.

1 VICE CHAIRMAN WILLIAMSON: Okay.

2 MR. COBB: There was one that was not a
3 Petitioner, but we can back that up, yes, sir.

4 VICE CHAIRMAN WILLIAMSON: Okay. And I
5 think any documentation would be helpful for us to
6 understand the issue.

7 MR. COBB: Yes, sir.

8 VICE CHAIRMAN WILLIAMSON: Also, Congressman
9 Smith said in the statement provided says that most
10 domestic suppliers have stopped production of the
11 required extrusions as a result of onerous and heavy-
12 handed EPA regulations, and I wondered if anyone could
13 elaborate on that statement, the basis for that?

14 MR. RHODE: Mr. Vice Chairman, I can.

15 VICE CHAIRMAN WILLIAMSON: Sure. Okay.

16 MR. RHODE: I'm George Rhode with Basco. We
17 have seen a decline in extruders producing bright-dip
18 anodize over my 30-year career due to harsh EPA
19 regulations that do not allow startups today for
20 bright dip anodizing. I believe the only way you can
21 bright dip is if you currently own a facility or
22 you're grandfathered in, but you cannot start one
23 today, and for our industry, there are very few
24 choices of supply.

25 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

1 My time has run out, but if there's anything post-
2 hearing you can submit, and I also invite the
3 Petitioners if they have some comments on this
4 problem, to submit it also. Thank you.

5 CHAIRMAN OKUN: Commissioner Lane?

6 COMMISSIONER LANE: Good afternoon and thank
7 you for being here. I have to preface my questions by
8 saying that at this point I am thoroughly confused,
9 and I think that you have probably answered all of
10 these questions, but because I'm so confused, I'm not
11 sure, so let's go back to the beginning. What
12 normally we would have thought of was one like
13 product, we are now up to four like products, or are
14 we only up to three? We have the Petitioners and
15 their like product, and then we have shower doors as a
16 proposed second like product and the heat sinks as a
17 third like product, and then, Mr. Cobb, over here, you
18 have a fourth like product?

19 MR. MITCHELL: Mr. Mitchell, ma'am.

20 COMMISSIONER LANE: I'm sorry.

21 MR. MITCHELL: That's okay. Organic
22 photoreceptor photoconductor substrates, ma'am.

23 COMMISSIONER LANE: Okay. All right. Now,
24 so of the aluminum extrusion part of your industries,
25 how much of that are you importing from China? Let's

1 start with Mr. Soucy? I can't really see that far.

2 MR. SOUCY: Mr. Soucy is correct from Aavid.
3 First of all, we don't import, very, very
4 infrequently, what we would call heat sink blanks,
5 which would be what the Petitioners would be providing
6 us as raw extrusion. We import finish heat sinks.

7 COMMISSIONER LANE: Okay. So how much of
8 your finished product do you import?

9 MR. SOUCY: Can I get back to you on that?
10 I've just got to go back and look at my notes.

11 COMMISSIONER LANE: Yes, that'll be fine.

12 MR. SOUCY: Thank you.

13 COMMISSIONER LANE: Mr. Mitchell?

14 MR. MITCHELL: Yes, ma'am. The OPC
15 substrates, there was one test shipment of
16 approximately a couple of containers. That was it
17 within the petition period. With respect to the
18 substrates themselves, Floturn has not imported any of
19 its substrates, to my knowledge.

20 COMMISSIONER LANE: That was before the
21 petition was filed, or after the petition?

22 MR. MITCHELL: Both before and after.

23 COMMISSIONER LANE: Okay. Thank you. What
24 about Basco?

25 MR. RHODE: Well, if we're talking about

1 finished product, we manufacture 100 percent of
2 finished product in our Mason facility. If we're
3 talking about lineals, we purchase about 60 percent of
4 our lineals from China and about 40 percent domestic.

5 COMMISSIONER LANE: So if we found one like
6 product, 60 percent of what you buy would be affected?
7 I mean, the product that you buy, 60 percent of that
8 would be affected by our finding one like product?

9 MR. RHODE: Sixty percent of the lineals
10 that we buy that make up our product would be
11 affected.

12 COMMISSIONER LANE: Right. Okay. Now, Mr.
13 Cobb?

14 MR. COBB: We import no finished goods from
15 China. At no time since we've been importing raw
16 materials have ever imported in excess of 50 percent.

17 COMMISSIONER LANE: So the unfinished, you
18 have done up to 50 percent?

19 MR. COBB: Up to 50, probably close to 50.

20 COMMISSIONER LANE: Okay. Thank you. That
21 has been very helpful. Now, are any of you aware of
22 any domestic producers that have shuttered or shut
23 down completely that one time produced heat sinks?

24 MR. SOUCY: Norm Soucy from Aavid. Not that
25 I'm aware of.

1 COMMISSIONER LANE: Now, from 2007 to the
2 present time, have your imports changed in quantity or
3 in characteristics?

4 MR. SOUCY: Yes, they have in terms of
5 quantity. We can provide some more details on that in
6 our post-brief as it's more confidential information.

7 COMMISSIONER LANE: Okay. Thank you. Mr.
8 Mitchell?

9 MR. MITCHELL: And I would like to supply
10 that information in the brief.

11 COMMISSIONER LANE: Okay. Mr. Cobb?

12 MR. COBB: I would like to do the same,
13 please, ma'am.

14 COMMISSIONER LANE: Okay. Mr. Rhode? You
15 can be different. You can tell me right now if you'd
16 like.

17 MR. RHODE: I believe our quantities have
18 reduced based on economic conditions in the
19 marketplace. The characteristics of the product have
20 not changed.

21 COMMISSIONER LANE: Okay. So quantities
22 have reduced, but has the percentage reduced?

23 MR. RHODE: The percentage of?

24 COMMISSIONER LANE: Of your total?

25 MR. RHODE: I think that remains the same I

1 believe.

2 COMMISSIONER LANE: Okay. Okay. Thank you.
3 All right. Now I'm unconfused, and so I thank you for
4 that. The Petitioners talk about standard shapes that
5 are generally made from dyes that every producer has
6 in stock such that the shape is not unique and not
7 proprietary to the customer, and if one were to modify
8 a standard shape slightly in response to a customer
9 request, that extrusion arguably would become a custom
10 shape even though it was virtually indistinguishable
11 from a standard shape. Do you believe this statement
12 applies to the aluminum extrusions used in KD kits,
13 shower door extrusions, and/or heat sinks versus
14 standard shapes?

15 MR. SPOONER: If I could just very quickly
16 kick it off, Madam Commissioner, because of course
17 this is a question better answered by industry I
18 think, but I think our short response to that would be
19 that KDs are far more than slight modifications to
20 standard extrusions.

21 COMMISSIONER LANE: Okay. Mr. Rhode?

22 MR. RHODE: I would say that the extrusions
23 that we work with are highly customized shapes and
24 very specific to a product line that we might produce.
25 For example, this bar shape that has a curve on it at

1 the table, that's very specific, and we actually took
2 that shape to our domestic extruder and asked him to
3 make that for us, and he declined. We did find our
4 suppliers in China willing to make that, and it's a
5 very important product for us today?

6 COMMISSIONER LANE: Why did the person
7 decline?

8 MR. RHODE: It was too sophisticated for
9 their equipment to put that bend in that piece. They
10 weren't able to do that.

11 COMMISSIONER LANE: Okay. Thank you. Mr.
12 Cobb, do you have anything you'd like to add?

13 MR. COBB: I would say that our business is
14 much like Mr. Rhode's, and all of our shapes are
15 unique and proprietary shapes, and we use no standard
16 shapes.

17 COMMISSIONER LANE: Mr. Mitchell, is this
18 question applicable to your industry?

19 MR. MITCHELL: Ma'am, OPC substrates and OPC
20 tubes would bear no resemblance to that question.

21 COMMISSIONER LANE: Okay. Thank you.

22 MR. LANGEFELS: Ms. Lane, may I add one
23 thing to Mr. Rhode's and Mr. Cobb's responses?

24 CHAIRMAN OKUN: Yes. Please turn on your
25 microphone.

1 MR. LANGEFELS: I'm sorry. Larry Langefels
2 with Basco. I wanted to add one thing to Mr. Cobb's
3 and Mr. Rhode's comments, and that is that if you used
4 Basco's extrusions with Coastal's extrusions, they
5 would not match. No matter how hard you tried, you
6 could not match it. That is the uniqueness and the
7 sophistication between the models.

8 MR. RHODE: And that is a comment statement
9 from shower door manufacturer to shower door
10 manufacturer. We are all unique and different in the
11 products that we provide, and that is created by the
12 unique shapes in our designs.

13 COMMISSIONER LANE: Okay. Mr. Soucy, I've a
14 real quick question. I need to know how many heat
15 sinks you have actually imported from all sources and
16 that should include characteristics and quantities,
17 and I'm interested in knowing how much further
18 fabrication that you have to do to each imported piece
19 and who supplied you before you imported from China?

20 MR. SOUCY: Let me answer the last question
21 first.

22 COMMISSIONER LANE: Okay.

23 MR. SOUCY: Norm Soucy from Aavid. I
24 believe the question was who is our supply from China?

25 COMMISSIONER LANE: Yes.

1 MR. SOUCY: Our supply from China is our
2 Aavid Thermalloys China factories that we have in
3 China.

4 COMMISSIONER LANE: Okay.

5 MR. SOUCY: The other information I believe
6 is business confidential information that we can
7 supply in the brief.

8 COMMISSIONER LANE: Okay. So you've always
9 gotten your product from China and never from another
10 country?

11 MR. SOUCY: In the last few years, yes.

12 COMMISSIONER LANE: Okay. Okay. Thank you.
13 Sorry for going over.

14 CHAIRMAN OKUN: Commissioner Pearson?

15 COMMISSIONER PEARSON: Thank you, Madam
16 Chairman. I also am pleased to welcome this panel.
17 It gets to be a long day, and I appreciate you hanging
18 in there. Mr. Soucy, let me just ask to clarify one
19 thing that you had said earlier in response to another
20 question that had to do with the percentage of value
21 added. You get a blank, and then you do lots of
22 finishing steps to it and then sell it. What
23 percentage of the value added is done in your
24 finishing process? What percentage of the final
25 price, the final value is added by your process.

1 MR. SOUCY: By our operations?

2 COMMISSIONER PEARSON: Yes.

3 MR. SOUCY: I believe 100 percent of it if I
4 understand your question correctly.

5 COMMISSIONER PEARSON: No, then I asked the
6 question poorly, but this has been one of those days.
7 Let me ask it the other way. Look at the sales price
8 for your product. How much of that price is made up
9 by the blanks that you had to buy?

10 MR. SOUCY: Okay. I believe that's in the
11 30 to 35 percent range.

12 COMMISSIONER PEARSON: Okay. So the value
13 that you're adding then is kind of two-thirds of the
14 total value of the finished product? Okay. So the
15 large bulk of value of your finished product is
16 something that you are adding in your operation?

17 MR. SOUCY: Yes. I'm sorry for confusing
18 your question.

19 COMMISSIONER PEARSON: Okay. You take the
20 raw blank and add value on top of it. Okay. Like I
21 say, it's getting to be late. Mr. Mintzer, this is
22 probably for your because Mr. Soucy won't have seen
23 the data in Table E-1. Okay. Do those data
24 accurately reflect what you understand to be the
25 finished heat sink industry?

1 MR. MINTZER: There are two issues. In
2 terms of does it reflect for the most part -- I'm
3 thinking only to be careful about what I say because
4 so much of that is proprietary. The answer is yes.
5 The only caveat I have is that the unit of measure was
6 reported for Commission purposes in short tons, but
7 the industry actually sells products in pieces, and so
8 because of that conversion, sometimes there are
9 idiosyncracies as a result of that, but as a general
10 matter, the quantity and values reflect the industry.

11 COMMISSIONER PEARSON: Okay. Thank you, and
12 do you know does that table basically just include
13 heat sinks that are manufactured for the electronics
14 industry, or does it also include some other types of
15 heat sinks?

16 MR. MINTZER: I'm Sydney Mintzer, Mayer
17 Brown. Just to clarify because I don't have the table
18 numbers in my head, are we speaking of the trade data
19 or the financial data?

20 COMMISSIONER PEARSON: We are talking about
21 --

22 MR. MINTZER: Because there's a different
23 answer.

24 COMMISSIONER PEARSON: Right. This is again
25 Table E-1, Finished Heat Sinks, U.S. Producers Summary

1 Data, and that's the table heading. I don't think
2 that's business confidential, so I think --

3 MR. MINTZER: No. The trade data in there,
4 the quantity and value data reflects finished heat
5 sinks.

6 COMMISSIONER PEARSON: Finished for the
7 electronics industry or for some other purposes as
8 well?

9 MR. MINTZER: For the electronics industry
10 to my knowledge, meaning all of our heat sinks are
11 reflected in there.

12 COMMISSIONER PEARSON: Okay. Let me just
13 clarify. Mr. Soucy, does Aavid manufacture heat sinks
14 for anything besides the electronics industry?

15 MR. SOUCY: I think I need to provide a
16 little bit of a clarity on that answer because a heat
17 sink is used to cool down electronic components, so by
18 definition, any heat sink is used in the electronics
19 industry.

20 COMMISSIONER PEARSON: So you would
21 manufacturer a heat sink for like say a manifold cover
22 for an internal combustion engine that might have fins
23 to radiate heat. You don't do that?

24 MR. SOUCY: Which would be called a heat
25 exchanger, and we do not manufacture heat exchangers,

1 like as you would have a heat exchanger in your car,
2 for example. Okay. That's not the business that
3 we're in.

4 COMMISSIONER PEARSON: Okay.

5 MR. SOUCY: Anything that basically
6 electronic components on it, which can be in a wide
7 range of industries from computer servers,
8 transportation, solar, medical, military, aerospace,
9 all have some form of electronic components that need
10 to be cooled down. Heat sinks cool down those
11 electronic components.

12 COMMISSIONER PEARSON: Okay. And when the
13 Petitioners talk about heat sinks, do you believe they
14 also are talking about something that cools down an
15 electronic component, or is their definition somehow
16 broader?

17 MR. SOUCY: Based upon the product that was
18 put on the table this morning, and not knowing the end
19 use of that product and what its overall thermal
20 performance requirements were, I cannot really comment
21 beyond that.

22 COMMISSIONER PEARSON: Well, that's fair
23 enough. Mr. Jones, for purposes of the post-hearing,
24 could you please add whatever clarity you can for that
25 to find out whether your coalition counts as heat

1 sinks something that has a non-electronic use?

2 MR. JONES: We will do so, Commissioner
3 Pearson.

4 COMMISSIONER PEARSON: Thank you very much,
5 and I apologize for not asking that earlier. Shifting
6 to pricing product No. 7, which has this specification
7 listed, and we could talk about it here because it's
8 public, it does not mention thermal testing as one of
9 the criteria of that product, so help me understand.
10 Shall we consider that a finished heat sink or a
11 partially fabricated heat sink or what is that?

12 MR. MINTZER: Product 7 is a finished heat
13 sink, and it's subject to thermal testing.

14 COMMISSIONER PEARSON: Okay. So it would
15 have been thermally tested even though those specific
16 words did not appear in the product description?

17 MR. MINTZER: That's correct.

18 COMMISSIONER PEARSON: Okay. Thank you for
19 that clarification. Okay. Now, the Petitioners have
20 given us the guidance that some portion of the heat
21 sinks that they manufacture are not thermally tested.
22 Based on the way the Commission has drawn dividing
23 lines, is it possible that thermal testing itself
24 could be a dividing line within the universe of heat
25 sinks?

1 MR. MINTZER: Well, I'll pass it to Norm,
2 but absolutely that's our view, that the defining
3 product characteristic is the fact that the product
4 undergoes thermal testing.

5 MR. SOUCY: Norm Soucy from Aavid. We pride
6 ourselves on the fact that we provide thermal
7 solutions that we know work. If we didn't provide a
8 thermal solution that didn't work, we wouldn't have
9 been in business for almost 50 years by now, so having
10 a thermal test as the dividing line just makes common
11 sense to us in the industry. Remember, there's only a
12 couple of people in the United States that are truly
13 in the complete thermal solutions industry, Aavid and
14 Wakefield, so having that thermal test, which is what
15 we do, it's part of who we are, makes complete sense.

16 COMMISSIONER PEARSON: Okay. And I know
17 you're tempted then to take the next step and say it's
18 a clear a dividing line even though it's adding a
19 service largely to the product, it's as clear a
20 dividing line as taking a piece of glass and putting
21 it with a shower kit, but I don't know that I want to
22 get into that right now.

23 MR. MINTZER: May I just add one point in
24 terms of the service?

25 COMMISSIONER PEARSON: Please.

1 MR. MINTZER: It's a product spec, so in
2 order to sell the product into the industry that we
3 sell it to, it has to be specked, and that spec is
4 what appears on the product literature. Therefore,
5 the product can't be sold as a thermally tested
6 finished heat sink unless it has that specification,
7 so you're not distinguishing based on whether it's a
8 service or not. You're distinguishing based on the
9 fact that there are certain specs required for
10 finished heat sinks that are not required for anything
11 else.

12 COMMISSIONER PEARSON: That it would be
13 certified as meeting customer requirements once it has
14 that step? Okay. Well, I think echoing what
15 Commissioner Aranoff and perhaps others have said,
16 help us to understand based on our past practice and
17 how we have looked at these issues how that dividing
18 line would be similar to something we've done before,
19 if possible. Madam Chairman, my time is nearly
20 expired. I think I better quit while I'm ahead here.
21 Thank you.

22 CHAIRMAN OKUN: Commissioner Aranoff?

23 COMMISSIONER ARANOFF: Thank you, Madam
24 Chairman. In response to questions from my
25 colleagues, a number of you testified that a domestic

1 producer had declined to make something for you
2 because they couldn't meet your tolerances or for some
3 other reason, so for each witness who testified to
4 that effect or who's had that experience, could you
5 please tell me how many domestic producers did you ask
6 to make something for you before you turned to a
7 Chinese supplier because the domestic industry has
8 told us there's more than 100 domestic producers out
9 there?

10 MR. RHODE: George Rhode at Basco. We
11 always think our industry is very unique and different
12 than everybody else, and I still believe that, and in
13 this case, it is as well. First of all, for us to use
14 multiple sources of supply, either domestic or
15 foreign, does not make sense for us because of the
16 cost of the dyes that we have to produce. We have
17 over 100 different shapes, so each one of those shapes
18 requires a dye. Dye costs could range for all of our
19 shapes anywhere from \$100,000 to 250,000 depending on
20 how sophisticated the shapes may be, so we really rely
21 on developing a partnership.

22 For Basco, it's one domestic supplier. We
23 try to pick the best one for more than one reason
24 because for us to spread our volume around to others,
25 we won't get those price breaks from the domestic

1 supplier if we use multiple sources, so our supplier
2 yes, they do not supply us everything we want. As far
3 as design goes, they do not produce design. As far as
4 thin-walled extrusions for more competitively-priced
5 products, they do not produce that for us. They have
6 refused to do that for us.

7 This shape that I mentioned earlier, they
8 also would not do that. For us to take just that one
9 product and shift it to another domestic supplier is
10 going to be very difficult for us. We have to give
11 substantial business along with that, and we find it
12 challenging.

13 COMMISSIONER ARANOFF: Okay. I'm a little
14 confused by that answer because you testified in
15 response to a question from Commissioner Lane that you
16 have some percentage of your lineals I guess that
17 you're buying domestically and some percentage that
18 you're buying from a Chinese supplier, so you're
19 already splitting your business.

20 MR. RHODE: That's correct.

21 COMMISSIONER ARANOFF: So what you're
22 telling me is two suppliers okay, but I can't afford
23 to make a dye to give to a third supplier, is that
24 what you're saying?

25 MR. RHODE: But it goes towards the answer

1 we have to find the right vendors that are going to
2 supply us the products we need, and that's not true
3 for our vendor here in the United States. We can't
4 get all the products we need from them. They have
5 refused to make them.

6 COMMISSIONER ARANOFF: Okay. Well, let me
7 try turning to -- is that Mr. Langefels there?

8 MR. LANGEFELS: Yes. Larry Langefels with
9 Basco. I can add to that, ma'am. When you have two
10 different suppliers, we have to have multiple sources.
11 It's just good business practice in case one supplier
12 fails for whatever reason. The investment that Mr.
13 Rhode's talking about is cost-prohibitive to do it
14 through multiple vendors in our case.

15 Also when you referenced a 100 different
16 suppliers, that may be true in the broad sense of
17 aluminum suppliers, but not true with those that offer
18 the bright dip anodizing capacity, so that is a much
19 more limited number that's available in the United
20 States. It's probably a handful or maybe a little
21 more than that.

22 COMMISSIONER ARANOFF: Okay. Okay. That's
23 helpful. Let me turn to Mr. Cobb.

24 MR. COBB: Well, I would echo exactly what
25 George Rhode has said and Larry Langefels. In fact, I

1 was getting ready to raise my hand with the answer he
2 just provided as far as the number of aluminum
3 producers in the U.S. There's only a very, very
4 limited supply of people that do bright dip, and so
5 that kind of limits all of our options.

6 COMMISSIONER ARANOFF: Okay. Okay. Let me
7 turn to Mr. Soucy.

8 MR. SOUCY: Good afternoon. Norm Soucy from
9 Aavid. Two comments on this. First of all, the
10 instance where we had one of the Petitioners actually
11 refused to make the product to our specification based
12 upon the overall dimensional requirements that were
13 one it was one of the Petitioners. However, for our
14 domestic manufacturing where we procure heat sink
15 blanks from suppliers in the United States, virtually
16 99 percent of that, if not close to 100 percent, is
17 procured from domestic extruders for our manufacturing
18 in Laconia, New Hampshire.

19 We import very, very little, maybe one or
20 two shapes which we had specific issues related to the
21 overall dimensional issues that were not able to be
22 met where we'll input those heat sink blanks from a
23 foreign source.

24 COMMISSIONER ARANOFF: Okay. Mr. Mitchell,
25 do you have anything to add on this subject?

1 MR. MITCHELL: No, Ma'am, I would have to
2 inquire.

3 COMMISSIONER ARANOFF: Okay. Then let me
4 follow up on that first question by asking each of
5 you, that my understanding is not every domestic
6 producer might be qualified to make what you want.

7 And I understand that, and I understand that
8 many of you prefer to have more than one supplier, but
9 not too many because of the dye cost issues. So I
10 have followed you that far. So my next question to
11 you is in each of your cases how did you find your
12 Chinese supplier?

13 Because in some instances, we find that
14 companies basically go out on a global search for an
15 overseas supplier that can meet their specifications,
16 and in other cases, this supplier comes to you and
17 goes, hey, did you know about us. We can make your
18 product. Would you like to try us out.

19 So do either of these stories fit your
20 situation? Mr. Rohde, do you want to start?

21 MR. ROHDE: Yes. Our supplier came to us
22 because the gentleman who sold for that foreign
23 supplier came out of the domestic industry here in the
24 United States. So we learned of them through his
25 participation in their business.

1 COMMISSIONER ARANOFF: Okay. Mr. Cobb.

2 MR. COBB: In our case, we contacted a
3 consultant that had vast knowledge of the Chinese
4 aluminum industry, and made trips to China, and had
5 interviews with the folks over there.

6 COMMISSIONER ARANOFF: Okay. And now Mr.
7 Soucy. You said that you only import very few blanks,
8 and so I don't know if you even want to answer this
9 question, but you are welcome to.

10 MR. SOUCY: We've been manufacturing in
11 China for 13 or 14 years now. So we know who they
12 are, and we have an established relationship.

13 COMMISSIONER ARANOFF: Okay. Thank you very
14 much. Mr. Spooner, my understanding from the Staff is
15 that we have not yet received a questionnaire response
16 from one of the SDMA member companies, and in
17 addition, that there are deficiencies in the data that
18 were provided by some of the other member companies
19 that staff has inquired about.

20 So I just wanted to ask you for the record
21 whether you are going to be able to supply Staff with
22 the missing questionnaire, and resolve the data
23 deficiencies in a timely manner?

24 MR. SPOONER: You bet. As with any
25 coalition, some of the company members are more

1 energetic than others, but on the whole, we have
2 worked very hard, and with the laggard, we will -- how
3 do I put this in a legal way, we will put them in a
4 headlock and get an answer out of them for you.

5 And we will work with Staff to correct any
6 misunderstandings, or to correct anything that needs
7 to be clarified or corrected.

8 COMMISSIONER ARANOFF: We appreciate that.
9 I mean, we are sympathetic to the fact that this issue
10 came up late for your clients, but on the other hand,
11 it does not do us any good to find a separate like
12 product if we don't have the data to break out. Okay.
13 Thank you very much, and thank you, Madam Chairman.

14 CHAIRMAN OKUN: Commissioner Pinkert.

15 COMMISSIONER PINKERT: Thank you, Madam
16 Chairman. I just have a few follow-up questions. Mr.
17 Rohde, you testified that some of the domestic vendors
18 will not provide all the services that you need in
19 connection with the purchase, and I am wondering
20 doesn't that come down to price?

21 In other words, doesn't it come down to
22 whether included in some base that you would get the
23 services that you want?

24 MR. ROHDE: George Rohde of Basco. I would
25 have to say that is not the case for us. It comes

1 down to quality and consistency that we receive from
2 our vendors. I have been in this business for quite a
3 long time, but up until five years ago, in my whole
4 career, we used one domestic aluminum extruder.

5 For years, we fought quality issues, and we
6 were not sure if it was the condition of the industry,
7 or it was the condition of our supplier, or we could
8 find better quality. But we stayed with this supplier
9 for many, many years.

10 And it wasn't until we took our business to
11 China that we learned the great difference between
12 what we were receiving domestically in quality, and
13 what we received in China. It was a much higher grade
14 of quality, and more consistent finish.

15 The tolerances were exact. They did not let
16 the dyes wear, where the tolerance got too thick. It
17 was just a much better overall consistency in keeping
18 their promise to us as a supplier.

19 MR. SPOONER: Commissioner Pinkert, if I
20 could quickly -- and because I think it would be
21 helpful, but I have heard these guys talk about how
22 they track reject rates between Chinese suppliers and
23 domestic suppliers.

24 And I think that we will have to back it up
25 with documentary evidence, but it might be helpful if

1 they could convey the relative reject rates.

2 MR. ROHDE: Yes, there is a significant
3 difference in the reject rate that we receive. From
4 China, it was under one percent, and in our domestic
5 supplier, it was four to five times that amount.

6 So again we try to support our domestic
7 suppliers. We always have. We do give them business,
8 and we want to give them business. However, the
9 quality issues continue to force us to look elsewhere.

10 MR. LANGEFELS: Larry Langefels with Basco.
11 Mr. Pinkert, I would like to add one other thing there
12 to Mr. Rohde's comments, and it was in the
13 Petitioners' comments where they mentioned how they
14 can do very high volumes.

15 They have a machine that they can punch and
16 put eight pieces of aluminum across and punch eight
17 holes in all at once. So they want to build off of
18 high volume. We can't purchase in those volume type
19 quantities.

20 And they are inflexible with those
21 quantities. They require us to order an entire
22 truckload of certain product, versus we can sit there
23 and have separate smaller quantities with our other
24 suppliers.

25 But additionally we also had with our

1 domestic supplier, we wanted to compete in the market
2 with the big box retailers, which have very thin wall
3 type shower extrusions for their shower doors.

4 It is a much cheaper door, and they were
5 unwilling to work with us to come up with that thin
6 wall extrusion, versus we were able to go outside the
7 United States and find that answer.

8 COMMISSIONER PINKERT: Mr. Rohde, perhaps I
9 misunderstood your testimony earlier, but I thought
10 that you had said that the vendors, the U.S. vendors
11 that you were talking about, refused to provide
12 certain services in connection with the transaction.

13 That would be apart from the quality issues
14 that you have talked about, but that they simply
15 wouldn't provide certain services. Is that correct?

16 MR. ROHDE: Engineering is a good example of
17 that. When we look to design new products, we get a
18 lot of assistance from our suppliers in China with
19 that design. They pretty much leave that up to us.
20 The domestic suppliers pretty much leave that up to us
21 to figure out.

22 COMMISSIONER PINKERT: Again, is that a
23 matter of price, or is that a matter that they are
24 simply not capable of providing the service?

25 MR. ROHDE: They are not capable of

1 providing that service.

2 COMMISSIONER PINKERT: Are there any other
3 services that would fall into that same category?

4 MR. ROHDE: And I will add that that relates
5 to our supplier, but in talking to other members in
6 the SDMA, I believe that is fairly true across the
7 board.

8 COMMISSIONER PINKERT: And again any other
9 services that you would put in that same category?

10 MR. ROHDE: Yes, when we have tweaked
11 products, or we need improved innovation, I just know
12 that we get a lot more help outside of the United
13 States.

14 COMMISSIONER PINKERT: Thank you. Now, Mr.
15 Mitchell, I just want to make sure that I understand
16 your testimony, and I am certainly not trying to put
17 words in your mouth. So, please correct me, but are
18 you saying that the OPC tubes that you are now getting
19 from the subject country used to be available
20 domestically to filter?

21 MR. MITCHELL: Greg Mitchell, Frost, Brown,
22 Todd. There is one supplier in the U.S. that can
23 manufacturer the OPC tubes. Floturn was trying to
24 locate a second source because there were no other
25 manufacturers capable, or that could produce this

1 specialized OPC tube.

2 And they were in the process of their first
3 test shipment when the petition hit to learn about the
4 petition.

5 COMMISSIONER PINKERT: I see. So, then
6 currently is there a mix of domestic and foreign
7 sourcing of the OPC tubes, or did the petition shut
8 off that foreign supply?

9 MR. MITCHELL: The foreign supply was to be
10 a secondary source as others have testified, so that
11 in the event that the U.S. source was no longer
12 capable of producing that product, or for whatever
13 reason shut down the facility, that they would not go
14 out of business, and this longstanding company would
15 have to close its doors.

16 It was a secondary source, and as part of
17 that, they were looking to expand in the Asian
18 marketplace because of their OEM customers expanding
19 for export to make sure that that was available. It
20 was not in reaction to this petition.

21 COMMISSIONER PINKERT: Thank you. Turning
22 to a broader issue, and perhaps each of the lawyers
23 might wish to comment on this. Is the potential for
24 circumvention an appropriate consideration when we
25 define the domestic like product or products in this

1 case?

2 MR. MINTZER: Sydney Mintzer of Mayer Brown.
3 This is certainly something that we are happy to
4 address in our post-hearing brief, but the question of
5 circumvention, as it applies to our product, is
6 relatively easy to address.

7 It is very expensive and difficult to
8 circumvent and produce finished heat sinks. The only
9 way you produce a finished heat sink is if you can
10 invest in your product. So that would require a
11 significant amount of capital investment.

12 You can't just alter a shape, make a small
13 change, and come on in outside of the order. It just
14 does not work that way. So from our perspective, we
15 don't think that circumvention is appropriate, but we
16 also don't necessarily think -- we don't see how that
17 would apply to our product.

18 MR. SPOONER: I will try to be quick,
19 Commissioner Pinkert. Of course, we will address
20 further in our post-hearing brief, but I would argue
21 no. And I don't mean to sound unsympathetic to
22 circumvention concerns.

23 We would not countenance a circumvention,
24 but the Petitioners, in an attempt to address concerns
25 of circumvention have made the scope headspinningly

1 broad, covering not only extrusions, but a variety of
2 finishings and fabrications.

3 That is there right at the Commerce
4 Department perhaps, but when they do that, it puts a
5 separate like product issues squarely at the
6 Commission's doorstep.

7 MR. MITCHELL: I would concur with other
8 counsel with that answer and would respond
9 accordingly.

10 COMMISSIONER PINKERT: Thank you. Thank
11 you, Madam Chairman.

12 CHAIRMAN OKUN: Thank you. Mr. Mitchell,
13 when you were discussing looking for a second source
14 for the OPC tubes could you tell us today, unless it
15 is confidential, is there a price difference between
16 those that you are purchasing domestically and those
17 that you attempted to purchase as a trial purchase?

18 MR. MITCHELL: I am capable of answering
19 that. I don't know whether it is proprietary to the
20 client, and so I would ask to submit it post-hearing.

21 CHAIRMAN OKUN: Okay. I appreciate that.
22 And then, Mr. Rohde, if you are the right one to
23 discuss it, in terms of some of the pricing questions
24 that we were talking with the Petitioners about, about
25 how prices are set, and how important the conversion

1 price is as they look at their business, can you talk
2 about that in terms of -- you have purchased both
3 domestically and you have imported, and what is the
4 difference in the pricing structure that are
5 articulated in that way?

6 MR. ROHDE: If you don't mind, I will ask
7 Larry to speak to that topic.

8 CHAIRMAN OKUN: All right. We will hear
9 from the CFO.

10 MR. LANGEFELS: Larry Langefels with Basco.
11 To answer your question, for us it is a blended rate.
12 It is an industry practice and we follow that industry
13 practice. We set price lists up, and within those
14 price lists that price is set for usually a period of
15 time, at least a year, and in most circumstances
16 longer than a year.

17 And in rare occasions there might be some
18 special pricing in some type of large job or something
19 along that sort, but that would be set. So as the
20 pricing of -- for instance, the LME goes up and down,
21 our profits are volatile in that manner also.

22 CHAIRMAN OKUN: Okay. And so that applies
23 both with respect to the product that you are
24 receiving, purchasing domestically, and not that you
25 are importing?

1 MR. LANGEFELS: Yes, Ma'am.

2 CHAIRMAN OKUN: Okay. If that hasn't been
3 submitted, or if you could submit that for post-
4 hearing to help us understand what that looks like,
5 that would be helpful.

6 MR. LANGEFELS: Would that be the price
7 list, Ma'am?

8 CHAIRMAN OKUN: Yes.

9 MR. LANGEFELS: Okay.

10 CHAIRMAN OKUN: And then I think sticking
11 with you, and I am not sure, Mr. Spooner, but if I
12 start with you, but in listening to this last exchange
13 of questions with the association, in some ways I feel
14 like it is a little bit of a more discussion of, yes,
15 we would like the separate like product, but what we
16 are really mad about is we couldn't buy the product we
17 wanted at the quality we wanted.

18 And that is certainly an argument that we
19 would hear in a case, and again we are a little
20 hamstrung here because you are in the case late. But
21 those are very specific allegations, and I don't know
22 if they relate to the period of the investigation.

23 So for post-hearing, with whatever
24 specificity you can give to those particular
25 allegations that have been raised today -- and I know

1 that there is some of it in the report, and I know it
2 is there. But again if you are asking the Commission
3 to consider that as a causation issue, I would think
4 that we would need to develop the record.

5 And I am not sure if that is what you are
6 trying to do, because it has been very specific to
7 like products. Maybe you can answer that first. Are
8 you really just talking about that you want the
9 separate like product, or are you also if the
10 Commission did not find a separate like product for
11 the two different products that are being argued for
12 your client, are you making a causation argument with
13 respect to the Petitioners' ability to supply the
14 product?

15 MR. SPOONER: We will address it in our
16 post-hearing brief, but it is something that we should
17 flush out more.

18 CHAIRMAN OKUN: Okay. I appreciate that.
19 And I think, Mr. Soucy, that you have clarified some
20 of the information about the value added, and I think
21 that some of that information for purposes of our
22 analysis will be helpful.

23 I think with that that I don't have further
24 questions for this panel, but I appreciate all those
25 responses. Vice Chairman Williamson.

1 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
2 Chairman. Just a couple of questions. Regarding the
3 related party provisions, either now or in post-
4 hearing, could you please respond to the Petitioner's
5 assertion that certain firms should be excluded from
6 the industry because of their significant import
7 activities.

8 MR. SPOONER: We will do that in post-
9 hearing.

10 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
11 Mr. Soucy, in response to an earlier question from
12 Commissioner Aranoff, you said that you sell into all
13 segments of the heat sink market, and not just
14 electronics.

15 But I was wondering is that what you meant,
16 that you sell as long as it is electronics, and an
17 electronic thing that you are cooling? It might be in
18 transportation, and it could be --

19 MR. SOUCY: Mr. Williamson, I apologize if I
20 confused anybody on the panel, but our heat sinks are
21 used to cool down electronic devices that are used in
22 a wide variety of industries, across a wide market
23 segment, including transportation, military,
24 aerospace, medical, PC server, et cetera.

25 VICE CHAIRMAN WILLIAMSON: Okay. So, I

1 don't know whether you can give us a percentage of
2 your sales that are to, let's say, the electronic
3 industry. I guess that would be the Dells and all of
4 that.

5 MR. SOUCY: Yes, and I think in our post-
6 hearing brief that we can probably give lots of more
7 market segment information for you.

8 VICE CHAIRMAN WILLIAMSON: Okay.

9 MR. SOUCY: Because the rest of that is
10 really confidential to our business.

11 VICE CHAIRMAN WILLIAMSON: Sure. No, I
12 would appreciate that. And I guess that you had made
13 a point that the Petitioners really did not sell to
14 the electronic industry, and so my question was going
15 to be to what extent -- and this is a question of
16 market segmentation.

17 In other words, if they made a heat sink,
18 and it met the specs, and maybe they might have to use
19 a different brand name because the electronic industry
20 is used to dealing with certain brands, but is it
21 really separate industries, or is it just the way that
22 the manufacturers segment their product, or segment
23 their markets really?

24 MR. SOUCY: Well, we don't really view
25 Petitioners as competitors in our industry. We don't

1 see them. We don't come across them in our day-to-day
2 lives. And I have been in the business for almost 16
3 years, directly in the business for 16 years, and we
4 do not come across them when dealing with our OEMs,
5 and dealing with our electronic distributors. It is
6 not something that is part of the norm.

7 VICE CHAIRMAN WILLIAMSON: Okay. But that
8 is to say that their product could not be sold to it
9 if they were just trying to compete in that market?

10 MR. SOUCY: If they want to compete in the
11 market, they would have to do other things than just
12 go off and sell a product that may look like a heat
13 sink.

14 VICE CHAIRMAN WILLIAMSON: Yes. I realize
15 you have a market. For example, I guess if you wanted
16 to, you could actually contract with them to make a
17 product that you tested, and sold under your name,
18 having done all the verifications and testing to make
19 sure that you could stand behind it. That is not out
20 of the question I assume?

21 MR. SOUCY: There is many business venture
22 possibilities, but for one of the Petitioners in the
23 room this morning, we actually source close to 50
24 percent of our product that we use in our New
25 Hampshire facility from them, okay?

1 If we were worried about competing with them
2 in that market, I don't think we as a business -- and
3 I would be in a lot of trouble in my job -- we would
4 be going out and sourcing close to 50 percent of our
5 overall heat sink blanks from them.

6 VICE CHAIRMAN WILLIAMSON: Okay. So as long
7 as they stay in blanks, you are okay with it.

8 MR. SOUCY: For our business, yes.

9 VICE CHAIRMAN WILLIAMSON: Okay. I just
10 wanted to get that clarification, and actually with
11 that, I want to thank all of the witnesses for their
12 testimony today. Thank you.

13 CHAIRMAN OKUN: Commissioner Lane.

14 COMMISSIONER LANE: Mr. Soucy, I want to go
15 back to you to make sure that I understood what you
16 had said earlier in response to a question. How much
17 further work or fabrication is done on the product
18 that you bring in from China once you got it over
19 here?

20 MR. SOUCY: Excuse me, Norm Soucy from
21 Aavid. The product that we bring in from China falls
22 into two categories. One category is probably 99
23 percent of the product that we bring in from China, in
24 which nothing is done to it over here.

25 The other is a very, very small proportion,

1 and we can validate those percentages in post-hearing.
2 We will bring into our Laconia, New Hampshire
3 facility, and we will go through and do all of the
4 fabrication, finishing, and testing work, and then
5 shipping to our customer.

6 We employ in our Laconia, New Hampshire
7 facility, directly close to 100 people in our Laconia
8 facility, and when we expand that to include our Conn
9 facility and our other facilities around the world,
10 and our design labs that do a lot of the validations,
11 and our design centers throughout or spread throughout
12 the United States, we have close to 200 people
13 employed in the United States that do this specific
14 type of work.

15 COMMISSIONER LANE: Okay. So, 99 percent of
16 the product that you bring in from China doesn't
17 require any further work once you get it into the
18 United States?

19 MR. SOUCY: It is very close to those
20 numbers. We will validate those numbers in post-
21 brief.

22 COMMISSIONER LANE: And one percent of that
23 requires further fabrication at the New Hampshire
24 facility?

25 MR. SOUCY: Correct.

1 COMMISSIONER LANE: And so what do you do --
2 what does that fabrication consist of?

3 MR. SOUCY: It consists of taking a heat
4 sink blank that has been cut to length, which is
5 provided, and we come through and we do machining. We
6 do C&C machining, and we do -- well, that particular
7 product in front of you is a good example of what
8 would be done to it.

9 It has been machined completely on the back
10 side to hold very precise tolerances, and very precise
11 finishes, that you do not get out of a normal
12 extrusion. In a normal extrusion, you would get right
13 around a four thousandth of an inch per inch flatness,
14 which is basically the industry standard.

15 For electronic components that get mounted
16 on that, that is not acceptable. So we would come
17 through and we would do a bunch of post -- we do a lot
18 of machining to that to get it down to right around a
19 one-thousandth of an inch per inch flatness
20 requirement.

21 We put all those holes in, and all those
22 pockets. We will put the finishing on. It could be
23 black iodized, and it could be gold chromated. It
24 could be black iodized and then come in with extra
25 machining put on so that the back surfaces are free

1 and clear of any surface finish. We then do final
2 testing and shipping out the door to our customer.

3 COMMISSIONER LANE: The 100 employees that
4 you have at your New Hampshire facility, do all 100 of
5 those employees work on just the one percent of the
6 product that you bring in from China?

7 MR. SOUCY: Oh, no. They work on -- the
8 majority of their work is done on the product that we
9 procure, heat sink blanks from domestic producers,
10 such as the Petitioners here today.

11 COMMISSIONER LANE: Okay. Thank you. Is it
12 true that if glass were included with the rest of the
13 knockdown unit at the time of importation the kits
14 would clearly be outside the scope of this
15 investigation?

16 MR. SOUCY: Yes, Commissioner Lane, it is
17 clear that if a kit contained glass that it would be
18 outside the scope.

19 COMMISSIONER LANE: If that is the case what
20 makes it commercially undesirable to include the
21 glass?

22 MR. SOUCY: Well, for one thing, Madam
23 Commissioner, for our clients, they produce in the
24 United States what is on the table here, the kits with
25 and without glass. They can, if the order goes into

1 place, import kits with glass, but it would mean
2 laying off all of their employees.

3 Indeed, it is essentially our argument that
4 the distinction of kits with glass being out and kits
5 without glass being in, is an arbitrary distinction,
6 and that a more logical place to draw the line would
7 be the kits that are on the table before you.

8 MR. SPOONER: If I could quickly add,
9 Commissioner Lane, indeed a company named Elomax,
10 owned by the Petitioner Sapa, is an importer of shower
11 doors with glass. So in our view that is -- and
12 because glass is just one step beyond KDs, it is our
13 view that that is fairly strong evidence that imports
14 of KDs would not be injurious, and are not injurious
15 to the domestic industry.

16 COMMISSIONER LANE: Okay. Thank you. I
17 have no further questions, and thank you for your
18 answers today.

19 CHAIRMAN OKUN: Commissioner Pearson.

20 COMMISSIONER PEARSON: Thank you, Madam
21 Chairman. Mr. Greg Mitchell, you stated that you
22 learned about this investigation -- Floturn?

23 MR. MITCHELL: Floturn, yes.

24 COMMISSIONER PEARSON: Thank you. Floturn
25 learned about this investigation when a shipment was

1 held by Customs. Can you clarify? Did that shipment
2 eventually enter the United States after Customs
3 determined that the product was not within the scope,
4 or was it determined to be within the scope?

5 MR. MITCHELL: Customs at that time
6 determined that it was within the scope.

7 COMMISSIONER PEARSON: Okay. And the
8 product entered the United States after paying the
9 duties in place at that time?

10 MR. MITCHELL: I couldn't say with
11 certainty. There was great discussion as to whether
12 we were sending it back, or whether it came on in. I
13 don't know the answer.

14 COMMISSIONER PEARSON: All right. Had there
15 been ongoing discussions with Commerce to clarify
16 that, or do you think that Commerce made the correct
17 scope decision, or did they blow it?

18 MR. MITCHELL: We requested a scope
19 exclusion, and we participated in Commerce, and so we
20 are hopeful today that we may get a favorable ruling,
21 but we are here.

22 COMMISSIONER PEARSON: Okay. No, I think I
23 understand now more thoroughly for shower doors. You
24 may have answered this before, but for the sake of
25 making sure that I understand it. In a typical

1 knockdown kit, what percentage of the components are
2 aluminum? Aluminum extrusions, I guess we should
3 clarify.

4 MR. ROHDE: George Rohde at Basco. That
5 varies dramatically in a KD. Years ago, there was a
6 lot of aluminum in a KD, but trends today in our
7 industry, which moved towards more frameless shower
8 doors, we see less and less aluminum in the product.
9 That's more of a trend issue.

10 So it could range from I think 20 percent --
11 Larry might be able to help me here, but 20 percent
12 to 50 percent of the cost of the KD is the aluminum.

13 COMMISSIONER PEARSON: Okay. So that would
14 be 20 to 50 percent by value, basically.

15 MR. ROHDE: Yeah.

16 COMMISSIONER PEARSON: Okay.

17 MR. LANGEFELS: Yes, Larry Langefels, also
18 with Basco. I had stated earlier for you the 50
19 percent. I think George is -- we have different
20 product lines. Some are frameless. I was thinking of
21 what we could call a pure KD, if you will. Some have
22 less metal than others. But the difference there in
23 the price when we say 40 to 50 percent is the value
24 added, such as the bending, the cutting, the mitering,
25 all the different things that we do to that metal to

1 make it the proper fit.

2 MR. ROHDE: If I could also add, please, on
3 the trends, this has been a very difficult reality for
4 the extrusion industry because of the change in
5 trends. First of all, there are products that have
6 very little aluminum today and that are very popular.
7 They're thick glass, all glass kind of shower doors,
8 and you see those more and more today.

9 So there is dramatically less aluminum being
10 used in shower doors overall.

11 COMMISSIONER PEARSON: Okay. And would that
12 be true both for shower door kits manufactured in the
13 United States and those that might be imported from
14 China?

15 MR. ROHDE: It would be the same.

16 COMMISSIONER PEARSON: Okay. So no real
17 differences in the product to take advantage of cost,
18 lower costs in China for some component.

19 MR. ROHDE: No, sir.

20 COMMISSIONER PEARSON: Okay. Thank you.
21 Mr. Cobb.

22 MR. COBB: I might also add, Commissioner
23 Pearson, that there are a lot of components in these
24 KD kits, in addition to the aluminum, such as your
25 proprietary vinyl extrusions that go along with it,

1 all your fasteners, a lot of injection molded parts,
2 depending on the type of kit that is used. There is
3 just a whole mix of different things that go into
4 making up one of these.

5 COMMISSIONER PEARSON: Yes. Actually, I can
6 see a number of the components there. And I think on
7 a good day, if I was patient, and there were
8 instructions, I probably could put one together.

9 MR. COBB: You probably could.

10 COMMISSIONER PEARSON: But I might leave
11 that to people more qualified than. I think my last
12 question goes back to heat sinks. And I'm concerned
13 more than in any investigation I can remember recently
14 that Petitioners and Respondents somehow seem to be
15 talking past each other in terms of what is a heat
16 sink. And I'm still late in the afternoon uncertain
17 as to why that's the case.

18 Mr. Soucy, do you have thoughts on that?

19 MR. SOUCY: I can try and simplify it as
20 much as I possibly can. Petitioners are in the
21 business of making aluminum extrusions. Aavid is in
22 the business of making thermal heat sinks. And that's
23 basically the difference, if I -- it's a completely
24 different market.

25 COMMISSIONER PEARSON: Okay. But to the

1 beset of your knowledge, do they have customers other
2 than Aavid and Wakefield that buy their heat sink
3 blanks? I mean, are you two firms the universe of
4 purchasers for the domestic industry's heat sink
5 blanks?

6 MR. SOUCY: No. There are some small mom
7 and pop type shops out there that would provide heat
8 sink blanks, you know, some very small companies,
9 okay? But for the most part, Aavid and Wakefield make
10 up the majority of the U.S. domestic production.

11 COMMISSIONER PEARSON: Okay. And perhaps
12 the more sophisticated part of the U.S. industry, or
13 is not a correct characterization?

14 MR. SOUCY: I would think that's a fairly
15 fair term. It's a pretty fair term to say. When
16 customers think of a thermal solution, they don't
17 think of an aluminum extrusion provider. With all due
18 respect to the aluminum extrusion industry, they think
19 of a thermal solutions provider, Aavid, Wakefield.
20 Those are who they think of.

21 COMMISSIONER PEARSON: Are there some
22 electronic components that are fundamentally easier to
23 build a heat sink for, something perhaps like LED
24 lights that I understand don't generate a whole lot of
25 heat?

1 MR. SOUCY: If you go to attachment A, page
2 6, which is an extract from Radeon, which provides all
3 the thermal resistance data, et cetera, on a
4 particular -- any particular heat sink. You know,
5 that would be what we'd call a pin gray or a BGA type
6 solution that's cooling down a motherboard chipset of
7 some sort, okay, with some type of thermal interface
8 attachment method associated with it, okay?

9 That requires a relatively simple aluminum
10 extrusion. And I draw to that product because the
11 picture is pretty clear, okay? And the machining
12 that's required to it actually requires a set of saw
13 blades that's a stack. Not just one saw blade,
14 basically a gang or a stack of saw blades spread out
15 evenly between the fin so you can basically create a
16 crosscut across the fin, which actually increases the
17 overall across the fin to increase -- to improve the
18 overall thermal performance of the heat sink cooling
19 down the chip. And it requires some simple anodizing,
20 okay?

21 But it has a thermal resistance associated
22 with it. It has been thermally tested. We do that.
23 Radeon does that. Wakefield does that. I'm sure
24 there are other small mom and pop type shops that will
25 do that as well.

1 COMMISSIONER PEARSON: Okay. And, Mr.
2 Jones, perhaps I could prevail on you once again,
3 could you address this issue in the posthearing? Why
4 is it that Petitioners seem to have such a different
5 view of the heat sink business than do Wakefield and
6 Aavid? Do you know, for instance -- perhaps you could
7 provide a list of customers who buy heat sink blanks
8 or finished heat sinks, if there are some produced,
9 from your members, because then we might have a
10 clearer idea of whether there are other players out
11 there who frankly we've missed so far, and haven't --
12 aren't able to adequately take into account.

13 MR. JONES: We would be happy some
14 additional information, Commissioner Pearson.

15 COMMISSIONER PEARSON: Thank you. With
16 that, I think I'm done. So let me express my
17 appreciation to all of you. It has been a really
18 interesting, if somewhat confusing, day. And I know
19 return to the Chairman.

20 CHAIRMAN OKUN: Commissioner Aranoff.

21 COMMISSIONER ARANOFF: Thank you, Madame
22 Chairman. Commissioner Pearson actually just asked
23 the question that I was going to ask, but I want to
24 add a little bit to fill it out, which is for
25 posthearing from the domestic industry, if you could

1 identify who the producers are or any other domestic
2 producers you know of who are heat sink producers,
3 some details about what the products are that they're
4 making and what the end users are to which they're
5 being sold, and who are the customers, either end
6 users or distributors to whom they're being sold, that
7 would be really helpful in helping us to sort out this
8 like product issue.

9 MR. JONES: We'll provide that information,
10 Commissioner Aranoff.

11 COMMISSIONER ARANOFF: Thank you very much.
12 And then also for posthearing briefing for the current
13 panel. In a number of instances, you've specified
14 that there were reasons of quality which led you to
15 resort to Chinese suppliers, specifically indicating
16 that domestic producers were unable or uninterested in
17 meeting certain product specifications that you had.
18 We also have a domestic industry opine this morning
19 that they're capable of making anything that you could
20 want.

21 This is a not infrequent occurrence in these
22 kind of cases, where we have a he said/she said, and
23 one side says it's price, and one side says it's
24 quality. And so what I'd ask you to do is to please
25 develop for the record on this point posthearing. If

1 you have e-mails, correspondence, recollections in
2 affidavit form of the exact conversations that were
3 going on about these products when you discussed the
4 specifications, prices, volumes, whatever was
5 discussed, that would be really, really helpful in
6 helping us to assess exactly what was going on and to
7 buttress your claim that they were quality issues that
8 the domestic industry just couldn't satisfy. Okay. I
9 see nodding from counsel, so I'll assume that we are
10 going to get answers on that.

11 One last question, and that's for Mr. Soucy.
12 The Petitioners have testified this morning, testified
13 to a fairly complicated -- maybe it's not that
14 complicated -- mechanism they have for passing on
15 aluminum input costs using a price index. How do you
16 account for aluminum costs in your pricing?

17 MR. SOUCY: When we generate a cost through
18 our particular customers, when we obtain the cost of
19 the heat sink, we understand what that cost of metal
20 is at that point in time, and that cost is usually to
21 our customers, okay? Our sale price is based upon a
22 price that is good for a X period of time. So any
23 major fluctuations in the price of LME or Midwest
24 metal market, or whatever market that we're
25 referencing off of is either going to help us or hurt

1 us in our overall bottom line results because our
2 pricing for our customers don't fluctuate that often.

3 COMMISSIONER ARANOFF: And you're able to do
4 that because it's a risk that you're undertaking?

5 MR. SOUCY: It's a business risk that we
6 undertake because we sell by the piece. Our business
7 is selling a finished component, a finished heat sink
8 by the piece. The overall material component of that
9 or the heat sink blank component of that is not 70 or
10 80 percent of our overall cost. It's a significantly
11 lower proportion of that.

12 So our risk is somewhat not as great as it
13 would be in the Petitioner's risk.

14 COMMISSIONER ARANOFF: Okay, okay. That
15 actually makes a lot of sense. Thank you very much
16 for that answer. And with that, I know we've all
17 given you quite a lot of homework to do. I appreciate
18 all your answers, and all the information that I hope
19 you're going to provide with your posthearing brief.
20 Thank you, Madame Chairman.

21 CHAIRMAN OKUN: If there other questions
22 from Commissioners? Does staff have questions for
23 this panel?

24 MR. McCLURE: James McClure, Office of
25 Investigations. Madame Chairman, staff has no

1 questions for this panel.

2 CHAIRMAN OKUN: Do Petitioners have
3 questions for this panel?

4 MR. JONES: No questions, Madame Chairman.

5 CHAIRMAN OKUN: Well, before we turn to our
6 closing statements, let me take this opportunity to
7 again thank all of the witnesses for appearing. We
8 will look forward to your posthearing submissions, and
9 a very helpful afternoon. And we can let this panel
10 take seats in the back, and I will review the time
11 remaining.

12 Petitioners have four minutes left from
13 their direct presentation and five minutes for
14 closing; for a total of nine minutes. Respondents
15 have 11 minutes left from the direct presentation,
16 plus 5 closing, with a total of 16 minutes. If there
17 is no objection, we would proceed with combining those
18 times and having counsel do closing and rebuttal at
19 the same time.

20 MR. JONES: No objection, Madame Chairman.

21 CHAIRMAN OKUN: Okay. So we'll give this
22 panel a moment to settle back in, and we'll bring up
23 Mr. Jones.

24 (Pause)

25 CHAIRMAN OKUN: All right. Let's turn to

1 our closing. Mr. Jones.

2 MR. JONES: Thank you, Madame Chairman.

3 Steve Jones from King and Spalding on behalf of the
4 Petitioners. Obviously, much of the hearing today was
5 focused on like product arguments. It's worth noting
6 at the outset that the key components of our case,
7 volume effects, price effects, adverse impact,
8 causation, are unopposed.

9 It's not because this is a small or
10 unimportant industry or market. The total sales value
11 in the market is \$4 to 5 billion. It's one of the
12 larger cases the Commission has ever done. It's
13 certainly a lot more larger than non-steel cases. And
14 the value of imports from China is about \$600 million,
15 which makes it one of the largest cases ever filed
16 against imports from China.

17 One must infer that the absence of
18 opposition is due to the strength of the case, both
19 factually and legally. The data collected by the
20 staff show clearly that the industry is materially
21 injured by imports of aluminum extrusions from China.
22 As usual, you've asked very good questions, and we
23 have a few things to follow up on. But I expect the
24 bulk of our posthearing brief will focus on the like
25 product issues.

1 Fortunately, you will need to address those
2 issues because I'm told that the Department of
3 Commerce ruled today that finished heat sinks, shower
4 door knockdown units, jewelry grade, and the other
5 product, the OPC tubes, are all covered by the scope
6 here. There are no scope exclusions. So the
7 Commission, fortunately for us and perhaps
8 unfortunately for you, must decide whether these
9 products are part of the domestic like product.

10 Nothing presented in the briefs or today at
11 the hearing should cause you to define more than one
12 like product coached onto its scope. It's important
13 to keep in mind that the starting point for the
14 domestic like product analysis is the scope. The
15 statute reads, "Domestic like product means a product
16 which is like, or in the absence of like, most similar
17 in characteristics and uses with the articles subject
18 to an investigation."

19 It's very, very for the Commission to define
20 a like product to include products that are outside
21 the scope of the investigation, and the grounds to do
22 so are not present here.

23 Now, Mr. Mintzer and Mr. Spooner, on behalf
24 of the opponents of the petition said that this is not
25 a continuum case. And they're just simply wrong about

1 that. This is a classic continuum case. There is no
2 distinction that has been cited that would not also
3 apply -- no distinction as to their products that
4 they're claiming are separate like products that would
5 not also apply to many, many other products within the
6 continuum. And to us, that is the definition of a
7 continuum.

8 Now, with regard to heat sinks, production
9 of finished heat sinks and other extruded products, we
10 submit, are exactly the same. The work begins with a
11 customer in designing the product. Once the product
12 is designed and the tooling is made, the process to
13 produce the profile is exactly the same, same
14 equipment, same temperature, same pressures, same
15 process control.

16 The subsequent processes after extrusion,
17 stretching, sawing, aging, exactly the same for heat
18 sinks as other types of extrusions. The value-added
19 processes, the fabrication, the finishing, exactly the
20 same. Cutting, drilling, milling for flatness,
21 chemical finishing. There are no distinctions there.

22 The products are priced the same. There was
23 some testimony today that aluminum extruders priced by
24 the pound -- many extruders, including several who
25 testified today, a large portion of their business,

1 the products are priced by the piece, just like heat
2 sinks are.

3 The distinguishing feature that they're
4 hanging their hat on is product testing. And we
5 submit that this is an arbitrary and unworkable
6 standard for a like product definition. Mr. Mintzer
7 said that he -- he was asked, well, what products that
8 the Petitioners put up on the table were finished heat
9 sinks, and he said, well, you can't look at it and
10 know whether it's a finished heat sink or not. And we
11 submit that that presents a problem for administration
12 of an order.

13 If you had one product and an identical
14 product to the -- visually identical. One is tested,
15 and one is not. One is part of one domestic like
16 product, and the other is part of separate like
17 product. That makes absolutely no sense.

18 Finished heat sinks are no different than
19 any other value-added extruded product. They run on
20 the same equipment. They're sold through the same
21 channels of distribution by the same sales people.
22 They're priced in the same manner.

23 With regard to shower enclosures,
24 Commissioner Pinkert, the staff did not collect
25 operational financial data for shower door extrusions,

1 and the shower door manufacturers lines did not make
2 that request. They did request pricing products, and
3 the Commission did -- the staff did collect pricing
4 information for certain shower door products. But the
5 staff did not collect and was not asked to collect
6 data which would enable the Commission to make an
7 injury determination with respect to the purported
8 shower door knockdown unit extrusion industry. So
9 that information is simply not on the record.

10 We heard a lot from the shower door
11 producers about how special their products are. The
12 words special and unique came up many, many times,
13 specially designed, specially finished, unique. And
14 we also heard a lot about quality. And I would simply
15 submit that quality is a huge red herring in this
16 case. It's certainly contrary to the information in
17 the staff report, where most purchasers out there
18 found imported and domestic production to be
19 comparable in quality, if they didn't find U.S.
20 production to be of higher quality.

21 And in fact, certain shower door companies
22 have increased their purchases of shower door
23 extrusions from domestic suppliers in recent months.
24 And the fact is that they can and do buy from domestic
25 producers. They just don't want to. They want to

1 source a much lower priced product from China.

2 In like finished heat sinks, the shower door
3 folks attempt to define extrusions as simply the
4 aluminum that comes out of the press, and they ignore
5 all of the various value-added that extruders perform
6 to create a market solution. The 20 to 50 percent
7 value added that was provided in response to a
8 question from Commissioner Pearson, that's clearly
9 aluminum alone, it must be, without any of the
10 finishing and fabrication and other value-added
11 services that the extruders provide to the shower door
12 purchasers.

13 In fact, everything that they say they need,
14 the domestic industry does. And if they say that they
15 can't get it, it's because they can't get it at the
16 price that they want it at. They can't get it at the
17 China price. Fabricating a shower door extrusion is
18 and can be done by many domestic aluminum extruders.
19 It is not as complex as many other fabricated products
20 that the industry produces.

21 Finally, with respect to the impact of this
22 case, there was a claim made by the shower door
23 purchasers. They claimed that they desired to be here
24 because they want to save U.S. jobs. Well, if that's
25 the case, they should be supporting the petition.

1 They did not. If they want to import knockdown units,
2 then they have become merely designers and resellers.
3 They are no longer manufacturing anything, and those
4 jobs will have gone to China, as Mr. Henderson
5 testified they would if knockdown units are a separate
6 like product.

7 No. They simply want to maintain access to
8 cheap, dumped and subsidized imports from China.

9 CHAIRMAN OKUN: Mr. Jones, your red light has
10 come on.

11 MR. JONES: Thank you. On which they have
12 become increasingly dependent. Thank you for your
13 indulgence and your attention today.

14 CHAIRMAN OKUN: Thank you.

15 MR. JONES: We appreciate it. Thank you.

16 MR. MINTZER: This is Sidney Mintzer from
17 Mayer Brown. And I'm going to give a few rebuttal
18 comments before my colleague provides some closing
19 remarks.

20 Mr. Jones just mentioned that you can't
21 administer an order when you have two products that
22 look alike. And I just want to quote -- and this is
23 from our brief -- the Commission's decision in
24 automotive replacement glass. "Where automotive
25 replacement glass and OEM windshields have the same

1 basic physical characteristics and end uses. The
2 differences between them, principally their conformity
3 with vehicle manufacturers' proprietary
4 specifications, are subtle. Nevertheless, those
5 distinctions do have significant implications for
6 other factors pertinent to the domestic like product
7 analysis."

8 So the notion that you can have two products
9 that on the surface happen to look alike, if they have
10 very different specifications and different end uses,
11 certainly there can be separate domestic like
12 products. The same thing occurred in brake rotors,
13 where you had OEM brake rotors and replacement part
14 brake rotors. The brake rotors looked the same, but
15 the same issue applied.

16 And that relates to another issue that has
17 come up in the concept of continuum. And I think
18 that's a bit of a red herring because we're not
19 comparing ourselves to gutters and windows, or the
20 median product that's coming in. We're comparing
21 ourselves at the end of the day to heat sink blanks.
22 If this case were only about heat sink blanks, the
23 same arguments would apply. Heat sink blanks are a
24 completely different product from a finished heat
25 sink. When you look at pricing, Mr. Jones says that's

1 not true. You have the data. The data makes it quite
2 apparent. When it comes to customer perception,
3 pricing, the added value, you simply can't compare
4 heat sink blanks to finished heat sinks.

5 Just one or two additional points I'd like
6 to make. There has been briefing and testimony that
7 the data on finished heat sinks collected by the
8 Commission staff are too narrow and don't reflect
9 market reality. Well, back in December, when we made
10 that argument in the light of day, there was no
11 response. No one complained. That was the time to
12 make those arguments. I mean, it's a little late in
13 the day to be arguing that the Commission staff should
14 have done something different when the arguments were
15 raised three months ago.

16 In addition, where is M&M Metals? You have
17 a Petitioner that owns as a subsidiary a company that
18 produces -- that is known to produce finished heat
19 sinks. Where are they? Why aren't they here? Why
20 weren't they listed in the petition? We've heard
21 nothing about that today. We raised it in testimony,
22 nothing in rebuttal. Why?

23 It's curious. If this case is about
24 finished heat sinks, then we should have been listed.
25 We're one of the biggest, if not the biggest. If this

1 case was about finished heat sinks, M&M Metals would
2 have been there, too, but they weren't. Why? There
3 is no logical answer for why they weren't included.
4 It's not like they were lost somewhere. A Petitioner
5 owns this company since 2008. Where are they?

6 And finally -- and this is something
7 mentioned earlier on the threat of circumvention. As
8 I indicated earlier, there is no threat of
9 circumvention when it comes to finished heat sinks.
10 They're not tweakable. That's not a legal term, but I
11 think you understand what I mean. You can't simply
12 alter the product in small ways and have it come in
13 and compete with the domestic product. You can't.
14 It's either -- if finished heat sinks come in, they're
15 going to compete with finished heat sinks produced in
16 the U.S., but they're not going to compete with heat
17 sink blanks. That's not what they would do.

18 So with that, I'd like to turn it over to my
19 colleague for closing comments.

20 MR. SPOONER: Thanks. Madame Chairman, Mr.
21 Vice Chairman, Members of the Commission, thank you
22 for providing all of us with the opportunity to
23 testify today. The scope of this investigation is
24 remarkably broad, covering not only extrusions, but to
25 steal a term from the petition scope, a variety of

1 finished and fabricated products, making no effort to
2 differentiate between significant and fabrication and
3 minor operations.

4 Such a sweeping scope inevitably presents
5 the Commission with separate like product issues, and
6 three producers of such separate like products are
7 here today, of course.

8 Despite what Petitioners may claim, that KD
9 is not an extrusion. Shower enclosure manufacturers
10 make a unique separate like product, KDs, and in doing
11 so utilize a unique aluminum extrusion input. KDs are
12 clearly made in different facilities than Petitioners,
13 by different people, are sold in different channels
14 with different customer expectations. Highly
15 engineered shower door extrusions, with jewelery grade
16 finish 2 are manufactured in dedicated facilities
17 using specialized dyes and finishing operations, and
18 are sold in different channels of distribution with
19 different customer expectations that are reflected in
20 their dramatically higher average unit values from
21 other aluminum extrusion products.

22 There is scant evidence that imports of
23 shower door extrusions, let alone KDs, have injured or
24 threaten to injure Petitioners. Indeed, Petitioners
25 cite Canada's order as an example of injury to bolster

1 the injury case. And in that vein -- I can't resist--
2 it's worth noting that Canada has decided to exclude
3 shower extrusions from its order.

4 It's also important to note -- and forgive
5 me for reinforcing the point we made during our
6 testimony that Petitioner Sapa, a company owned by
7 Petitioner Sapa, is a large importer of shower doors
8 with glass.

9 The members of the Coalition of Shower
10 Manufacturers that testified today are not mere
11 distributors or importers. They're family-owned
12 factories fighting to maintain, to save, U.S.
13 manufacturing jobs. And I have to choose my words
14 carefully, but I hope it's clear, despite Petitioner's
15 closing statement, that they don't -- well, I don't
16 want to characterize it unfairly. That all they care
17 about is cheaper access to Chinese inputs. I hope
18 it's clear from our submissions and the testimony
19 today that that's not true.

20 The companies have only asked for a KD
21 exclusion, in addition to an exclusion for the lineals
22 themselves because a KD exclusion would permit them to
23 save at least some jobs, instead of having to move
24 them all to China.

25 We look forward to continuing to work with

1 the Commission and staff to provide whatever
2 additional evidence the Commission may need to further
3 support what we hope is a clearly justifiably separate
4 like product finding.

5 Thank you again very much for the
6 opportunity to testify today.

7 CHAIRMAN OKUN: Thank you. Posthearing
8 briefs, statements responsive to questions, requests
9 of the Commission, and corrections of the transcript
10 must be filed by April 6th, 2011. Closing of the
11 record and final release of data to the parties is
12 April 21st, 2011, and final comments are due April
13 25th, 2011.

14 With no other business to come before the
15 Commission, this hearing is adjourned.

16 (Whereupon, at 5:02 p.m., the hearing in the
17 above-entitled matter was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Aluminum Intrusions from China
INVESTIGATION NOS.: 701-TA-475 and 731-TA-1177 (Final)
HEARING DATE: March 29, 2011
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

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

DATE: March 29, 2011

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

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

SIGNED: Carlos E. Gamez
Signature of Proofreader

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

SIGNED: Gabriel Gheorghiu
Signature of Court Reporter