



## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Wednesday,  
 April 21, 2010

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

The hearing commenced, pursuant to notice, at  
 9:36 a.m., before the Commissioners of the United States  
 International Trade Commission, CATHERINE DEFILIPPO,  
 Director of Investigations, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Staff:

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 JAMES MCCLURE, SUPERVISORY INVESTIGATOR  
 RUSSELL DUNCAN, INVESTIGATOR  
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 DAVID BOYLAND, AUDITOR  
 VINCENT DESAPIO, INDUSTRY ANALYST

APPEARANCES: (Cont'd.)

Organization and Witness:

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:

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JEFFREY S. HENDERSON, Director of Marketing,  
Sapa Extrusions, Inc.  
PETER P. VANDER VELDE, ESQUIRE, Group General  
Counsel, Sapa Extrusions, Inc.  
SUSAN D. JOHNSON, President, Futura Industries  
Corp.  
LYNN BROWN, Senior Vice President, Sales and  
Marketing, Hydro Aluminum North America, Inc.  
LINDA ANDROS, ESQUIRE, United Steelworkers  
STEPHEN A. JONES, ESQUIRE, Of Counsel  
REBECCA L. WOODINGS, Consultant, Of Counsel

On behalf of Peng Cheng Aluminum Enterprise,  
Inc. (USA):

SHAO JOHNSON, President  
CHARLIE POK, General Counsel

I N D E X

	PAGE
TESTIMONY OF STEPHEN A. JONES, ESQUIRE, KING & SPALDING	9
TESTIMONY OF DUNCAN A. CROWDIS, PRESIDENT, BONNELL ALUMINUM	13
TESTIMONY OF JEFFREY S. HENDERSON, DIRECTOR OF MARKETING, SAPA EXTRUSIONS, INC.	20
TESTIMONY OF SUSAN D. JOHNSON, PRESIDENT, FUTURA INDUSTRIES CORP.	25
TESTIMONY OF LYNN BROWN, SENIOR VICE PRESIDENT, SALES AND MARKETING, HYDRO ALUMINUM NORTH AMERICA, INC.	29
TESTIMONY OF LINDA ANDROS, ESQUIRE, UNITED STEELWORKERS	34

P R O C E E D I N G S

(9:36 a.m.)

MS. DEFILIPPO: Good morning and welcome to the United States International Trade Commission's preliminary conference in connection with the preliminary phase of countervailing duty Investigation No. 701-TA-475 and antidumping duty Investigation No. 731-TA-1177 concerning imports of certain aluminum extrusions from China. My name is Catherine DeFilippo and I am the Commission's Director of Investigations, and I will preside at today's conference. Among those present from the Commission staff are, from my far right: James McClure, the supervisory investigator; Russell Duncan, the investigator; to my left, Marc Bernstein, the attorney/advisor; James Fetzer, the economist; David Boyland, the auditor; and Vincent DeSapio, the industry analyst.

Understand that parties are aware of today's time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation. Are there any questions? Seeing none. If not, welcome, Jr. Jones. Please proceed with your

1 opening statement.

2 MR. JONES: Good morning, Ms. DeFilippo, and  
3 members of the Commission staff. My name is Steve  
4 Jones, I'm with the law firm of King & Spalding, and I  
5 am appearing today on behalf of the Aluminum  
6 Extrusions Fair Trade Committee, which is an ad hoc  
7 coalition of United States manufacturers of aluminum  
8 extrusions, and the United Steel Workers Union, which  
9 represents a significant number of workers in the  
10 industry. The Committee is comprised of companies  
11 that together account for a significant majority of  
12 U.S. production of soft alloy aluminum extrusions,  
13 which is the domestic like product. The Steel Workers  
14 represent approximately 2,000 workers at 14 soft alloy  
15 aluminum extrusion plants in the United States. We  
16 expect today that the Department of Commerce will  
17 announce the initiation of antidumping duty and  
18 countervailing duty investigations.

19 Our research shows that imports from China  
20 are being dumped at significant margins and that  
21 Chinese producers and exporters are benefitting  
22 financially from a virtual smorgasbord of high value  
23 subsidy programs, including currency manipulation,  
24 that has skewed the market and resulted in severe  
25 overcapacity and distorted incentives to produce and

1 export the subject merchandise to the United States.  
2 In our view, there is no question that imports of  
3 aluminum extrusions from China are unfairly traded and  
4 that the margins of dumping and rates of subsidization  
5 are large. The dumped and subsidized imports from  
6 China increased significantly during the time from  
7 2007, the beginning of the period of investigation, to  
8 2009, and the increase was significantly, absolutely,  
9 and in relation to both U.S. consumption and U.S.  
10 production.

11 According to the official import statistics,  
12 subject imports increased 138 percent from 2008 to  
13 2009 alone. An April 14 article appearing on a  
14 Chinese government-controlled website stated that the  
15 Chinese import share of the U.S. market has reached 20  
16 to 25 percent, which is higher than the conservative  
17 estimate in our petition. How have imports from China  
18 been able to penetrate the U.S. market so quickly and  
19 deeply? The answer is simple: aggressive cut throat  
20 pricing. You will hear testimony this morning from  
21 industry witnesses that price is frequently the most  
22 important factor and that business is won or lost in  
23 this industry based on mere pennies per pound.

24 Customers have learned to use the "China  
25 price" in virtually every negotiation, which

1 frequently results either in lost business or a  
2 reduction in price. This industry has been severely  
3 injured by dumped and subsidized imports. A large  
4 number of questionnaire responses have come in and the  
5 clear picture that is emerging from the data is of an  
6 industry in severe economic distress. All of the key  
7 operational and financial indicators for this industry  
8 are down significantly from 2007 to 2009. There's no  
9 question that demand for aluminum extrusions declined  
10 during the economic downturn. There have been fewer  
11 business opportunities for U.S. producers due to  
12 economic conditions, but the competition for these  
13 fewer opportunities has intensified and dumped and  
14 subsidized imports from China have unfairly taken an  
15 increasing share of a smaller pool of business.

16 The downturn has made the industry even more  
17 vulnerable to injury caused by imports of the subject  
18 merchandise. The results have been severe for a large  
19 number of businesses and communities. Our analogy  
20 shows that since 2007, 33 extrusion plants operating  
21 79 extrusion presses have closed. Fifty-two  
22 additional presses have shut down at plants that are  
23 still open. The impact has been devastating. We  
24 expect the data to show that the injury intensified in  
25 2009 at the time when imports from China surged. We

1 also expect that you will confirm many of the lost  
2 sales and lost revenues reported by the industry,  
3 providing further evidence of injury caused by imports  
4 of the subject merchandise.

5 Finally, the industry is also grievously  
6 threatened with future additional injury. There is  
7 massive underutilized capacity in China and the  
8 Chinese have every incentive to produce more  
9 extrusions and ship them to the United States. They  
10 have proven their interest in the U.S. market and  
11 their ability to penetrate this market. Their  
12 shipments to Canada are down significantly due to the  
13 antidumping and countervailing duty orders imposed  
14 there in March 2009, and an order is expected to be  
15 imposed in Australia this spring. If the Commission  
16 does not make an affirmative determination in this  
17 case, imports will continue to penetrate the U.S. and  
18 take business and market share from U.S. producers.  
19 While there is still an industry left to save, we urge  
20 the Commission to make an affirmative determination.  
21 That concludes my opening statement. Thank you.

22 MS. DEFILIPPO: Thank you, Mr. Jones. As we  
23 do not have an opening statement for those in  
24 opposition to the imposition of antidumping and  
25 countervailing duties, I would ask other members of

1 your panel to please join me now. If you wouldn't  
2 mind, the name tags are over on the table. If you  
3 would grab one of those and bring it with you, that  
4 would be great. Then, Mr. Jones, please proceed when  
5 you're ready.

6 MR. JONES: I think we're ready, Ms.  
7 DeFilippo.

8 MS. DEFILIPPO: Thank you.

9 MR. JONES: Good morning, again, members of  
10 the Commission staff. For the record, my name is  
11 Steve Jones. I'm counsel to the Petitioners. Before  
12 we get started, on behalf of the Committee, I would  
13 like to thank you all for all of your work on this  
14 case so far. We realize that this is a big case with  
15 a large number of domestic producers and a lot of data  
16 to analyze and aggregate, and we know it is a lot of  
17 work. We'd also like to thank Mr. Duncan for taking  
18 the time to visit Bonnell Aluminum in Newnan, Georgia  
19 on April 13 for a plant tour. We hope that the time  
20 he spent there was productive and deepened his  
21 understanding of aluminum extrusions and how they're  
22 manufactured, marketed and sold.

23 The panel we have assembled for the  
24 conference this morning represents a broad cross-  
25 section of the domestic industry and all of the major

1 products and markets served by the industry. You  
2 should be able to get most of your questions answered  
3 here this morning. We certainly hope so. It may be  
4 necessary from time to time to refer to proprietary  
5 information to answer your questions, and, of course,  
6 if that's the case, we'll defer to our postconference  
7 brief. There may be some questions that you ask where  
8 we need to check our facts and do a little bit of  
9 research, but we'll try to answer your questions as  
10 completely and accurately as we can this morning.

11 Before I introduce our first industry  
12 witness I would like briefly to discuss the domestic  
13 like product definition in the investigation. To the  
14 best of our knowledge, this is the first time that the  
15 Commission has investigated aluminum extrusions, and  
16 we appreciate that you may have some like product  
17 questions. We think the domestic like product issues  
18 are actually very straightforward. The scope of the  
19 investigation covers only soft alloy aluminum  
20 extrusions, extrusions made from 1,000, 3,000 and  
21 6,000 series aluminum alloy. There are some slight  
22 differences in physical characteristics between these  
23 alloys. All, however, are considered soft alloys.

24 They import similar performance  
25 characteristics in terms of malleability and

1 workability. 6,000 series alloys are by far the most  
2 widely used soft alloys for aluminum extrusions.  
3 2,000, 5,000 and 7,000 series alloys import  
4 significantly different performance characteristics  
5 and are generally referred to as hard alloys. Hard  
6 alloys are not included in this investigation, they  
7 are excluded. We think there is a very bright line  
8 between hard alloys and soft alloys. Subject aluminum  
9 extrusions are, by their nature, highly differentiated  
10 products in terms of alloys, shapes, sizes, finishes  
11 and fabrication.

12 We think that there is a continuum, however,  
13 of soft alloy aluminum extrusion products that are of  
14 different shapes, different types of coating and  
15 finishing and different types of fabrication. When  
16 there is a broad continuum containing different forms  
17 of the same product, the Commission has generally  
18 found one like product. Regarding channels of  
19 distribution, all types of soft alloy aluminum  
20 extrusions are sold both directly to end users and  
21 through distributors. Soft alloy extrusions also have  
22 common producer and consumer perceptions in that they  
23 are relatively easy to work or machine, which in turn  
24 enables the formation of a wide range of shapes and  
25 forms.

1           Soft alloy extrusions are produced in common  
2 manufacturing facilities by the same employees using  
3 the same machinery and the same processes. Production  
4 can be shifted between different shapes merely by  
5 changing the dyes in the extrusion process. Hard  
6 alloy extrusions are produced in different plants in  
7 the United States and in the world, indeed, and  
8 generally cannot be produced on the same presses used  
9 to produce soft alloy extrusions. Finally, the prices  
10 of soft alloy extrusions are based on finish and level  
11 of fabrication. The range of prices is similar within  
12 1,000, 3,000 and 6,000 series extrusions. Thus, our  
13 position is that the domestic like product in this  
14 investigation should be coextensive with the scope of  
15 the investigation.

16           Soft alloy extrusions are a separate like  
17 product and a separate industry and no basis exists to  
18 define the like product more narrowly. There are no  
19 bright lines within the soft alloy category. With  
20 that, I would like to introduce our first industry  
21 witness, Duncan Crowdis, to my left, the President of  
22 Bonnell Aluminum and the Chairman of the Committee.  
23 Mr. Crowdis?

24           MR. CROWDIS: Good morning, Ms. DeFilippo,  
25 and Commission staff. My name is Duncan Crowdis. I'm

1 the President of Bonnell Aluminum which is a  
2 manufacturer of soft alloy aluminum extrusions.  
3 Bonnell is a division of Tredegar Corporation which is  
4 a publicly traded company out of Richmond, Virginia.  
5 I'm also the Vice President of the Tredegar  
6 Corporation. Bonnell headquarters is in Newnan,  
7 Georgia, which is just southwest of Atlanta. Bonnell  
8 was founded in about 1953. It was spun off from a  
9 predecessor, along with several other portfolio  
10 companies, to create Tredegar in 1989.

11 I joined the company in 1998 and have been  
12 President of the Aluminum Division since 2005. Our  
13 company has three production facilities, one in  
14 Kentland, Indiana; Carthage, Tennessee; and we have a  
15 facility, as well as our headquarters, in Newnan,  
16 Georgia. In these three plants we've got 13 extrusion  
17 presses, five in each of Newnan and Carthage in the  
18 Tennessee facility, and three in Kentland, Indiana.  
19 Unfortunately, we are currently operating only about  
20 half of these presses as we speak. In December 2006,  
21 we had over 1,300 employees. Now we're running just  
22 north of 800 employees. I'm here today because  
23 Bonnell has been severely injured by dumped and  
24 subsidized imports from China.

25 We have lost significant sales and revenues

1 due to unfairly traded imports, and we are  
2 particularly concerned about where this is going in  
3 the future, that we have more to lose as we move  
4 forward. We have outstanding production facilities  
5 and dedicated employees, and we manufacture what we  
6 believe are state of the art, world-class products.  
7 In our view, a strong view, is that we can compete  
8 with anyone, anywhere, at any time, as long as it's a  
9 fair playing field. Quite frankly, that's all we ask,  
10 that duties be imposed so the imports from China are  
11 simply fairly traded. Bonnell manufactures a wide  
12 variety of aluminum extrusions in all three of our  
13 facilities.

14 While we do focus on the building and  
15 construction industry, residential as well, and, more  
16 particularly, in the nonresidential market sectors, we  
17 also have significant business and customers in  
18 automotive, electrical and consumer durables end uses,  
19 so we certainly play the gamut of markets. As a  
20 leader in the building and construction market, we  
21 have experienced what we would call the double whammy  
22 both from the significant decline in demand for our  
23 products due to the collapse of the residential and  
24 the commercial market sectors, as well as the  
25 significant surge in unfair imports underbidding us

1 for the fewer and fewer opportunities that come to  
2 bear in this kind of market conditions for us.

3 It is frustrating enough to be faced with  
4 the contracting market declining demand for our  
5 products, but at the same time having to compete  
6 against an increasing supply of products that are  
7 dumped and subsidized that puts us in an untenable  
8 position. We certainly appreciate the time that Mr.  
9 Duncan was able to spend with us last week in Newnan.  
10 It was a very short timeframe, and we appreciate him  
11 being able to arrange his schedule to be able to come  
12 to Newnan. Unfortunately, he saw a plant running at  
13 half capacity which quite frankly mirrors the capacity  
14 utilization across our entire company as we speak.

15 In Newnan, we are down from -- what we would  
16 normally run is three shifts a day, seven days a week.  
17 We're currently running two shifts five days a week,  
18 at times three days, if that's where the need is,  
19 while we're only running three out of the five of our  
20 presses that I mentioned, and, as I say, at times, a  
21 shortened work week. Mr. Duncan also may have noticed  
22 that in wandering through our headquarters a number of  
23 darkened offices reflecting the fact that we have been  
24 forced to let go of about 30 percent of our  
25 administrative sales staff over the last several

1 years. We certainly hope that he was able to see and  
2 understand some of the basic facts of aluminum  
3 production. I know that was the primary purpose of  
4 the visit.

5 At Bonnell, the process begins with casting  
6 aluminum logs which are then subsequently cut into  
7 billets which are the raw material, or the feed stock,  
8 that goes into the extrusion process. Not all  
9 producers have cast houses. Many will purchase their  
10 billet needs from aluminum producers around the  
11 country. Billets are produced to a very specific  
12 alloy needed by the customer that's made by mixing  
13 together aluminum ingot, scrap and alloying elements,  
14 such as iron, silicon magnesium and manganese. So we  
15 make that recipe, and then that goes into the billet.  
16 The extrusion process begins with a metal die, as  
17 Steve indicated, that is placed into the extrusion  
18 press. The aperture of the hole of the die actually  
19 matches the profile or the shape that's required by  
20 the customer.

21 We have stories of dies in each one of our  
22 plants that number in the thousands so there's  
23 virtually an infinite number of shapes that can be  
24 produced from extrusions. All soft alloy extrusions,  
25 no matter what shape are all made in the same way,

1       though: on the same machinery, using the same  
2       material, by the same people. Billets are heated to  
3       soften the metal and then the extrusion press forces  
4       that metal, that billet, through the aperture or the  
5       opening of the die. The process, quite frankly, is  
6       very similar to squeezing toothpaste out of a tube  
7       under pressure and heat, or, for those that have  
8       children, a Play Doh machine where you put the little  
9       star in there and squeeze it and this long star-shaped  
10      thing comes out. That's exactly what we do. Little  
11      more technology, a little bigger, a little harder, but  
12      that's what we do.

13                 The profiles are produced to very exact  
14      specifications and very close tolerances, unlike the  
15      Play Doh. After the profile has been extruded, it can  
16      then further be fabricated. It can be cut to length,  
17      machine drilled, punched, notched, bent or assembled  
18      into a semifabricated product. Profiles can then be  
19      painted, anodized, brushed, polished, or it can be  
20      shipped in its sort of natural form, what we call in  
21      the industry mill finish. You'll see that term, and  
22      that's what we refer to as an unfinished aluminum  
23      extrusion. The same types of finish operations are  
24      performed with the same equipment on all the various  
25      sizes and shapes of extrusions.

1           Although we focus on custom shapes in our  
2 business for specific customers, we also produce  
3 standard shapes. These are the rod angle burn tubes.  
4 In addition, while metal distributors once dealt, the  
5 distribution business, the metal service centers, once  
6 dealt in only standard shapes, they are now currently  
7 providing much more design assistance and services to  
8 customers and selling customers custom shapes.  
9 Therefore, custom and standard shapes are now sold  
10 through a variety of different distribution channels  
11 the size of the extrusion that you can make. To  
12 enable Bonnell, our company, to manufacture the larger  
13 extrusion sizes and provide more design flexibility  
14 and freedom for the commercial architect, which is a  
15 big focus of our business, in 2007, we obtained  
16 approval from our board of directors for a significant  
17 capital project to install a large 5,500 ton extrusion  
18 press capable of producing 16 inch wide shapes and a  
19 new 72,000 square foot building in our Tennessee  
20 facility.

21           That project was completed last year on  
22 time, on target, and was commissioned in December  
23 2009. We made that decision to purchase that press in  
24 2007. That was before the surge in imports of dumped  
25 and subsidized extrusions from China. During the

1 construction of this project, the economy declined,  
2 without question, but we remained confident all along  
3 in the wisdom of that investment because, quite  
4 frankly, we were building for the future. We were  
5 positioning ourselves to grow when the recovery  
6 occurred, and we knew that it was going to occur. Now  
7 that imports from China have penetrated the U.S.  
8 market to such a significant degree, we're obviously  
9 very concerned about the wisdom of that investment and  
10 the impact of that investment.

11 Under fair market conditions we would be  
12 confident that this new press would provide us with  
13 the differential advantage that we were looking for,  
14 and therefore be an outstanding investment and allow  
15 Bonnell to be successful and profitable into the  
16 future. Without duties on dumped or subsidized  
17 imports, however, now we're very concerned that it  
18 will jeopardize our ability to get the kind of return  
19 on that investment. It was significant. It was a \$26  
20 million investment for a company that's medium-sized.  
21 One final note. Bonnell operated several soft alloy  
22 aluminum extrusion facilities in Quebec and Ontario in  
23 Canada which we sold in the early part of 2008. As  
24 you know, Canada imposed antidumping and subsidy  
25 orders on imports from aluminum extrusions from China

1 in March of 2009.

2 Before we sold the Canadian operations, we  
3 were very involved in that case. It's striking to us  
4 now as I look back at how the imports in China have  
5 penetrated the U.S. market and are currently now  
6 injuring the U.S. industry just as I saw it happening  
7 two years ago in Canada. On behalf of Bonnell, I  
8 respectfully urge the Commission to make an  
9 affirmative preliminary determination and allow the  
10 Department of Commerce to move forward with the  
11 investigation on the extent of the dumping and  
12 subsidies in this market which we believe are very  
13 significant. Thank you for your time, and I look  
14 forward to answering any questions you may have after.

15 MR. JONES: Thank you, Mr. Crowdis. our  
16 next witness is Jeff Henderson from Sapa Extrusions.

17 MR. HENDERSON: Good morning. My name is  
18 Jeff Henderson, I am Director of Marketing for Sapa  
19 Extrusions, Incorporated. Sapa Extrusions is a U.S.  
20 company and a subsidiary of Sapa AB, a Swedish  
21 company. Sapa AB in turn is owned by Orkla ASA, a  
22 Norwegian company that is listed on the Oslo Stock  
23 Exchange. In addition to aluminum products, Orkla has  
24 operations in branded consumer goods, renewable energy  
25 and financial investments. Sapa has been part of the

1 Orkla family of companies since 2005. I've been with  
2 Sapa for three years. Before my current position, I  
3 was employed as the General Manager of Sapa's Delhi,  
4 Louisiana facility.

5 In all, I've been working in sales and  
6 marketing in the aluminum extrusion industry for 17  
7 years. Sapa is the largest aluminum extrusion  
8 manufacturer in the world, as well as the largest in  
9 the United States. We have aluminum extrusion  
10 operations in 26 countries. In the U.S., we currently  
11 operate 12 manufacturing facilities in nine states,  
12 employing approximately 2,800 people. We are a global  
13 company and believe strongly in the benefits of free  
14 trade, but trade must be fair. We cannot stand by and  
15 allow unfairly traded imports to capture our market  
16 share, idle our plants and force layoffs of our  
17 employees.

18 Over the past two years, Sapa has invested  
19 heavily in the United States to grow our capabilities.  
20 However, these investments are now jeopardized by the  
21 displacement of our production and market share by  
22 low-priced imports from China. Since 2007, Sapa's  
23 investments in the United States, including the  
24 acquisition of extrusion businesses of both Alcoa and  
25 Indalex, have resulted in the addition of 13

1 production facilities and 48 extrusion presses,  
2 representing approximately 1.2 billion pounds of  
3 additional capacity. After our restructuring  
4 activities, we currently have the capacity that is  
5 reported in our producers' questionnaire. These  
6 investments represent significant and important steps  
7 for Sapa.

8           They strengthen Sapa's geographic coverage  
9 in the United States, improve Sapa's logistic  
10 efficiencies and broaden Sapa's product range and  
11 value added services due to improved painting,  
12 anodizing and fabrication capabilities. These  
13 investments made economic sense for Sapa in a fair  
14 market environment; however, the viability of these  
15 investments is now threatened by imports from China.  
16 Sapa's product offering reaches into almost every end  
17 use area, including building and construction,  
18 transportation, various engineered products and  
19 standard shapes, such as rod and bar. While Sapa  
20 holds a strong position in the United States, we  
21 remain very vulnerable to injury from dumped and  
22 subsidized imports from China because many of the  
23 plants we own and products we make compete head to  
24 head with imports from China.

25           Sapa is very concerned about the increase in

1 Chinese imports since 2007, but especially during the  
2 calendar year 2009 to the present day. Imports during  
3 this period have displaced domestic sales and unfairly  
4 depressed prices in the United States. In addition,  
5 Sapa is also concerned about the adverse effects of  
6 growing Chinese imports evident even in 2007 and 2008.  
7 The entire time period of 2007 through 2009 has been  
8 one of the general downturns in overall demand. The  
9 significant rise in Chinese imports during a time when  
10 demand has been down increases our vulnerability.  
11 Sapa rationalized capacity during the 2007 through  
12 2009 period, yet our capacity utilization has also  
13 continued to decline markedly throughout the period.

14 The recession clearly is not to blame for  
15 the entire drop in our volume. Even in this down  
16 market, imports from China have been able to increase  
17 their market share in the United States by taking  
18 sales volume away from our company and other  
19 producers. We have analyzed this situation as  
20 thoroughly as we can and the data strongly suggests  
21 that dumping and government subsidies have enabled  
22 imports from China to further penetrate the United  
23 States. There is no comparative advantage to produce  
24 aluminum extrusions in China. The products imported  
25 from China and the products we and other U.S.

1 producers make are comparable in terms of quality and  
2 product availability and could beat head to head.

3           Accordingly, the most important factor in  
4 the customer's mind is usually price. Imports from  
5 China have been able to increase their U.S. market  
6 share through aggressive pricing, and this has been  
7 particularly injurious as the market has contracted  
8 during the recession. We have lost significant  
9 business to imports from China. For example, our  
10 Magnolia, Arkansas extrusion manufacturing operations  
11 were idled because the end uses that it served,  
12 primarily bath enclosures and shower doors, were  
13 overwhelmed by low-priced imports from China.  
14 Similarly, our Delhi, Louisiana plant is under  
15 pressure due to imports of anodized aluminum  
16 extrusions from China.

17           We have already lost significant business at  
18 the Delhi plant and feel that additional losses are  
19 threatened. All of our plants and products are  
20 exposed to potential injury from unfairly traded  
21 imports. The recent investment and growth  
22 demonstrates Sapa's long-term commitment to the U.S.  
23 market, but we cannot be sure of a satisfactory return  
24 on our investments unless the playing field in the  
25 United States is level and fair. We therefore urge

1 the Commission to make an affirmative determination  
2 and continue this case. Thank you.

3 MR. JONES: Thank you, Mr. Henderson. Our  
4 next industry witness is Sue Johnson from Futura  
5 Industries.

6 MS. JOHNSON: Good morning. My name is  
7 Susan D. Johnson, and I'm the President and CEO of  
8 Futura Industries Corporation, a producer of soft  
9 alloy aluminum extrusions in Clearfield, Utah. We're  
10 located in the greater Salt Lake City area. Futura  
11 Industries has been in business 65 years. I've been  
12 the President of this company for 15 years. I'm a  
13 mechanical engineer by education. Prior to Futura  
14 Industries, I was President of a wholly owned  
15 subsidiary of Mack Trucks. Futura Industries is a  
16 smaller producer than the other companies represented  
17 at this panel. I'm here to represent the smaller  
18 extruders because most aluminum extrusion producers in  
19 this country are smaller, single plant operations.

20 Given the custom nature of the production  
21 and the wide range of end products and markets,  
22 smaller producers compete very effectively in this  
23 industry. Smaller producers often focus on particular  
24 types of products or specific markets or regions. The  
25 aluminum extrusion industry is what I consider a basic

1 infrastructure industry and is important to our  
2 country. At its high water mark this industry sold  
3 roughly 4.2 billion pounds of aluminum extrusions in  
4 North America for every use in every kind of product,  
5 building and transportation type imaginable and  
6 employed thousands of people. The products our  
7 industries make are necessary for all aspects of our  
8 lives and in fact is so fundamental that most of us  
9 don't even realize that they're there.

10           What I'd like to talk about today is that  
11 although this industry is large, it's very diverse.  
12 The smaller extruders, such as Futura Industries, tend  
13 to focus and serve smaller high expectation customers  
14 and highly fabricated products. We serve roughly 600  
15 customers with every kind and type of product you can  
16 think of. Originally, the Chinese focused on high  
17 volume products and customers. Today, there is almost  
18 no part of the aluminum extrusion market where they  
19 don't focus. My company specializes in highly  
20 fabricated complex parts, as I said, in a variety of  
21 markets. In our products there's typically a special  
22 need and demand on the part of the customer. Despite  
23 this, we have run into the Chinese extruders in highly  
24 fabricated, highly value added accounts.

25           This has been happening for several years,

1 but has been increasing in frequency in the last year.  
2 The hallmark of every one of these incidents is the  
3 ridiculously low price presented to the customer by  
4 the Chinese extruder. Futura Industries, we  
5 participate in a broad of array of markets and we sell  
6 products internationally. One of the traditional  
7 markets we serve has been the bath and shower  
8 enclosure business. This was one of the first markets  
9 targeted by the Chinese suppliers, as just mentioned.  
10 This market has been now deeply penetrated by Chinese  
11 suppliers. We've lost sales and revenues for bath and  
12 shower enclosure extrusion for customers whose  
13 facilities are located on the west coast, close to us.

14 Another target of Chinese suppliers is the  
15 solar panel industry. Unlike certain other end  
16 markets where demand has declined since 2006, demand  
17 has soared for solar panels. We have been competing  
18 against the Chinese suppliers in this growth market  
19 for a number of years now, but this competition has  
20 intensified significantly since 2008. We have  
21 provided the Commission with lost sales and revenues  
22 in the solar market starting in 2007 and continuing in  
23 2010. In highlighting these two specific markets, let  
24 me emphasize that at Futura Industries the China price  
25 is held over our head in every price negotiation. No

1 account is insulated from this competition, even for  
2 highly engineered, custom fabricated extrusions.

3           The fact is that Chinese suppliers can do  
4 the same type and range of fabrication that we do. No  
5 type of value added work is insulated from  
6 competition. How have we responded to this low-priced  
7 competition from China? Well, part of our strategy  
8 has been to focus on automated work stations for our  
9 fabricated products. We've literally taken almost as  
10 much labor out of the fabrication part of our product  
11 as possible. For example, several years ago we  
12 reduced our price to put the large volume customer in  
13 the face of the Chinese price even though we would  
14 initially realize negative margins on the product.  
15 Streamlining our work stations achieved sufficient  
16 savings and enabled us to increase our returns for the  
17 time being.

18           Let me assure you, however, that our  
19 concerted efforts to increase efficiencies have not  
20 allowed us to keep a significant portion of the  
21 business where we are faced with Chinese import  
22 competition. This company is quickly running out of  
23 options for cost and production efficiencies. We have  
24 already provided the Commission with one more example  
25 of potentially zero sales in 2010 from a long time

1 customer that is planning to shift its business to  
2 imports from China.

3 Please keep in mind that many U.S. producers  
4 operate on the scale that Futura Industries does.  
5 We're a small part of a big industry, but we are a  
6 significant local employer with 275 to 300 employees,  
7 and we are a great corporate citizen, reinvesting  
8 continually in the long-term viability of our  
9 business, as well as in the well-being of our  
10 employees. On behalf of the many U.S. producers and  
11 communities like Futura Industries across the United  
12 States, we ask the ITC to act now to enforce the trade  
13 laws and keep us viable employers into the future.  
14 Thank you.

15 MR. JONES: Thank you, Ms. Johnson. Our  
16 next industry witness is Mr. Lynn Brown from Hydro  
17 Aluminum.

18 MR. BROWN: Good morning members of the  
19 Commission staff. My name is Lynn Brown, and I'm  
20 Senior Vice President for Sales and Marketing at Hydro  
21 Aluminum North America. Our parent company, Norsk  
22 Hydro, is a major global producer of aluminum with  
23 operations in Europe, the Middle East, Asia and the  
24 Americas. Hydro Aluminum North America, which I'll  
25 refer to as Hydro, is a major U.S. producer of soft

1 alloy aluminum extrusions. We had seven extrusion  
2 plants operational during the period of this  
3 investigation. In addition to producing soft alloy  
4 extrusions, we cast and sell aluminum billets. I'd  
5 like to walk you through the typical way in which  
6 aluminum extrusions are priced and marketed.

7           The starting point for all pricing is the  
8 cost of aluminum, which, as you know, is a globally  
9 traded commodity. In those markets with which I'm  
10 familiar, North America, South America and Europe,  
11 aluminum billet is priced according to the London  
12 Metal Exchanger, LME. That LME price on any given day  
13 is publicly reported and known throughout the  
14 industry. For example, yesterday's LME price for  
15 aluminum ingot was just over \$1.08 per pound, up from  
16 the day before. On top of that, you have to pay  
17 delivery and handling on that metal. This additional  
18 cost, at least in the U.S., is referred to as the  
19 midwest premium.

20           That's reported by industry sources,  
21 including Platts. Yesterdays, midwest premium was 6.2  
22 cents per pound, giving a total midwest transaction  
23 price for aluminum in the U.S. of just over \$1.14 per  
24 pound. Keep in mind that you can't extrude that.  
25 There is an additional process to cast that ingot into

1 aluminum billet or aluminum log to create the feed  
2 stock for our extrusion presses. Depending on the  
3 alloy, the cost of doing that is anywhere from eight  
4 to 10 cents a pound. So the total cost we're looking  
5 at before we do the first manufacturing operation is  
6 someplace in the \$1.24 per pound range yesterday.  
7 There is very little opportunity to negotiate or  
8 affect any of those metal costs.

9           For most finished aluminum extrusions, that  
10 cost, that aluminum billet cost, accounts for the  
11 majority of our total cost. It would not be unusual  
12 to see that billet cost representing over 70 percent  
13 of our total cost of manufacture. Once you get into  
14 fabrication, the cost of conversion can exceed the  
15 cost of metal depending on complexity, but much of the  
16 business is transacted in that area where billet is a  
17 substantial element. Each producer has different  
18 incremental costs for extrusion, finishing and  
19 fabrication.

20           Faced with the level of Chinese pricing, you  
21 end up with extremely little room to negotiate on  
22 price. At Hydro, we try to emphasize our supply chain  
23 efficiencies and our extensive value added services.  
24 Most of the continental U.S. is within a day's drive  
25 from one of our facilities. Nevertheless, even with

1 significant geographic advantage over imports from  
2 China, we have faced significant pricing pressure and  
3 that pressure is increasing. Hydro participates in a  
4 wide variety of market segments, including solar  
5 energy, transportation, electrical, consumer goods,  
6 industrial, building and construction. We have lost  
7 sales or revenues to Chinese imports in every one of  
8 these markets. Sampling of the accounts where we  
9 encountered Chinese competition would include storm  
10 doors, exercise equipment, mounting frames for solar  
11 energy, windows and doors electrical conduit, drawn  
12 tubing, fencing, the list goes on.

13 Aluminum extrusions as a whole can  
14 constitute a fairly significant cost component for  
15 many of those end products. A manufacturer of windows  
16 or storm doors or fencing can expect aluminum to be  
17 their largest material input. Extrusion aluminum is  
18 also a major input material for tractor trailers,  
19 recreational vehicles, exercise equipment, other types  
20 of machinery.

21 This contributes to price being a leading  
22 criteria in purchasing decisions. In fact, bids are  
23 most often lost or won based on pennies, and we're  
24 talking pennies per pound. To illustrate, within the  
25 last year we had Hydro put together a very competitive

1 bid for a large volume of extrusions for a fencing  
2 supplier. The prospective customer was within three  
3 hours of one of our plants. The Chinese underbid us  
4 by 25 percent, and we lost over \$10 million in sales.

5 In another situation quoting out large  
6 volumes of thresholds, we lost over \$5 million in  
7 sales to Chinese extrusion priced less than 7 percent  
8 under our prices. That shows how critical the pricing  
9 factor is, but it's not just large volume purchasers  
10 that are buying on price. We were shut out of quoting  
11 on a small volume of marine parts because the producer  
12 was buying from China. We also lost out to Chinese  
13 imports on parts for office furniture, hunting  
14 equipment and fire suppression products. There is  
15 simply no market that we see is safe from the Chinese  
16 price competition.

17 I started off by mentioning our seven  
18 extrusion facilities. We have already closed one of  
19 these plants in Ellenville, New York, with  
20 approximately 150 jobs lost. In addition, extrusion  
21 process at three additional plants were idle during  
22 2009 with other reduction in employees, work shift and  
23 work weeks. As a publicly held company, it is  
24 increasingly difficult for us to justify capital to  
25 upgrade our capabilities at existing rates of return.

1           This industry is facing a potential downward  
2           spiral in which we can't afford to invest thereby  
3           losing competitiveness which leads to yet further  
4           declines in production, sales, revenues and of course  
5           employment. The time to act is now. The Commission  
6           can stop the loss of yet another U.S. industry to  
7           unfair import competition with affirmative  
8           determinations in this investigation. I thank you for  
9           your time.

10           MR. JONES: Thank you, Mr. Brown. Our next  
11           witness is Linda Andros, who is legislative counsel  
12           with United Steelworkers Union. It's a longer name  
13           than that now, but I'm not going to read the whole  
14           thing out. We'll just refer to Linda as union to the  
15           steelworkers, and, Linda, on behalf of the committee,  
16           thank you for being here today.

17           MS. ANDROS: Thank you very much, Mr. Jones.  
18           Ms. DeFilippo, good morning. Good morning everyone.  
19           I thank you for the opportunity to appear here today  
20           before you. My name is Linda Andros, and I am the  
21           legislative counsel for the United Steel, Paper and  
22           Forestry, Rubber Manufacturing, Energy, Allied  
23           Industrial and Service Workers International Union or  
24           the United Steelworkers, and I'm very proud to say  
25           that because the USW is the largest industrial union

1 in North America, and we represent workers across a  
2 broad swath of the nation's manufacturing base,  
3 including the U.S. aluminum industry.

4 As you all well know, the USW has been on  
5 the front lines battling against unfair import  
6 competitions for a very long time, and our members  
7 have suffered serious harm as a result of unfair  
8 trading practices of foreign competitors and  
9 countries. In particular, since China joined the WTO  
10 in 2001, what we see as the extent of unfair import  
11 competition coming from that country on an order of  
12 magnitude that we've never seen before, it's really  
13 daunting, but we keep fighting, and that's why I'm  
14 here today.

15 In aluminum, we represent workers involved  
16 in various facets of production, including mining,  
17 primary production of aluminum, secondary smelting,  
18 refining and roling, extruding die casting of aluminum  
19 products, so we're in all aspects of it. In 2009 in  
20 particular, we represented approximately 1,945 workers  
21 in the soft alloy aluminum extrusions industry, which  
22 is the subject of these investigations.

23 The USW members at that time were working in  
24 14 soft alloy aluminum extrusion facilities across the  
25 country in places like Aerolite Extrusions, which is

1 in Youngstown, Ohio, Bonnell Company in both Kentland,  
2 Indiana, and Newnan, Georgia, Hydro Extrusions in  
3 Kalamazoo, Michigan, Kaiser Aluminum in Bellwood,  
4 Virginia, Sapa Industrial Extrusions in Cressona,  
5 Pennsylvania, and Taber Extrusions in Gulfport,  
6 Mississippi.

7           The USW brings this case with the domestic  
8 industry because over the past three years, increased  
9 imports of aluminum extrusions from China have, as  
10 referred to here today, put tremendous pressure on our  
11 producers. Increasing imports and very depressed  
12 prices have resulted in a host of plant closures.  
13 Again, as you've heard here today, idling of presses,  
14 employee layoffs, shorter work weeks, reduction in  
15 number of shifts for U.S. producers and workers  
16 generally.

17           In 2010, USW local union officials report  
18 that there had been layoffs at Aerolite Extrusion  
19 Company in Youngstown, Ohio, General Extrusions in  
20 Youngstown, Ohio, Hydro Extrusions in Kalamazoo,  
21 Michigan, and Bonnell company both in Kentland,  
22 Indiana, and Newnan, Georgia. As these petitions  
23 show, imports from China increased 138 percent in the  
24 year between 2008 and 2009.

25           Just stop to reflect on that magnitude of

1 increase while imports from other countries were  
2 actually falling during that time because it was a  
3 period of economic contraction, but increased imports  
4 from China actually when they came in in a period of  
5 such decreased demand were able to gain a significant  
6 fear of U.S. domestic consumption, so it's a view of  
7 the United Steelworkers that these gains in the market  
8 share by China were facilitated by unfair trade  
9 practices.

10 They clearly have closed-home markets, a  
11 severely undervalued currency, which is an issue in  
12 this case because we allege it's an export subsidy,  
13 and it allows Chinese aluminum producers to dump in  
14 the U.S. market. They're kind of doing duty petition  
15 before you also documents the wide variety of  
16 government subsidies that benefit Chinese aluminum  
17 extrusion producers ranging from subsidized lending to  
18 tax programs, preferential procurement programs, debt  
19 forgiveness.

20 We think the United States has a highly  
21 talented and dedicated work force producing aluminum  
22 products, and the USW I can say is proud and very  
23 privileged to represent approximately 2,000 workers in  
24 this vital industry. Certainly, the work force  
25 reductions that the industry and the workers have been

1 experiencing over these past three years and  
2 continuing into 2010 have been and always will be  
3 devastating to those workers and their families and of  
4 course the community in general.

5 We trust that the Commission, after you've  
6 had the time to review the substantially negative  
7 impact Chinese imports have had on our jobs in the  
8 industry, you'll render an affirmative finding in this  
9 preliminary determination so Congress can proceed with  
10 its investigation. Thank you very much.

11 MR. JONES: Thank you again, Ms. Andros.  
12 Last but not least from King & Spaulding, Rebecca  
13 Woodings.

14 MS. WOODINGS: Good morning, Ms. DeFilippo  
15 and Mr. McClure, and other members of the Commission  
16 staff. My name is Rebecca Woodings. I'm a consultant  
17 with King & Spaulding. It's always a pleasure to  
18 return to the ITC, and Today I'm honored to be here on  
19 behalf of U.S. producers of aluminum extrusions and  
20 their employees. I will review the statutory indicia  
21 for the Commission's causation and material injury  
22 determinations. I will also address threat and  
23 material injury.

24 I will discuss in aggregate U.S. industry  
25 data in very general terms. Obviously, you, the

1 Commission staff, are involved in aggregating all the  
2 Commission's questions and responses. The data we  
3 have aggregated represents about three-quarters of the  
4 U.S. industry, and review the transit representative  
5 of the industry as a whole.

6 I begin with several importation conditions  
7 of competition. First, quite obviously demand for  
8 aluminum extrusions has declined over the period 2007  
9 to 2009. In fact, this kind of started in 2006 with  
10 the slump in the housing market. The reason for  
11 declining demand is a net result of demand in various  
12 end-use markets. There are exceptions, including  
13 significant growth in the solar area, but in the  
14 aggregate, end-use markets are down.

15 Second, a discussed price is a critical  
16 purchase criterion. Mr. Mike Browand, the CEO of Peng  
17 Cheng Aluminum, an importer of the subject  
18 merchandise, confirmed this in commenting in an  
19 industry publication that every U.S. buyer is looking  
20 for a price advantage, everyone. That's what he said,  
21 and Lynn Brown with Hydro has just testified that most  
22 bids are won or lost on the basis of pennies per  
23 pound.

24 The third and final condition of competition  
25 that I will highlight is the high variable cost of

1 production in this industry. As Mr. Brown also  
2 described, metal cost is generally not negotiable.  
3 U.S. producers' pricing flexibility is limited to  
4 conversion cost, and that's most frequently a minority  
5 of total cost. Your producers' questionnaires will  
6 show that aluminum steel stock costs accounted for 50  
7 to 60 percent of net sales values. That's a very high  
8 cost associated with a single-material input.  
9 Obviously, there are other variable costs in this  
10 industry.

11 In industries with high variable costs, the  
12 Commission generally can expect relatively larger  
13 volume effects associated with low-price imports and  
14 relatively smaller price effects. Before we look at  
15 the industry data however, I will address the volume  
16 and price effects. The statute directs the Commission  
17 to determine whether or not the volume of imports  
18 subject to investigation is significant. As you know,  
19 this determination can be made on several different  
20 bases. I would submit that the volume of imports in  
21 this case satisfies the criteria on every basis.

22 Petitioners have quantified inputs of soft  
23 alloy aluminum extrusions using eight HTS numbers that  
24 we believe account for most of these imports.  
25 Official import statistics show unquestionably a 130

1 percent increase in imports from China in 2009, and  
2 that's against the backdrop of declining demand so  
3 that we conclude the Chinese market share almost  
4 tripled last year.

5 As you have noted, the subject imports  
6 likely also enter under several other import  
7 categories so that actual market share of the subject  
8 imports is higher than as set forth in the petition.  
9 Indeed, Mr. Johnson just alluded to an article that  
10 was published by a source affiliated with the Chinese  
11 government, and that source estimates that the Chinese  
12 share is between 20 and 25 percent of the U.S. market.  
13 In any event, the volume of subject imports is  
14 significant both absolutely and relative to  
15 consumption and production. Increases in subject  
16 import volume and ratios are also clearly significant.

17 The statute also addresses the Commission to  
18 determine whether there is significant underselling by  
19 the subject imports. The Petitioners have documents  
20 underselling ranging quite often from 30 to 50 percent  
21 in connection with lost sales and revenues in the  
22 petition, but remember what Mr. Brown said.  
23 Underselling in the single digits can also cost  
24 millions in lost sales, or as Mr. Brown and from Peng  
25 Cheng Aluminum has stated, and I quote this, "In an

1 industry built on pennies, if you offer a price  
2 advantage, people are interested in talking to you."

3 Hence, we submit that abundant evidence  
4 exists to demonstrate significant underselling. As  
5 regards to the importers' pricing reported in the  
6 questionnaires, we will be addressing that in  
7 confidence in our post-conference brief. Adverse  
8 price effects are also shown through significant price  
9 depression or suppression. Again, as regards to the  
10 PO data reported by the importers, we'll address that  
11 in our brief.

12 I do offer the following thoughts, however:  
13 Our initial analysis indicates that prices for the  
14 like product declined overall during 2007 to 2009. In  
15 examining the question of significant price depression  
16 by reason of the subject imports, I note that the  
17 Commission already has numerous examples of where U.S.  
18 producers have been forced to reduced price in  
19 response to imported prices from China. I indicated  
20 that the nature of a high variable cost industry is  
21 such that you would expect significant volume affects  
22 as producers are unlikely to reduce prices below  
23 variable costs.

24 Indeed, the aggregated industry data reviews  
25 substantial decline in production and financial

1       indicia. We have identified, as Mr. Jones also  
2       alluded to, as many as 33 extrusion plants with 79  
3       presses that have been shut down since 2007, and there  
4       are an additional 52 presses that have been shut down  
5       in plants that continue to operate. Reported capacity  
6       to the ITC fell. Reported production fell even  
7       further on more than a third. Thus, capacity  
8       utilization slumps badly reaching close to 50 percent  
9       by 2009.

10               U.S. shipments were off by a third in  
11       volumes, but down almost 50 percent bi-annually. This  
12       clearly signals a declining unit value. Ms. Andros  
13       has testified that employees have been particularly  
14       hard hit in this industry. This is because U.S.  
15       producers aren't able to match Chinese import prices  
16       that sometimes been below their raw material costs  
17       have been forced to shut down plants and idle numerous  
18       other presses. Employment fell by approximately 40  
19       percent in the facilities we examined. Hours worked  
20       are also down slightly more than 30 percent and total  
21       wages down on the order of a quarter.

22               Consistently, shipping trends, net sales  
23       volumes were down by a third and net sales values also  
24       down by one-half. Gross operating and net results  
25       deteriorated over 2007 to 2009. Keep in mind that

1 2007 was a down year for residential construction,  
2 including important extrusion end markets for windows,  
3 doors and bath and shower enclosures. Yet, the  
4 industry still reported positive cash flow and  
5 positive operating returns. Two years later, in the  
6 face of surging Chinese imports, cash flow and  
7 operating results were both negative.

8           There's also a very telling story regarding  
9 capital expenditures. A substantial proportion of  
10 individual producers reported slashed in strength  
11 capital expenditures over the period examined. R&D  
12 expenditures were also down substantially. The  
13 Commission has report after report of producers  
14 pulling back on planned expansions or investments or  
15 curtailing capital expenditures.

16           We identified some of the bankruptcies in  
17 this industry in the petition and numerous other U.S.  
18 producers have experienced other financial  
19 difficulties including, for example, curtailed lines  
20 of credit. We would submit that the record clearly  
21 establishes a state of present material injury caused  
22 by significant Chinese import volumes and their  
23 associated adverse price effects. The case is equally  
24 strong regarding threat.

25           We start with a 138 percent increase in

1 import volume in the last calendar year. The search  
2 surge started specifically in May 2009, and it's  
3 directly correlated with two events last April both of  
4 which are also relevant to the question of threat.  
5 First, on April 1, 2009, Canada issued its affirmative  
6 determination of dumping subsidies and injury caused  
7 by imports of Chinese aluminum extrusions. Second,  
8 the government of China of reinstated a 13 percent  
9 rebate of value-added taxes or VAT on exports of  
10 aluminum extrusions from China. That also took effect  
11 on April 1, 2009.

12 As you know, Australia has also reached  
13 preliminary affirmative determinations regarding  
14 dumping subsidy and injury with regard to Chinese  
15 extrusion imports into Australia. Let me turn back a  
16 moment to the theme of the nature of the Chinese  
17 subsidies. You are likely aware that China's use of  
18 VAT rebates on exports, and this has been cited in  
19 numerous other investigations. That's a favorite tool  
20 of the Chinese government.

21 In addition, there are numerous counter-  
22 available subsidies available to the Chinese aluminum  
23 extrusion producers. We provide a summary in the  
24 petition. I would like to point out one program, the  
25 nonferrous metal industry restructuring and

1 revitalization plan. This program was instituted for  
2 the sole purpose of assisting Chinese manufacturers  
3 weather recent global, financial and economic crises,  
4 so that whereas U.S. producers have been negatively  
5 affected by declining demand going back to 2006,  
6 Chinese producers receive direct government assistance  
7 to tide them over.

8 Of course, decades of government support  
9 have also led to substantial increases in Chinese  
10 capacity for aluminum extrusions. China has become  
11 the world's largest producer of aluminum extrusion  
12 products. China produced 9.2 million metric tons of  
13 aluminum extrusions in 2008 and compared to only  
14 750,000 metric tons back in 2000. That would reveals  
15 a compound annual growth rate of 36.8 percent.  
16 China's total production capacity for aluminum  
17 extrusions reached 10.5 million metric tons in 2008.

18 Commensurate with its rise as a producer of  
19 aluminum extrusions, China has also become the world's  
20 largest net exporter of these products. Between 2001  
21 and 2007, China's exports of extrusions increased from  
22 approximately 70,000 metric tons to approximately  
23 700,000 metric tons. That's a compound annual growth  
24 rate of approximately 45 percent. We are reviewing  
25 the foreign questionnaire responses and will be

1 providing additional information in our brief.

2 I have already addressed the significant  
3 real underselling during 2007 to 2009. Adverse price  
4 effects will only intensify in 2010 and beyond. As  
5 the data show and our witnesses have described,  
6 Chinese imports are now present in every end-use  
7 market. The China price is raised in every price  
8 negotiation. We have also reviewed some of the  
9 evidence of curtailed capital expenditures and R&D.  
10 These raise a very real threat of future negative  
11 effects on development and production efforts.

12 Such expenditures are necessary not only to  
13 remain competitive in existing markets, but also to  
14 innovate and address new markets and new applications.  
15 The solar industry is one example, both the solar  
16 panels for residential and commercial buildings but  
17 also in the large array market. That's where U.S.  
18 energy companies are looking for more of our basic  
19 energy needs in this country in the future.

20 In another investigation involving a high-  
21 variable cost industry, the Commission stated as  
22 follows: "When the market clearing price drops below  
23 a firm's average variable cost, that firm will likely  
24 choose to cease operations." Here, you already have  
25 in 2009 and industry where many producers are

1 operating at a loss. An affirmative determination in  
2 this investigation is critical to keeping those  
3 companies and others in business. I'm happy to  
4 respond to any question you may have.

5 MR. JONES: Thank you, Rebecca, and thank  
6 you all for your attention. That concludes our  
7 presentation, and we'd be happy to answer your  
8 questions at this time. Thank you.

9 MS. DEFILIPPO: Thank you, Mr. Jones, and  
10 I'll turn to the staff in a minute for questions, but  
11 I did want to say thank you to all the industry  
12 representatives that are here. I know it takes you  
13 away from your business to come, but it's extremely  
14 helpful for us to hear from all of you and have the  
15 opportunity to ask questions, so I thank you. We will  
16 start questions this morning with our investigator,  
17 Mr. Duncan.

18 MR. DUNCAN: Welcome, everyone. I'd like to  
19 begin asking a couple of questions related to the  
20 domestic-like product. You discussed in your  
21 presentation this morning the issue of hard alloy  
22 versus soft alloy. Are hard alloy aluminum extrusions  
23 produced on the same production equipment as soft  
24 alloy aluminum extrusions?

25 MR. JONES: My understanding, Mr. Duncan, is

1 that they are not, but we have some industry folks  
2 here who can speak to that with more expertise than  
3 me. Mr. Henderson and Mr. Crowdis might be able to  
4 speak.

5 MS. JOHNSON: They could be, but they're  
6 typically not very effective way to do it.

7 MR. DUNCAN: Okay. Everyone's view of this?

8 MR. CROWDIS: Yes, they can be physically,  
9 but generally they're not. They're not compatible.

10 MR. DUNCAN: Of the universe of U.S.  
11 producers of the subject merchandise, the soft allow  
12 aluminum extrusions, do these firms, your firms and  
13 others in the industry also produce the hard alloy  
14 extrusions?

15 MS. DEFILIPPO: Mr. Johnson, you're nodding  
16 your head. If you could just --

17 MR. JONES: Yes. There are companies in the  
18 industry that produce those hard and soft alloys. One  
19 is Kaiser Aluminum, which unfortunately is not  
20 represented here today, is in our petition group  
21 however, but the hard allow extrusions are produced in  
22 separate facilities at Kaiser. Kaiser has dedicated  
23 facilities for hard alloy and dedicated facilities for  
24 soft alloy, so produce different plants, different  
25 machines, different people.

1           MR. CROWDIS: And that would be typical of  
2 others in the industry as well.

3           MR. DUNCAN: Thank you for that. When  
4 looking at information related to these products, the  
5 subject merchandise, the soft alloy extrusions, on the  
6 equipment that you use to produce these products,  
7 would you produce other products on this equipment, or  
8 is it exclusively the merchandise subject to these  
9 investigations?

10          MR. HENDERSON: It's exclusively the  
11 extrusions.

12          MR. BROWN: Likewise, I think we would  
13 produce nothing other than the subject extrusions on  
14 this equipment, and I think that's true throughout the  
15 industry.

16          MR. DUNCAN: Okay. So should I get a  
17 questionnaire response that indicates that there are  
18 other products extruded on these mills, I should query  
19 these firms as to what exactly they are reporting? Is  
20 that your understanding?

21          MR. CROWDIS: I would suggest.

22          MR. DUNCAN: Thank you. It helps because  
23 not knowing an industry like this, we develop these  
24 questionnaires, garbage in, garbage out. Unless you  
25 can actually clean up the data submitted, you can't

1     rely on it, so thank you for that information, that  
2     discussion. Within the subject merchandise, soft  
3     alloy aluminum extrusions, we were, as staff, shocked  
4     at the wide variety of products that appear to be  
5     produced on extrusion machines.

6             You already discussed in your testimony that  
7     you consider these to be part of one single domestic-  
8     like product, but do end users view that as a single  
9     product? For example, if you extrude a product that's  
10    for use in a construction structural application,  
11    would a construction non-structural application  
12    consider using that product?

13            MS. JOHNSON: I think you might think about  
14    the correlation to another industry. Fabric is used  
15    for clothing, it's used in cars, it's used in  
16    furniture, but it's all fabric, so aluminum extrusions  
17    are everywhere, and I don't necessarily think that  
18    equipment manufacturers see themselves highly aligned  
19    with quasi truck manufacturers, but they both use  
20    aluminum extrusions, soft alloy aluminum extrusions in  
21    their final product.

22            MR. DUNCAN: Thank you.

23            MR. CROWDIS: Another way to put that, Mr.  
24    Duncan, is that if someone was looking for an extruder  
25    to do something, and they understood that they were

1 doing a lot of building construction, they would think  
2 nothing about asking us about an automotive  
3 application as well because they see it as being all  
4 part of the same process. We may choose not to do  
5 that because that's not what a facility specializes  
6 in, but that's the way they would see it.

7 MR. JONES: Let me just also add, Mr.  
8 Duncan, that the interpretation of the end-user  
9 perception or the customer perception is going to be  
10 that narrow. As we said, there are an infinite number  
11 of potential extrusion shapes and so forth. If we  
12 think that the interpretation that cannot be so narrow  
13 such that the expectation for use of a specific shape  
14 is given prominence in like-product determination,  
15 else you would you have tens of thousands potentially  
16 of different like products, obviously a customer is  
17 going to have an expectation with respect to the shape  
18 that it purchases.

19 We think that the perception should be  
20 interpreted more along the lines of the way Mr.  
21 Crowdis has interpreted it, and that is that the  
22 customer knows that a supplier like Bonnell or any of  
23 these companies can produce a wide variety of shapes  
24 for a wide variety of specific uses, and that is the  
25 perception that we think is relevant for the analysis.

1           MR. DUNCAN: Thank you. That's very  
2 helpful. Other questions involve the scope of these  
3 investigations. You indicated that Commerce you  
4 believe is going to initiate its investigations and  
5 provide a final scope determination with that, but in  
6 the petition, in the language and the draft language  
7 that you've been working on with Commerce, you have  
8 included hits and partially assembled aluminum  
9 extrusions. Can you discuss the reasons for that?

10           MR. JONES: Sure. I'd be happy to. What we  
11 have done is we've included partially assembled  
12 products, but we've actually excluded completed kits,  
13 and by a kit, we mean a completed downstream product  
14 that contains an unassembled form all of the parts  
15 that are needed to assemble the product. For example,  
16 in a window, the window kit would contain the glass  
17 for the window, or a shower enclosure would include  
18 the glass for the shower.

19           We've excluded completed kits. We've  
20 included partially assembled kits or partially  
21 assembled downstream products, and the reason we have  
22 done that is we think that there are some imports  
23 coming in that are partially completed, but what we  
24 we're much more concerned about is the prospect of  
25 circumvention. If we were successful in the

1 investigation, without including in a very minor way a  
2 partially assembled product, it would be easy to  
3 circumvent the order, so we're very mindful of that.

4 We've tried, and we've discussed this with  
5 Commerce obviously, to come up with scope language  
6 that will result in, if we are successful in the  
7 investigation, an order that is actually effective,  
8 and I think that concern primarily has driven this. I  
9 should also say that as we continue in the  
10 investigation, we're going to be continuing to look at  
11 the scope.

12 We don't expect that the actual coverage of  
13 products is going to change at all, but there may be  
14 some things that we can do with the language to  
15 tighten this up. Obviously, that's got to be done  
16 earlier rather than later in an investigation. We  
17 realize that, but we're going to be looking at that  
18 really over the next few weeks to see if there are  
19 things that we can do to make the scope even tighter  
20 and harder to circumvent.

21 MR. DUNCAN: Thank you for that. Now  
22 turning to the group of soft alloys. The petition  
23 identified three of the series, the 1000, 3000, the  
24 6000 series as meeting the definition of soft alloys.  
25 Can you indicate what each of those series is briefly

1 and where the bulk of production is in these products?

2 MR. CROWDIS: The bulk of production,  
3 meaning the end uses that they would go into?

4 MR. DUNCAN: No, the shear poundage coming  
5 off your presses.

6 MR. CROWDIS: Well, 6000 series is, and I  
7 defer to the group, probably 85 percent?

8 VOICE: It's very, very high.

9 MR. CROWDIS: It's a very high part, and the  
10 other balance would be between the 3000 and the 1000  
11 series, which are largely a heat exchanger, thermal-  
12 and electrical-type applications.

13 MR. DUNCAN: And there's no real  
14 differentiation between the equipment used to produce  
15 the extrusions of the 1000 or 3000 series with the  
16 6000?

17 MR. HENDERSON: That's true.

18 MR. DUNCAN: Okay. Thank you. Within the  
19 6000 series, what sort of delineations are there? Are  
20 there any specific 6000 series that are predominant in  
21 the industry?

22 MR. CROWDIS: Yes. I don't know how many  
23 variations. There's probably many, but the common  
24 ones that are known in the industry are an alloy  
25 called 6063, which is an architectural-grade product

1 and 6060, similarly an architectural-grade alloy, and  
2 6061, which is a medium-strength to soft alloy but  
3 goes to the truck-, trailer-type industries that Lynn  
4 was stalking about.

5 MR. DUNCAN: Okay.

6 MR. CROWDIS: Those are probably the  
7 three --

8 MR. DUNCAN: Predominant ones? Okay. Is  
9 there a difference in terms of pricing within those  
10 specific series you've indicated, or are these  
11 products typically just priced per pound?

12 MR. BROWN: Typically, they're priced per  
13 pound. They're very much in the same range when they  
14 go to the end customer, something like 6061 might be a  
15 little bit more on the billet premium because the  
16 alloy in the casting process that the product goes  
17 through before it ever gets to the extruder, but it's  
18 within the same range.

19 MR. DUNCAN: The smaller? Thank you, and  
20 then in terms of U.S. producers being integrated  
21 backwards into the casting of billets, what share of  
22 U.S. producers do you estimate have that business  
23 model and what share purchase the billet for their  
24 production?

25 MR. CROWDIS: I don't have that, Mr. Duncan,

1 precisely obviously, but the decision to cast or  
2 purchase your own billet would be largely a function  
3 of six. In view of the slides of the operations that  
4 you saw in Newnan, Georgia, it's worthwhile to case  
5 our own billet, so as Ms. Johnson indicated, most of  
6 the extruders in North America are small, one-plant  
7 operations. None of those I would suggest would have  
8 cast houses.

9 MR. DUNCAN: Okay. So it would be the  
10 larger producers?

11 MR. CROWDIS: It would be the larger  
12 producers, several that are represented on this panel  
13 and a view others, but it would be certainly a  
14 minority.

15 MR. DUNCAN: In your discussion earlier,  
16 there was talk of construction a price of per pound  
17 based on element prices. In that discussion, I  
18 believe it was, Mr. Brown, you had indicated that  
19 there was roughly a 10 cents premium on whether you  
20 have integrated backwards into the casting. Is that  
21 about right on the per pound basis?

22 MR. BROWN: That eight- to 10-cent premium  
23 would be called the billet premium.

24 MR. DUNCAN: Yes.

25 MR. BROWN: And if you are purchasing your

1 billet from a third-party supplier, you're going to  
2 pay that on top of the midwest transaction price. In  
3 our case, we have cast houses, and actually they  
4 transfer price to our extrusion operations at that  
5 same premium. Now, that premium will vary a little  
6 bit, depend on supply-demand balance in the market,  
7 but it moves within a fairly small band, typically  
8 eight to 10 cents.

9 MR. DUNCAN: So if I understand correctly,  
10 what you're indicating is that we're not going to be  
11 reflected in the reported financials for your  
12 particular company, that you would have the transfer  
13 price of the casting operations included?

14 MR. BROWN: That is correct. Our  
15 accounting, and I believe the accounting that we  
16 utilized in completing the petition treated that as an  
17 outside transfer price, so that's not in our  
18 financials.

19 MR. DUNCAN: Are there any additional verses  
20 of profit in terms of having a casting operation,  
21 profit from scrap metal, for tolling, for other  
22 producers or sales of billets?

23 MR. BROWN: No. If you have a cast house,  
24 1) you want to keep it busy, so it's typical that you  
25 would try to supplement your internal demand with

1 external sales that could be tolling operation. It  
2 could be independent purchase and sale.

3 MR. DUNCAN: Okay. Thank you. That's  
4 helpful. Going back to this discussion of the  
5 partially assembled products that are included within  
6 the scope and the kits that are either completely  
7 ready for assembly or are already assembled that would  
8 be excluded from the scope of these investigations,  
9 have any of you at the table here found that in some  
10 of your lost sales in terms of these products were the  
11 result of imports of the downstream products  
12 completely manufactured where the extrusions are  
13 already incorporated into the product?

14 MR. JONES: I'm not trying to prevent  
15 industry witnesses from answering obviously, but let  
16 me just say that in our reported lost sales and lost  
17 revenues, in our reported lost sales, we didn't  
18 include any lost sales of downstream products.

19 MR. DUNCAN: Okay.

20 MR. JONES: They may have some, but nothing  
21 they could talk about here today, but it hasn't been  
22 reported.

23 MS. JOHNSON: The competitive landscape for  
24 the OEM producers in this country is similar to the  
25 competitive landscape we are faced with, and that

1 would take every form from the Class A trucks that you  
2 see all over Washington, those are the big guys, to  
3 exercise equipment, to refrigerator manufactures, so  
4 solar panel manufacturers. Those people are called  
5 OEMs, and their competitive landscape will determine  
6 whether or not they take their completed product off  
7 shore for production.

8 That is a very important point. The  
9 partially assembled kits is critically important for  
10 inclusion of this because of the circumvention that  
11 Steve mentioned that we have seen.

12 MR. DUNCAN: Thank you. Going to a more  
13 general discussion of sectors for end uses of these  
14 products, I believe it was Mr. Henderson had discussed  
15 building and construction as one, transportation as  
16 another. I was wondering if you could go through and  
17 provide some specific examples of products, aluminum  
18 extrusions that go into those sectors and also  
19 indicate whether there are any other large sectors for  
20 downstream uses besides those two?

21 MR. HENDERSON: Yes. In terms of building  
22 and construction, you'll see that in the windows of  
23 this building, framing materials, if you will, thinks  
24 that hold glass up. That's typically where you'll see  
25 that take place in a number of different levels.

1 Transportation, you're going to see it in trailer  
2 manufacturing, the high-intensity usage of aluminum  
3 extrusion in trailers. Ms. Johnson has spoken about  
4 Class A trucks, the actual tractor rigs themselves,  
5 also in automotive applications, a number of parts,  
6 everything from the manifold blocks to the brackets  
7 that your seats slide on in a car.

8 Extrusions really are, and it kind of  
9 answers your other question earlier, I mean, when a  
10 customer comes to us, they don't come to us to say  
11 hey, I'd like to buy some roof rails for my Audi.  
12 What they say is that we're trying to design a part,  
13 and we think we need to make it out of aluminum, but  
14 it needs to look like this, so we'd like you to help  
15 us design the shape. Can you help us and design that,  
16 build a dye and push it through your press, and so  
17 we're viewed that way, so it really can just go on and  
18 on, Mr. Duncan, as far as the number of applications  
19 that we would find.

20 MR. DUNCAN: Okay. For example, what sector  
21 would you classify the exercise equipment that you  
22 made reference to?

23 MS. JOHNSON: Health.

24 MR. DUNCAN: Health? So there's like a  
25 health sector?

1 MS. JOHNSON: No. They're OEMs, and there's  
2 a number of them out there. We're reluctant to talk  
3 about specific ones because we have competition  
4 sitting in the room, but a number of us participate in  
5 that market, so think about when you look at a  
6 treadmill, the different parts that you will see on  
7 the outside of that, so that sector would be OEM.

8 MR. DUNCAN: Okay.

9 MR. BROWN: We consider that part of the  
10 consumer durables sector, which is probably the third  
11 largest segment after transport and building and  
12 construction, and that encompasses a whole wide range  
13 of things.

14 MR. HENDERSON: What might be helpful to you  
15 is the Aluminum Association actually has designated  
16 different market codes, and the industry reports in  
17 shipments based on those market codes.

18 MR. DUNCAN: Okay.

19 MR. HENDERSON: There's some interpretation  
20 as to what particular product would fall under.

21 MR. DUNCAN: Fall under?

22 MR. HENDERSON: But at least we have some  
23 defined buckets.

24 MR. DUNCAN: All right. Were those data  
25 included in the petition?

1 MR. JONES: I don't believe so, no.

2 MR. DUNCAN: Okay. Well, we'll work on  
3 getting that ourselves or in concert with petitioning  
4 counsel. I want to next discuss the role of  
5 fabrication in the industry because it has come up in  
6 several discussions internally and with you all here  
7 at the table in our questionnaires, what exactly is  
8 fabrication in this industry? Where is it done? Is  
9 it done in the producers, your facilities? Is it done  
10 in your end users? Is there a group of third-party  
11 firms that fabricate in between you and an end user?

12 MR. BROWN: I'll tackle that. The short  
13 answer is yes. Let me try to elaborate. Fabrication  
14 can range from cutting an extrusion to the desired  
15 length for the next application to taking that  
16 extrusion, punching holes in it, bending it, welding  
17 it to something else and producing a highly complex  
18 component that would be used in a final end product,  
19 so there's a huge spectrum. When people in the  
20 industry talk about doing fabrication, that can be  
21 anywhere along that spectrum.

22 Virtually, everything that we produce has  
23 some degree of fabrication before it's ever really  
24 used, so we may do that. Our customer may do that.  
25 They may prefer to buy what we would call sticks,

1       longs lengths, do all that fabrication in house. They  
2       may alternatively contract with an independent  
3       fabrication shop to do fabrication for them. They'll  
4       purchase extrusion, deliver it to a third party where  
5       the fabrication is done, and then it's brought back in  
6       for final assembly, so there's a wide variety of  
7       business models and a wide variety of processes that  
8       would fall under that fabrication heading.

9               MR. DUNCAN: So that raises the question on  
10       the spectrum of fabrication between something as  
11       simple as cutting to length to a more highly complex  
12       fabricated product would largely influence the unit  
13       value of those sales. I mean, if you have a high  
14       value-added fabrication product, it would be a very  
15       different product in terms of the unit value than  
16       something newly off the press.

17              MR. BROWN: That's correct.

18              MR. DUNCAN: And in terms of the size of the  
19       industry, do you have a sense of how much of the  
20       volume of your production goes to these more complex  
21       highly-fabricated end uses?

22              MR. BROWN: I can only speak for our own  
23       operations. It is a small total percentage on a pound  
24       basis. We'd like to do more of that. Many of our  
25       customers like to do more of that because it

1 simplifies their supply chain, but the highly complex  
2 fabrication would be a relatively small percentage.

3 MR. DUNCAN: And it would be more hand-  
4 holding with the specific customer to provide that  
5 specific product?

6 MR. BROWN: Very close interaction with the  
7 customers' engineering and procurement team. We  
8 provide --

9 MS. JOHNSON: Let me give you an example of  
10 a complex part that we make. These gentlemen  
11 wouldn't. Shortly after 9-11, there was an  
12 expectation that cockpits for commercial airliners  
13 would have a special locking mechanism on the outside  
14 of the door. My company produced those, so when you  
15 look at them, they were very small. They were thin-  
16 wall extrusion-type talances.

17 We produced the extrusions. We cut to  
18 length. We did a lot of machining, and we actually  
19 assembled the final product, so when it left the  
20 plant, it was in a box. It was a final end-use  
21 product. That would be an example of not a lot of  
22 poundage, but high-unit value.

23 MR. DUNCAN: Thank you. That's very  
24 helpful, but going back to what Mr. Brown was saying,  
25 in terms of the overall percentage of the production

1 of these products, the soft alloy extrusions, there  
2 wouldn't be much of a product mix issue because it  
3 counts for such a small share of the overall  
4 production, is that correct, for the industry?

5 MS. JOHNSON: You know, we said that the top  
6 was building and construction. The second was  
7 transportation, and the third was durable goods.

8 MR. DUNCAN: Durable goods.

9 MS. JOHNSON: With the exception of building  
10 and construction, there is some form of fabrication  
11 that goes into the transportation as well as the  
12 durable goods. Would you dispute that?

13 MR. BROWN: I think the complexity in  
14 responding is that a significant volume of our  
15 extrusion has some degree of fabrication, but a lot of  
16 that could be very straightforward fabrication. A  
17 small percentage has highly complex fabrication, and  
18 we go so far as to build essentially a complete door  
19 for a truck. I think perhaps, Steve, this is  
20 something that we should research a little bit more.

21 MR. JONES: Well, I think what you'd find,  
22 Mr. Duncan, is that with the larger companies, there  
23 may be on a percentage basis anyway less fabrication  
24 than you would find in a smaller company like Ms.  
25 Johnson's company where pretty much everything they do

1 is fabricated and some of it very highly fabricated,  
2 so smaller producers generally will tend to specialize  
3 and try to compete based on their expertise in  
4 fabrication, and larger producers generally not as  
5 much. Although, as you heard from the testimony,  
6 they're all trying to do it to some extent.

7 MR. DUNCAN: Going back to what you were  
8 saying, Ms. Johnson, about having that one example, a  
9 product that pretty much shipped out as a fabricated  
10 finished product, how much of these sectors would go  
11 out as sort of other products that would maybe if they  
12 were classified in the HTS system not be classified  
13 under the numbers that have been highlighted in the  
14 petition?

15 MR. JONES: Mr. Duncan, that's a very good  
16 question, and I think we'd like to answer that one in  
17 our post-conference briefs. I don't think we have an  
18 answer for you. We'd be happy to address that in our  
19 brief.

20 MR. DUNCAN: Yes, please. That will be very  
21 helpful for us. All right. And going back to what  
22 you indicated, Mr. Brown, in terms for the  
23 fabricators, there's a bunch of different business  
24 models, and one of them you said that there may exist,  
25 these independent fabricators that serve in between

1 the U.S. producers of extrusions and the actual end  
2 users. Yet, it was my understanding in the visit to  
3 the Bonnell facility in Georgia, that was likely very  
4 small. Mr. Crowdis, you might want to answer that.

5 MR. CROWDIS: That's certainly my view as I  
6 expressed to you when you were in Newnan. We find  
7 that if there are some small jobs that have to be done  
8 or the ones where we don't know how long it's going to  
9 be, we may use or the customer may use an outside  
10 facility just to get things going, or if it's a small  
11 job, we're not going to set up for it because we're a  
12 mill, so what you saw in Newnan is if there's long  
13 runs of the same thing, we'll take that one and do it  
14 internally. If not, it generally gets farmed out.  
15 It's a relatively small part of our business.

16 MR. DUNCAN: Okay.

17 MR. CROWDIS: And this gets complicated when  
18 you get other people involved in the pipeline.

19 MR. DUNCAN: Okay. Any other industry  
20 witnesses want to comment on it? I have a question.  
21 You made a distinction in your testimony between your  
22 primary markets, these building and construction,  
23 transportation, consumer durables, which you  
24 characterized not as necessarily growth markets but  
25 more mature markets, where would the solar panel

1 market on the other hand fall within those broad  
2 categories?

3 MR. BROWN: Mr. Henderson referred to the  
4 Aluminum Associations categorization of end markets.  
5 It is only this year that the Aluminum Association has  
6 recognized in their terminology that there is a  
7 distinct market for alternative energy, and that's  
8 considered as part of the electrical sector, so in  
9 addition to building construction, transportation,  
10 consumer durables, there's also an electrical sector  
11 and a machinery and equipment sector and distribution.

12 Prior to this year, it could have been  
13 anywhere as far as the official statistics are, but at  
14 least at this point, the Association is trying to  
15 collect more data on those applications.

16 MR. DUNCAN: Thank you. That's helpful, so  
17 in terms of it being part of this electrical  
18 alternative energy group now and going forward for  
19 your industry association, what would be roughly the  
20 share of that sector out of all the sectors currently?

21 MR. BROWN: It will still be quite small  
22 relative to the others.

23 MR. DUNCAN: Okay. So while that solar  
24 sector is a growth sector, it is a relatively small  
25 sector?

1           MR. BROWN: It is a relatively small sector  
2 today.

3           MR. DUNCAN: So most of the products that  
4 you purchase are for use in these more mature sectors?

5           MR. BROWN: That would be correct.

6           MR. DUNCAN: And also going back to this  
7 discussion of competition for the process, down-the-  
8 stream products after perhaps it would lose the  
9 designation of an aluminum extrusion and become part  
10 of another product, I was just reading this morning an  
11 article in the *Economist* on how solar panel  
12 installation in California has gone from three percent  
13 Chinese origin solar panels in 2007 to 49 percent  
14 Chinese origin solar panels in 2009, so it goes to  
15 this issue of are you also losing business to the  
16 imports of the downstream products, i.e. your  
17 customers also losing this?

18           MS. JOHNSON: Yes, yes. We compete heavily  
19 in that market I think more than the other producers  
20 here, and we were producing at one point 2,000 to  
21 3,000 solar panel frames a day for a significant U.S.  
22 manufacturer of solar panels, and we are competing  
23 directly with the Chinese for that, and they in turn  
24 are competing with the Chinese for the solar panels  
25 themselves, so it's fairly convoluted, but there's a

1 tremendous amount of activity going on in that market.

2 MR. JONES: Just to clarify something. When  
3 we talk about a solar panel, we're talking about the  
4 aluminum frame with the photovoltaic panels installed.

5 MR. DUNCAN: In the frame, right.

6 MR. JONES: So you've got the frames, which  
7 these folks and others in the industry are competing  
8 for business in frames, and then photovoltaics, it can  
9 either be assembled in China and imported already  
10 assembled, or photovoltaics by themselves --

11 MR. DUNCAN: Just the wafers can come in?

12 MR. JONES: Correct. Correct, and the  
13 frames can be sourced in the United States, and it can  
14 be assembled in the United States, and where business  
15 has been lost in this industry, and whether  
16 competition from imports is intense in the solar  
17 industry is a competition for frames here in the U.S.  
18 for people who are putting frames together here.

19 MR. BROWN: I'll give you another example.  
20 We recently had a discussion with a new company that  
21 is producing modules, the photovoltaic modules, and we  
22 got into a dialogue with them about framing, and as we  
23 got into this dialogue, we asked about potential  
24 volumes in year one, two, three. Their response was  
25 well, we're really only talking about year one because

1 once we get this up and running, we're going to import  
2 all the frames from China. It's just a question of  
3 price.

4 MR. DUNCAN: Well, thanks for that. Moving  
5 from that relatively small sector to a much larger one  
6 for your industry, the building and construction, do  
7 you find that, for example, the extrusions you might  
8 produce for framing a window are also now being  
9 imported as complete windows with the panes and the  
10 extrusions attached?

11 MR. HENDERSON: Typically, we're finding the  
12 penetration there to be more in the extrusions  
13 themselves, generally from very large buyers and large  
14 manufacturers of the end products.

15 MR. DUNCAN: So most of the volume would be  
16 still as their extrusions before they're assembled  
17 into a product?

18 MR. HENDERSON: That's right.

19 MR. DUNCAN: Okay.

20 MR. HENDERSON: Now, there are some  
21 exceptions in some areas of the U.S., but for the most  
22 part, that's been our experience with it.

23 MR. DUNCAN: All right. Thank you. That's  
24 very helpful. I want to go next to this discussion  
25 returning to the pricing of the primary aluminum, and

1 I think it was also you, Mr. Brown, that was  
2 discussing the LME price as a benchmark for a North  
3 American price? I think the terms you used was  
4 midwest that's published by one of the local  
5 metallurgical magazines, so are Chinese manufacturers  
6 of these products also looking to the LME bench price?

7 MR. BROWN: I don't know. We would like to  
8 know that, but it is very tough to discern that.

9 MR. DUNCAN: Well, let me ask this another  
10 way. Is the market for the inputs to your industry a  
11 completely globalized market, the primary aluminum?

12 MR. BROWN: We view it as a global market,  
13 yes, and if I can elaborate on my prior response. I  
14 cited an example where we were 25 percent higher on a  
15 substantial quote. Given that metal can be up to 70  
16 percent of our costs, and the nature of that business  
17 was such that it was probably in that range, we were  
18 seeing a competitive price that was within pennies of  
19 the metal value that we were looking at.

20 So I don't know how that gets fabricated  
21 into extrusion, gets from China to the heart of the  
22 Midwest, for pennies.

23 MR. DUNCAN: Are there in addition to or  
24 within the allegations you have made to the Department  
25 of Commerce specific program that can account for that

1 price differential?

2 MR. JONES: We have asked the Commerce  
3 Department to look at how aluminum is bought and sold  
4 in China, and whether there is an countervailing  
5 subsidy there. So that should be part of the  
6 countervailing duty investigation. We hope it will  
7 be. We will find out in about 45 minutes.

8 MR. DUNCAN: In addition to those  
9 allegations, and what was included in your petition --  
10 I do not recall, but that doesn't mean that it is not  
11 there -- a discussion of export restraints in China.  
12 Do you know what the effect of certain export  
13 restraints -- for example, export duties on primary  
14 aluminum and aluminum scrap --- that could bring 15  
15 percent ad valorem -- has on the price for the input  
16 products for the Chinese manufacturers?

17 MR. JONES: I'm sorry, Mr. Duncan, but that  
18 is something that we have looked at, but I just am not  
19 prepared to discuss that here. We would be happy to  
20 talk about that in the brief if you would like more  
21 information about.

22 MR. DUNCAN: That would be very helpful, and  
23 also I don't know if Ms. Woodings has information, but  
24 she mentioned briefly the VAT program, and the rebate  
25 program for the VAT. Is it straight up? The fact

1 that they are rebating the VAT, or is there a  
2 differential application of the VAT depending upon the  
3 level of sophistication of the manufacturing process  
4 in this industry?

5 MS. WOODINGS: Mr. Jones is actually going  
6 to have some more direct information on that  
7 particular program than I will.

8 MR. JONES: My understanding is that it is  
9 just straight up across the line, but we will check on  
10 that, and if the information we find is different from  
11 what I just told you, we will clarify it in our brief.

12 MR. DUNCAN: Okay. Going back to testimony  
13 from Ms. Johnson, as a small producer of these  
14 products, I believe you indicated that you have around  
15 270 employees that work in your mill?

16 MS. JOHNSON: In that range.

17 MR. DUNCAN: And this strikes me as a small  
18 -- well, you preface that by saying that you are a  
19 smaller producer. Yet, we have seen plenty of  
20 petitions that a single domestic manufacturer will  
21 have only 20 to 25 employees. So just the size of  
22 this industry is obviously very important in terms of  
23 the number of employees.

24 But that 270 number, is that generally what  
25 you would associate with a single press, or do you

1 operate more than one press?

2 MS. JOHNSON: We own three presses. We are  
3 currently operating two of them.

4 MR. DUNCAN: Okay.

5 MS. JOHNSON: You know, there is a large  
6 amount of capital investment in this market. So, we  
7 don't spend millions and millions of dollars. We just  
8 put a press in last summer that we bought from a  
9 distraught extruder, and the installation was in the  
10 \$6 million range, and then not run volume through it.

11 And by necessity, this is a volume driven  
12 organization or industry, even for the small  
13 producers, if that makes sense. We are small  
14 obviously and still could use other extruders sitting  
15 there. But we are not small within our community as  
16 an employer.

17 MR. DUNCAN: So would it be accurate to say  
18 then would your firm be representative? Would roughly  
19 a hundred to 130 or 140 employees be associated with a  
20 single press?

21 MS. JOHNSON: We tend to add a great deal  
22 more value. So, for instance, Sapa has a plant in  
23 Spanish Fork, Utah, about two hours from us, where  
24 they primarily have a cast house. They extrude and  
25 their finish operation is putting the metal on the

1 truck.

2 And they have two presses and they have  
3 nowhere near the amount of employees that we have. We  
4 run our own delivery trucks to the West Coast. We are  
5 in product lines that are more labor intensive.

6 MR. DUNCAN: Thank you. So the average  
7 number of employees that a particular firm would have  
8 and associated with a single press would depend  
9 largely on the degree of balancing fabrication that  
10 they would realize? Okay. Thank you. That is  
11 helpful.

12 Going back to the discussion of the LME  
13 prices, and looking at the import unit values, I was  
14 struck by how imports from all sources, in terms of  
15 the unit values, largely reflected the evolution of  
16 the LME prices.

17 MS. WOODINGS: Mr. Duncan, as I mentioned,  
18 the aluminum itself accounts for a very high  
19 proportion of total costs, and as was testified, that  
20 metal cost has to be pushed forward, and the amount  
21 of, to the buyer.

22 So there is going to be a very high  
23 correlation between aluminum costs and prices for all  
24 producers.

25 MR. JONES: Let me just add that that

1 doesn't mean that all producers in all countries  
2 follow the LME necessarily. But the LME is the best  
3 indicator probably of what the world market price is  
4 to the extent that there is a world market price for  
5 aluminum.

6 So it is not surprising that the imports would track  
7 generally the LME, in terms of averaging the value.

8 MR. DUNCAN: In terms of the number one  
9 economic indicator for your outlook for this industry,  
10 what would you look at of all the government published  
11 statistics?

12 MR. CROWDIS: I think it would depend on  
13 what end use you are primarily in. We would look at,  
14 quite frankly, employment and housing starts, in our  
15 business.

16 MR. DUNCAN: Residential?

17 MR. CROWDIS: Residential. We also look at  
18 permits on the commercial side, but generally  
19 commercial lags the residential by about a year. So  
20 the residential is a good forward looking indicator  
21 for the commercial side of the business.

22 It tailed off about a year-and-a-half later  
23 than the residential and we suspect that it will be a  
24 year-and-a-half getting cranked up again.

25 MR. DUNCAN: Okay.

1                   MR. HENDERSON: In Sapa's case, we are  
2 across several end-uses, but we will typically start  
3 with the GDP outlook.

4                   MR. DUNCAN: Okay. Thank you. The last  
5 thrust of my questions will relate to the third-  
6 country AD/CVD owners, the ones in China and  
7 Australia. Is it your contention that some of the  
8 products that you allege has caused material injury in  
9 the 2009 period is the result of trade diversion?

10                  MR. JONES: From looking at the statistics,  
11 it certainly appears that way. The imports, the line  
12 of imports into Canada has dropped significantly after  
13 the imposition of orders in Canada, and it increased  
14 in the United States.

15                  So it certainly looks that way. I don't  
16 have a specific instance that I can describe to you or  
17 talk about where someone has decided to send product  
18 to the U.S. instead of Canada, but just looking at the  
19 import statistics, it appears to be the case.

20                  MS. ANDROS: But if I might add, it is also  
21 the case of price suppression or the price effects  
22 have been here since 2007, on top of what is already a  
23 tight market with demand down. So, that has added, if  
24 you will, injury to insult throughout the 2007 through  
25 2009 period.

1                   MR. DUNCAN: Perhaps it has gone up a notch  
2 as the more volume of Chinese product is in the  
3 market.

4                   MS. WOODINGS: It's possibly has gone up or  
5 not. The pricing has been a factor throughout this  
6 period though.

7                   MR. DUNCAN: It would be interesting if you  
8 could provide data, and if the data are largely  
9 comparable at the six digit level on China exports to  
10 your products.

11                   MR. JONES: We will take a look at that and  
12 provide what we can pull together in the next few  
13 days.

14                   MR. DUNCAN: All right. Thank you. Ms.  
15 DeFilippo, that is the end of my questions.

16                   MS. DEFILIPPO: Excellent. Thank you, Mr.  
17 Duncan. We will now turn to Mr. Bernstein, our  
18 attorney advisor. Marc.

19                   MR. BERNSTEIN: Thank you, Ms. DeFilippo.  
20 Again, I would like to thank the people on the panel  
21 for coming, particularly the industry witnesses who  
22 have traveled some distances to get here. While Mr.  
23 Duncan covered a lot of product issues, I still have a  
24 few.

25                   Mr. Crowdis, in your prepared testimony, you

1 had at one point distinguished between standard shapes  
2 and custom shapes. Could you explain to me how you  
3 perceive the difference between the two, or what you  
4 perceive the difference between the two to be?

5 MR. CROWDIS: Yes. I think in the industry  
6 that we understand there is a distinct difference.  
7 Standard shapes are the standard wrought angle burn  
8 tube. If someone wants 1-1/4 by 1-1/4, one-eighths  
9 inch wall angle, we all know what that is, and most  
10 places have dies that are comparable to that.

11 And traditionally that has gone into the  
12 distribution and service centers, because the consumer  
13 doesn't want a truck load of angles. He wants five  
14 pieces, 20 foot long. So that is how that market has  
15 generally played out.

16 There is some OEMs that ask for those kinds  
17 of things. A custom shape is one specific and  
18 proprietor to a specific account. He has got a window  
19 design, and it is his design, and he has asked us as  
20 an extruder to create a die that is proprietary.

21 I can't sell that die, that shape, to anyone  
22 else. That is what we call a custom shape, and what  
23 my indication is, is that at one point in time those  
24 were two sort of separate distribution channels; the  
25 service center business, and custom shape business.

1           The service centers now are getting more  
2           into custom shapes. They are providing value added  
3           activities, such as design assistance, and then moving  
4           custom shapes through this service center for all the  
5           right reasons.

6           But there is no longer a delineation between  
7           the distributors that do this stuff and the rest of us  
8           who do the other stuff.

9           MR. BERNSTEIN: Okay. Can you give some  
10          indication of what degree of business the standard  
11          shape versus the custom shape is, and whether to the  
12          extent that there is, I guess, movement in what  
13          direction, there is movement?

14          MR. CROWDIS: I am not sure there is any  
15          movement in general.

16          MR. BERNSTEIN: Okay.

17          MR. CROWDIS: Maybe I could ask Mr. Brown to  
18          answer that question. In our business, quite frankly,  
19          we do some as I indicated. You know, some standard  
20          shape, but that is not our bread and butter.

21          MR. BERNSTEIN: Well, actually, Mr.  
22          Henderson, since you are the largest producer and I  
23          guess it has been said by other panelists that you  
24          tend to produce goods with perhaps lower value added.  
25          Could you address that for Sapa?

1           MR. HENDERSON: Yes. I think we have made  
2           comments about the aluminum association codes, and  
3           they have a section for distribution, and generally it  
4           will run 15 to 20 percent of the total market size.

5           It is difficult to know what is inside that  
6           number, and how much of it would be the standard  
7           shapes that Mr. Crowdis addressed, and how many are  
8           custom. But generally at its maximum the distribution  
9           channel will move about 15 to 20 percent of the  
10          extrusion volume in this country.

11          And I would say it is typical, or rather it  
12          is safe to say that inside of that number the strong  
13          majority of it would be standards.

14          MR. BERNSTEIN: Okay. Is the competition  
15          from the Chinese imports any different in kind or  
16          magnitude in the standard shape, as opposed to the  
17          custom shape? This is for any of the industry  
18          witnesses that might answer.

19          MR. HENDERSON: I have the microphone.

20          MR. BERNSTEIN: Okay.

21          MR. HENDERSON: I would just say that we  
22          find it to be apparent in all end-uses, and in each of  
23          those uses it is a bit of a different phenomena. It  
24          is a little bit of a different kind of competitive  
25          nature.

1           MR. BERNSTEIN: Okay. Any other thoughts by  
2 people on the panel?

3           MR. CROWDIS: What we have found that has  
4 evolved over the past decade is that a lot of the  
5 Chinese competition started off in the standard lines,  
6 because you can get large quantities very easily into  
7 the service centers where they are managing  
8 inventories.

9           That has progressed significantly and now  
10 they are much more prevalent in the custom shapes as  
11 well. It started off that way, but now there is a lot  
12 of competition as I think you have heard right across  
13 the panel in all sectors, and in custom shapes on the  
14 top of that.

15           MR. BERNSTEIN: Let me ask a very basic  
16 question which may betray ignorance of this industry,  
17 but with respect to the service centers, will the  
18 service centers only be dealing with domestically  
19 produced articles, or will they be dealing with both  
20 domestically produced articles and imports from a  
21 number of countries concerning China? What is the  
22 situation there?

23           MR. HENDERSON: Distributors will generally  
24 work with a variety of sources.

25           MR. BERNSTEIN: So you would find

1 domestically produced articles, non-subject imports,  
2 and subject imports?

3 MR. HENDERSON: That's right, and other  
4 metal products, and a variety of other products as  
5 well.

6 MR. BERNSTEIN: When you are dealing with  
7 the products that go to a distributor, I assume the  
8 distributor is the purchaser and the distributor is  
9 the entity with which you are involved in price  
10 negotiations?

11 MR. HENDERSON: Yes.

12 MR. BERNSTEIN: Okay. Thank you.

13 MR. BROWN: Let me just make one additional  
14 comment.

15 MR. BERNSTEIN: Sure.

16 MR. BROWN: In some cases the distributor  
17 will be a third-party, because if the distributors  
18 have pursued more of the custom business as Mr.  
19 Crowdis has mentioned, they will often do so by  
20 providing a just-in-time service for the OEM.

21 In those cases the price negotiation may be  
22 with the OEM, and the distribution group provides a --  
23 basically buys it and delivers it to that OEM on an  
24 adjusted time basis. So it is a three-party  
25 transaction in that scenario.

1                   MR. HENDERSON: I would agree with that,  
2                   yes.

3                   MR. BERNSTEIN: Okay. With respect to going  
4                   back a step, but with respect to the production  
5                   process, your facilities are making the standard  
6                   shapes and the custom shapes, or is it true that your  
7                   facilities are making the standard shapes and the  
8                   custom shapes along the same lines and same processes,  
9                   but it would just be a different extrusion, die, or  
10                  different extrusion mechanism? Am I understanding  
11                  this correctly?

12                  MR. HENDERSON: Yeah, we would say that is  
13                  generally a true statement. However, in our  
14                  organization there are some facilities that focus more  
15                  on those standards, because from an efficiency  
16                  standpoint the more volume you can get off of a single  
17                  run the better it is. So we tend to concentrate on  
18                  production, but only by our own choice. Not because  
19                  of the equipment.

20                  MR. BERNSTEIN: Okay. Are there some  
21                  facilities where you produce both?

22                  MR. HENDERSON: All facilities.

23                  MR. BERNSTEIN: Okay. Thank you. Ms.  
24                  Johnson, just to clarify, is this discussion pertinent  
25                  to your firm at all? Does your firm do standard

1 shapes, or --

2 MS. JOHNSON: We sell mill finish.

3 MR. BERNSTEIN: Okay.

4 MS. JOHNSON: Which generally is standard.  
5 Actually, we are in a market where pretty much all of  
6 the products are standard, and then we ship the next  
7 day after we get the order.

8 MR. BERNSTEIN: Okay. Thank you. Let me  
9 also go back and ask one follow-up question to  
10 something that Mr. Duncan covered. This concerns the  
11 various alloy series within the scope of the six.

12 I think I heard some testimony, and I am not  
13 sure that I understand this fully, but where one and  
14 the three series go principally to an electrical  
15 application first? Am I -- okay. Mr. Jones is  
16 nodding in the affirmative. Would you also find  
17 electrical applications in the sixth? I mean, are  
18 these distinctions --

19 MR. JONES: I am going to defer to Mr. Brown  
20 to answer the question.

21 MR. BERNSTEIN: Okay.

22 MR. JONES: But I would say that the one and  
23 the three are primarily electrical because of the  
24 higher percentages of aluminum in those alloys, which  
25 make them better for electrical conductivity. but Mr.

1 Brown, please go ahead.

2 MR. BROWN: Certainly there are a lot of  
3 applications, electrical applications, where we would  
4 be running six thousand series alloys, and there are  
5 also three thousand series alloys which go into very  
6 different types of products.

7 For example, we produce a tubing out of a  
8 three thousand series which goes into digital printers  
9 as part of the unit transfer mechanism.

10 MR. BERNSTEIN: Thank you. Mr. Sapa or Mr.  
11 Henderson, you testified that Sapa produces a aluminum  
12 extrusions in 26 countries. Is China one of them?

13 MR. HENDERSON: I don't believe we have an  
14 extrusion operation in China.

15 MR. BERNSTEIN: Okay. To what extent does  
16 Sapa rationalize production between countries? Do you  
17 import certain articles from other Sapa facilities  
18 outside the U.S. because it is more efficient to make  
19 them there? Are there certain Sapa facilities  
20 overseas or outside the U.S. that specialize in  
21 certain items?

22 MR. HENDERSON: It is very rare. Typically,  
23 the only other time that we would do that would be a  
24 rare exception. Generally, from some legacy issue  
25 that a part had been produced in that plant for quite

1 some time, and the customer wants to continue to buy  
2 from that producer because they are comfortable with  
3 them until we can transfer the production to a closer  
4 facility.

5 But I can't think of an example where we  
6 would make a habit of purposely wanting to do that.

7 MR. BERNSTEIN: Thank you.

8 MR. CROWDIS: Excuse me, Mr. Bernstein, but  
9 I think ironically we rationalize, with all other  
10 things being equal, our mix between plants  
11 geographically. As Mr. Brown indicated, it is a game  
12 of pennies, and so if we can save a penny-and-a-half  
13 freight by shipping from an Indiana plant versus  
14 shipping it from Georgia, that is what we do.

15 MR. BERNSTEIN: Okay. But just to make  
16 sure, your testimony concerns solely plants in the  
17 United States?

18 MR. CROWDIS: Correct.

19 MR. BERNSTEIN: Okay.

20 MR. CROWDIS: But even then it is a  
21 geographical delineation.

22 MR. BERNSTEIN: Okay. Thank you. A request  
23 for Mr. Jones for the brief. According to what I have  
24 been told by some of my colleagues that some responses  
25 indicate there are domestic producers who also import

1 the subject merchandise. If the Petitioners have a  
2 position on whether producers should or should not be  
3 excluded from the domestic industry pursuant to the  
4 related parties provision, you are certainly welcome  
5 to address that in your post-conference brief.

6 MR. JONES: We would be happy to do that,  
7 Mr. Bernstein.

8 MR. BERNSTEIN: Okay. I have a few  
9 questions here just to make sure that I understand  
10 what I will call customer-purchaser interaction. I  
11 mean, your testimony on lost sales and the importance  
12 of price has been fairly clear.

13 I think it is probably helpful to me if we  
14 had a little more basic information on the record  
15 about sort of the nature of the communications with  
16 your customers. Let's say that I am a customer who  
17 comes in who is going to want to make or is going to  
18 need aluminum extrusion for proprietary usage.

19 So I more likely to be dealing with the  
20 people on the panel rather than a distributor. There  
21 was some testimony about coming in with a design  
22 phase. Now, how does this work? Do I, the producer -  
23 - I mean, do I basically set out a list of  
24 specifications and send it out for bid?

25 Could you help with sort of understanding

1       how this process works in your industry?

2               MR. BROWN: I'll take that. Very typically  
3       a prospect would come to us with a drawing, a drawing  
4       of a part. They are designing a new product, for  
5       example, and they have part drawings. They would sit  
6       down with one of our people.

7               In some cases, we may make suggestions about  
8       how that part could be extruded more effectively  
9       because hopefully we know the extrusion process  
10      better. They know the end product, and so there is a  
11      dialogue there.

12              But most likely they are having those same  
13      discussions with a couple of other supplies as well.  
14      We all propose on those. We provide quotes to that  
15      prospect, and depending upon the nature of the  
16      discussion, it may be that the customer may want to be  
17      quoted on a part basis, a per part basis, or it may be  
18      per pound, or if he is in the window business, it  
19      could be per foot.

20              So there is a lot of dialogue on what is the  
21      appropriate way, and what does the customer want, and  
22      what is the appropriate way to quote that part. Very  
23      often if it is a larger prospect, with intended  
24      recurrent purchasing, it will be quoted -- the metal  
25      will be quoted separately.

1       999           So we would quote a conversion price, which  
2       will be added to the prior month's midwestern  
3       transaction price, for the metal for each month the  
4       net price that is paid by that customer indexes.

5               MR. BERNSTEIN: Is it correct to infer that  
6       these type of negotiations would start again in the  
7       design phase well before there is a product being  
8       produced?

9               MR. BROWN: it can happen both ways.  
10       Hopefully it is before the product has been produced,  
11       but very often it is someone who is already producing  
12       a product and is looking for an alternative source.  
13       They are unhappy with their current source, and they  
14       think there is a new way to go about it or whatever.

15               MR. BERNSTEIN: Are these type of  
16       proprietary arrangements, because they believe --  
17       well, one of the responses to one of Mr. Duncan's  
18       questions was that if somebody came in with a new  
19       product, and they will be purchasing it from you for a  
20       year, and then they will go off and buy some imports.

21               I mean, is there a typical duration to these  
22       programs when you are helping somebody design a  
23       proprietary product? How long term do these  
24       arrangements tend to be?

25               MS. JOHNSON: I think it depends on the

1 value added of the extrusion. We had a particular  
2 situation where we went through five design iterations  
3 of a solar panel frame for a producer in the Silicon  
4 Valley area. Upon the completion of that the part was  
5 quoted and sourced from China.

6 MR. BERNSTEIN: Okay. Any other comments?

7 MR. BROWN: This is a business for the most  
8 part that does not work on contracts. It works on  
9 discussions, and yeah, give us the right price, and  
10 give us the right product, and we will be with you for  
11 a long time. And that is worth about what it is  
12 worth.

13 MR. BERNSTEIN: Well, let me ask in that  
14 respect. I was involved in an investigation last year  
15 which tended to involve test and design products,  
16 where the purchaser testified that one of the things  
17 that was most important was that the supplier be a  
18 reliable source of supply. That they be a reliable  
19 source of supply and be a high quality operation.

20 Is this -- what are the similarities or  
21 distinctions between the U.S. and a Chinese product in  
22 this regard? Often we find in some investigations a  
23 delivery advantage, liability advantages, quality  
24 advantages, of a U.S. product over a Chinese product.

25 To what extent are these concerns relevant

1 or not relevant here, and again --

2 MS. JOHNSON: I mentioned the China price,  
3 being faced with the China price, and although we are  
4 faced with that, obviously we are still in business,  
5 and so we have not lost every bit of work that we have  
6 had to the Chinese.

7 Our customers, and domestic customers, have  
8 become dependent on the great reliable responsive  
9 service that they get from us and from this industry.  
10 But they also want the China price. Not the least of  
11 which is because they are in competitive positions in  
12 whatever market they participate in.

13 And when their competitors get a China  
14 price, they feel a tremendous amount of pressure to  
15 have that same cost advantage. But there is value. I  
16 mean, the smarter purchasers understand the total cost  
17 of acquisition versus today's price, and there is a  
18 total cost of acquisition, and obviously that is what  
19 we try to sell because we are right here.

20 MR. BERNSTEIN: Any other thoughts from the  
21 panel members?

22 MR. CROWDIS: I think what we've found is  
23 that as the skids are getting greased over the early  
24 part of the decade, and quite frankly the Chinese  
25 industry, I think, has demonstrated that they have got

1 decent or a similar kind of quality products that we  
2 have, and they are able to, in whatever way -- you  
3 know, from a far, to find out a way of shipping in and  
4 satisfying the needs of many customers.

5 Not everyone probably, but many customers.  
6 So it ends up coming down to price.

7 MR. BERNSTEIN: Mr. Henderson, it looked as  
8 if you might have something to say.

9 MR. HENDERSON: Yes. I think just to give  
10 it some scope. Keep in mind that the advantages that  
11 Ms. Johnson makes a comment about, and the logistical  
12 issues that were referred to earlier, I mean, in spite  
13 of those clear advantages, we have seen markets just  
14 absolutely be overwhelmed by the Chinese. It just  
15 shows the impact of price.

16 If you plug some numbers into that, and you  
17 are that same buyer, and you come in and you want this  
18 widget. You want to buy a truckload of it, 40  
19 thousand pounds, and in this case you see that 25  
20 percent savings that Mr. Brown reported, and the price  
21 was two dollars, that is 50 cents on that truckload,  
22 that is \$20 thousand.

23 I mean, is it worth \$20 thousand to have a  
24 personalized salesman come and help you draw your  
25 drawings, and the answer is clearly no. There we have

1 it.

2 MR. BERNSTEIN: Okay. Let me ask one  
3 question. I will ask a final series of questions,  
4 which is essentially on a legal issue, but I will try  
5 and start off by asking it to the industry witnesses  
6 in a non-legal way.

7 There has been testimony -- and I know that  
8 Ms. Woodings indicated in her presentation, and I  
9 think perhaps a few of the industry witnesses did,  
10 that the industry is having some difficulties of the  
11 overall economic conditions in the U.S.

12 They are involved in a lot of sectors where  
13 demand is declining, and this would have had some  
14 adverse affects on you, regardless of whether the  
15 Chinese product came in or not. The question that I  
16 would like the industry witnesses to attempt to answer  
17 if you can, if you can give your thoughts on how you  
18 believe the problems you are incurring is because of  
19 the Chinese imports, or are different in nature or  
20 magnitude, or character, than declines that you would  
21 have faced anyhow due to economic conditions.

22 And once could certain envision that if  
23 demand is declining in the U.S., there would be  
24 competition within the industry to get the remaining  
25 customers. There would be price competition there,

1 and you all might have some degree of pricing  
2 difficulties simply because of that.

3 How do you perceive again the problems that  
4 you are getting from the Chinese imports to be  
5 different in kind?

6 MR. BROWN: Let me comment on that. I have  
7 been involved in the industry for about 15 years, and  
8 this is an industry that is used to fairly extreme  
9 cycles. Seeing an eight percent downturn, a 10  
10 percent downturn, maybe a 15 percent downturn, is not  
11 that extreme over that time frame.

12 Partly that is demand, and partly that is  
13 destocking, and that tends to come up equally  
14 dramatically in many cases. When I joined the  
15 industry, one of the things that somebody told me is  
16 that this industry goes through cycles.

17 And the key thing is that when times are  
18 good, we make enough money so that we are still there  
19 after the times are bad. That is the way that the  
20 industry has operated. The other thing was that we  
21 run five days a week to keep the doors open, and we  
22 make money on Saturday.

23 So you don't make money unless you are  
24 running at high volume. The concern that I have, that  
25 we have, as we go through this cycle, is that recovery

1 which is so vital to keeping this industry stable, and  
2 dramatic going forward, the opportunity for that is  
3 being greatly reduced by the price and the share  
4 actions that we are seeing right now. So my question  
5 is what happens when the next downturn occurs, and  
6 will this industry be strong enough.

7 MS. JOHNSON: As an industry, we feel like  
8 we are trying to hold back. We are being swamped.

9 MR. HENDERSON: And directly to your  
10 question, the cat fight that we have amongst ourselves  
11 for that domestic share that is still available is  
12 more intense as a result of these imports. They  
13 essentially have grabbed 10 to 15 points in market  
14 share in the last few months, which has intensified.

15 So whatever the effects that would have been  
16 without them, they are much greater with them, and  
17 that is really the reality of what we have found. 10  
18 to 15 points of additional market share that they have  
19 taken in recent times and a price in a market that is  
20 2-1/2 billion pounds, is give or take 300 million  
21 pounds.

22 That is 10 extrusion plants worth of volume  
23 in a decent year. That is a lot. That's a lot.

24 MR. BERNSTEIN: Okay.

25 MS. JOHNSON: We have seen China pricing

1 below the cost of metal, and we all sit and scratch  
2 our head, and wonder how that works. You know, the  
3 U.S. producers, we are in a predicament certainly  
4 because of the economic downturn, but they are not  
5 irrational.

6 MR. BERNSTEIN: Thank you, and Mr. Jones, I  
7 will ask you in your post-conference submission to --  
8 I will now ask a legal question in a legal way. As  
9 you are aware, our reviewing courts and the Commission  
10 itself has had things to say the need to find a  
11 requisite causal link between the injury or threat of  
12 injury that the domestic industry may be experiencing,  
13 and the subject imports, where they are also other  
14 factors in the market that may be hurting the  
15 industry.

16 And I think the Petitioners here seem to be  
17 acknowledging that demand declines is one of them, and  
18 if you could address in your post-conference  
19 submission a legal -- you know, make a legal argument  
20 why you believe that there is the requisite causal  
21 link there between the imports and the difficulties  
22 and injury that industry is experiencing. With that,  
23 I have nothing further. Thank you.

24 MS. DEFILIPPO: Thank you, Mr. Bernstein.  
25 I'll next turn to Mr. Fetzer.

1 MR. FETZER: Thank you. Jim Fetzer, Office  
2 of Economics. I would like to thank everybody for  
3 coming today and enduring all of our questions. This  
4 is a new industry for us and so we are just trying to  
5 figure out what is going on.

6 So some of my questions have already been  
7 asked, but I have a few to go. One is on cost share  
8 of aluminum in the final end product, and I took a  
9 preliminary look at the questionnaire responses that  
10 we have gotten, sorting out what I thought were the  
11 usable answers.

12 I seem to get the impression that it was on  
13 the low side, maybe 20 percent or less, and in some  
14 cases less than one percent. But there was some  
15 testimony earlier, I believe, by Mr. Brown that  
16 aluminum is a high share of the cost of end use  
17 product. So I just wanted to maybe clarify that.

18 MS. JOHNSON: We add a tremendous amount of  
19 value. We are a high value added extruder, and our  
20 average cost of goods sold, the percent of aluminum  
21 is in the 45 percent range.

22 MR. FETZER: I'm sorry, you mean of the -- I  
23 am looking for the cost share of the aluminum  
24 extrusions as a cost of those as a share of the final  
25 product that are coming out downstream. So is that

1 generally, or would that also be very high?

2 MR. BROWN: That will vary widely. You  
3 know, for example, there are applications like  
4 electrical conduit, where the extrusion can represent  
5 85 percent, or 90 percent, of the costs that conduit  
6 seller incurs.

7 There are other applications -- and let's  
8 say a storm door -- where the aluminum extrusion can  
9 be 25 percent. A classic truck tractor, maybe it is 5  
10 percent. Being a custom industry, we sell into so  
11 many diverse end markets that it is hard to come to a  
12 conclusion.

13 MR. FETZER: Okay. I appreciate that. We  
14 do run into that where there is a wide range, but I  
15 just wanted to see if we could narrow it down, from 85  
16 down to 5 percent.

17 MS. WOODINGS: Mr. Fetzer, one thing that  
18 you might want to take into consideration is that  
19 individually extruded parts may be a smaller portion  
20 of, say, a window. But when you combine the number of  
21 extrusions and the quantity of extrusions in a window,  
22 that is more significant.

23 So it is in-part how you define whether a  
24 company is supplying a particular -- and I used the  
25 example of a window, but in a building, and a

1 particular part may be a small part inside the whole  
2 building, but the aluminum infrastructure within the  
3 building can be quite significant.

4 MR. FETZER: Okay. I appreciate that.  
5 Substitutes. Looking at the questionnaire responses,  
6 it looks like about two-thirds of the responses say  
7 that there is no substitutes, but the other third  
8 mention that in some cases steel, copper, vinyl, could  
9 be used as substitutes.

10 Any comments from the panel in terms of the  
11 viability of substitutes for -- substituting other  
12 products for aluminum extrusions?

13 MR. BROWN: Given the engineering content in  
14 a lot of our products, they are not really immediate  
15 substitutes. There can be substitutes over a longer  
16 period of time, and that goes both ways. For example,  
17 aluminum extrusions have displaced steel in a variety  
18 of automotive applications over the last 4 to 5 years.

19 Right now much of the framing for large  
20 scale solar arrays is still steel. We are moving in  
21 to penetrate that market based on a variety of  
22 attributes that we have, and we are substituting for  
23 steel over time.

24 Similarly, in the residential window  
25 industry, 15 years ago, vinyl was a major factor and

1 displaced a great deal of aluminum. But to say that  
2 there is significant substitution going on, on a short  
3 term basis, would be very rare.

4 MR. FETZER: So it would need to go through  
5 the product development cycle, I guess, over time has  
6 become an accepted thing, but someone wouldn't just  
7 say, oh, yes, aluminum or steel will work. Steel or  
8 copper is a little bit cheaper, and so let's just  
9 switch. They would have to maybe switch and stick  
10 with that for a while?

11 MR. BROWN: There are engineering costs.  
12 There are tooling costs. There is inventory  
13 liquidation costs. It is not a trivial exercise,  
14 except in some commodity pipe or something like that,  
15 where there may be a fairly close substitution, but  
16 that would be very rare.

17 MR. CROWDIS: Yes, there is some very small  
18 applications, and one that comes to my mind is high  
19 tension cable connectors, and they flip back and forth  
20 between steel and aluminum on a monthly basis, and  
21 they would set up for that. That is a rare, and it is  
22 a small, situation.

23 MR. HENDERSON: We would like to add to  
24 that, because I suspect that we were on the one-third  
25 of that. The context in which we answered about vinyl

1 was more in the history of usage. Certainly in the  
2 recent years any switching that took place in the  
3 billet construction market towards vinyl took place in  
4 the '80s and '90s, and now we don't see that.

5 And in order for that to actually take  
6 place, you know, given an OEM would virtually have to  
7 convert their entire product line. It is not just  
8 take out the aluminum and put the vinyl in. That just  
9 is not practical. So we wanted to make that  
10 clarifying statement, because it might have added  
11 confusion.

12 MR. FETZER: No, I appreciate that.  
13 Thanks. Turning to business cycles. I think that Mr.  
14 Crowdis made a comment about the fact that there is  
15 cycles in this industry, or I'm sorry, maybe Mr.  
16 Brown.

17 And looking at the questionnaire responses,  
18 there were a lot of producers and importers who said,  
19 yes, there are business cycles, although there was a  
20 variety of answers, in terms of describing, and some  
21 people said it followed GDP, or it was seasonal, in  
22 terms of the winter being different than the summer,  
23 in construction.

24 Is there a standard cycle or does it vary as  
25 Ms. Johnson said earlier? That it is a diverse

1 industry, and maybe there is different cycles for  
2 different types of products? So I would be interested  
3 if anybody on the panel wants to reply to that?

4 MR. CROWDIS: It's what I would call both a  
5 seasonal and a cyclical business. I think you need to  
6 separate those out. The seasonality of our business  
7 between summer and winter is whether there is either a  
8 strong or a weak economic cycle.

9 In the sort of December through the end of  
10 January and February time period is always down  
11 relative to the second or third quarter. That is the  
12 building construction, and that is sort of the growth  
13 period across the seasonality, particularly in the  
14 northern part of the United States.

15 So that happens every time, regardless of  
16 cycle, and then the economic cycle, we are very  
17 connected to. I guess I am not an economist, and I'm  
18 sure that some economists say that is the perfect  
19 oscillation of some sort, but I am not sure what it  
20 is, but we do follow that economic cycle of the  
21 country.

22 MS. JOHNSON: We make boat trims, like boat  
23 windshields. If you have been on a boat, a 30 foot  
24 and under, you have seen that along the windshield.  
25 There has not been a lot of demand for boat windshield

1 metal over the last couple of years.

2 But there is the solar side and so some of  
3 the products have cycles that are opposite each other.

4 MR. FETZER: Okay. So the products  
5 themselves can have a lot of different end-users here,  
6 and so the cycles could vary depending on what demand  
7 is for those products?

8 MS. JOHNSON: Yes, we have seen Class A  
9 truck demand go up immediately preceding engine fuel  
10 economy standards going into effect. The producers of  
11 Class A trucks, you know, increase their production  
12 immediately before that because they are tooled up to  
13 produce that particular kind of vehicle.

14 MR. FETZER: Thanks. Any other thoughts on  
15 that?

16 (No response.)

17 MR. FETZER: Okay. I believe there was  
18 testimony earlier that -- and maybe this was Mr. Brown  
19 -- that in terms of the design phase that there might  
20 be different companies -- that if someone comes to you  
21 with a design, and they are also talking to somebody  
22 else.

23 But to your knowledge do your purchasers  
24 tend to like to have multiple sources to make sure  
25 that they have reliable supplies, and where in some

1 industries where one particular line of supply might  
2 go down?

3 So, I mean, they consult with multiple  
4 different suppliers, but do they tend to insist on  
5 multiple suppliers for their products?

6 MR. BROWN: We see many companies that do.  
7 They want to have a primary supplier and a backup  
8 supply. We see others who are moving to eliminate  
9 secondary suppliers because they believe that it is to  
10 their advantage to have a closer relationship with a  
11 single supplier, and ensure stability in some other  
12 ways.

13 But I would say that if I think about our  
14 own portfolio, there are a variety of situations where  
15 we are the only supplier of extrusion. There are also  
16 a lot where we play between the 20 yard lines.

17 MR. FETZER: Okay. Thanks. In terms of  
18 Chinese and U.S. product, there is testimony, I  
19 believe, at least from this panel that the quality is  
20 pretty similar between the U.S. products and the  
21 Chinese products. Is there any other thoughts on  
22 that?

23 (No response.)

24 MR. FETZER: Okay. In terms of -- and I  
25 have looked through some of the questionnaire

1 responses, and also some of the lost sale responses,  
2 and we obviously can't get into any specifics, but the  
3 issues of different specifications has come up, and  
4 the availability of different products.

5 Some purchasers are saying, well, I can't  
6 always get products to my specifications from a  
7 particular supplier, or maybe types of products that  
8 are maybe thin, or long, or has some type of holes in  
9 it.

10 Do you know of any products particularly  
11 that aren't available from U.S. suppliers that the  
12 Chinese made, or vice versa, that U.S. producers make  
13 for the U.S. market that the Chinese can't supply,  
14 that you could talk about?

15 MR. CROWDIS: I don't know of any, Mr.  
16 Fetzer. I would say none. I certainly have a number  
17 of examples where what the customer wanted, we  
18 couldn't even come close to the price. So it is not  
19 an ability perspective, and it is not a capability  
20 perspective. It is strictly price.

21 MR. FETZER: Okay. Any other thoughts on  
22 that?

23 MS. JOHNSON: This industry has been around  
24 since like World War II, and we have learned a lot  
25 along the way. I mean, this is a highly competent

1 industry. I couldn't see there being products  
2 available elsewhere that we can't produce here.

3 MR. FETZER: Thank you. In terms of lead  
4 times, I guess since -- well, are lead times generally  
5 longer from China, I believe? Is that a fair  
6 statement? And do you find that you have customers,  
7 some customers that matter more than others?

8 Are there some that may need to have  
9 products within a short lead time, and they are going  
10 to have to come to you, or whereas others may have m  
11 ore flexibility and be able to take on a longer lead  
12 time from China?

13 Or is it pretty much that most customers are  
14 the same in regards to that?

15 MS. JOHNSON: Well, the initial lead time  
16 would be long, but once that pipeline is filled, the  
17 lead time becomes irrelevant except for product  
18 obsolescence, redesign, and that kind of thing. What  
19 I mean is that once you have passed that initial --  
20 whatever period it is, 18 weeks to source from them,  
21 if that pipeline is full, there is boats on the water  
22 with product in them, then it is a continual supply.

23 MR. FETZER: Is that because once you make  
24 the order, then -- well, I'm sorry.

25 MR. BROWN: I don't know a customer today

1 for whom lead time is not important. Our customers  
2 are still extraordinarily nervous about the nature of  
3 any recovery, and the last thing they want is  
4 inventory. They are under very tight capital  
5 requirements.

6 So the thing that we are hearing daily is  
7 get it to us faster. Now either we can produce it  
8 quickly, or alternatively, we can have it sitting in a  
9 warehouse and you can still get it to them quickly.

10 So that is the alternatives. We will say we  
11 will produce it, and we will figure out how to get it  
12 to you within a matter of days. If they are being  
13 supplied by an importer, it may be coming out of a  
14 warehouse.

15 MR. FETZER: And to Mr. Brown's point, where  
16 he stated that the subject imports have penetrated the  
17 market and have been adept in doing so because they  
18 built logistically networks in the United States to  
19 facilitate that penetration.

20 There are importers in the United States,  
21 such as Peng Cheng, which has an affiliated producer  
22 in China, and we have in our petition in Exhibit 12,  
23 an article in which Peng Cheng's operation are  
24 discussed in great detail.

25 And one that in this article prominently

1 mentioned is the operation of warehouses. You know,  
2 Peng Cheng is located in Southern California, and the  
3 operation of the Peng Cheng aluminum warehouse is in  
4 the Atlanta area.

5 So with lead times, subject imports have  
6 been able to eliminate that advantage through  
7 warehousing throughout the United States, and even  
8 miles and miles from the port of import entry.

9 So you are saying they are pretty much  
10 similar lead times. Once the product is obviously  
11 developed, and brought over; is that correct?

12 MR. JONES: That's correct.

13 MR. FETZER: Have there been any instances  
14 since or during our period of investigation, which I  
15 believe starts in 2007, where you weren't able to  
16 supply products? Maybe your lead times had to be  
17 extended for some reason, or were longer than usual,  
18 that you could discuss publicly?

19 MR. CROWDIS: Well, certainly over the time  
20 period that we are talking about, I can't think of  
21 one.

22 MR. FETZER: Okay. Mr. Henderson?

23 MR. HENDERSON: The same answer.

24 MR. FETZER: Thank you. Okay. Do you  
25 require minimum purchases from your purchasers? I

1 mean, obviously with development, I would assume that,  
2 and does it differ any from the Chinese suppliers to  
3 your knowledge, in terms of what the --

4 MS. JOHNSON: That's one of the ways that  
5 the smaller extruders differentiate themselves from  
6 the bigger guys, and that we don't in many cases don't  
7 require a minimum balance if the customer is willing  
8 to pay for it.

9 MR. BROWN: We typically as part of our  
10 pricing specify a minimum order per die, and how that  
11 compares to Chinese practice, I couldn't tell you.  
12 But those minimums are there, and sometimes there is  
13 an up charge if they go below those minimums.

14 But just the efficiency of our internal  
15 operations, putting dies into a press, and taking them  
16 out, and changing a press over, you have got to be  
17 able to recover that cost.

18 MR. FETZER: Thanks. Actually, those are  
19 all my questions. Thanks for your responses.

20 MS. DEFILIPPO: Thank you, Mr. Fetzer. We  
21 will now turn to Mr. Boyland.

22 MR. BOYLAND: Thank you for your testimony.  
23 Just a couple of questions. Mr. Brown, you referred  
24 to the billet premium in your discussion with Russell.  
25 I just wanted to clarify. Billet premium is getting

1 the ingot to a billet form, and that is all the costs  
2 associated with transforming it into a billet?

3 MR. BROWN: Yes, it's the cost of alloying  
4 elements of melting it, of casting it into a log or a  
5 billet, yes, and cutting it.

6 MR. BOYLAND: And you said that was 8 to 10  
7 cents as a general practice?

8 MR. BROWN: Yes.

9 MR. BOYLAND: And in terms of casting, I am  
10 more familiar with the steel industry, electrical arc  
11 furnace. Is that how billets are cast, starting off  
12 with an ingot?

13 MR. CROWDIS: We use natural gas fire  
14 generally, or oil fire derivatory furnaces.

15 MR. BOYLAND: Okay.

16 MR. CROWDIS: And casts, and that is  
17 something that we melt in, and we mix it all up, and  
18 cast it into those furnaces.

19 MR. BOYLAND: So that is the standard for  
20 the industry? Okay. So would it be fair to say that  
21 was the primary energy source during the period that  
22 we are looking at, and fluctuations in costs, and  
23 energy costs, would be primarily the natural gas to  
24 convert?

25 MR. CROWDIS: For a caster that would be the

1 case, as well as that obviously impacts the billet  
2 premium if you were to buy it. It affects no matter  
3 who is casting it, whether you cast it yourselves or  
4 someone else does.

5 MR. BOYLAND: So the billet premium is going  
6 to go up and down, depending on --

7 MR. CROWDIS: Yes, over that period.

8 MR. BOYLAND: Now, Mr. Crowdis, you referred  
9 to the new press that I believe was installed in a  
10 Tennessee facility.

11 MR. CROWDIS: Tennessee, that's correct.

12 MR. BOYLAND: And does the Tennessee  
13 facility have a casting?

14 MR. CROWDIS: Yes, it does.

15 MR. BOYLAND: It does?

16 MR. CROWDIS: Yes.

17 MR. BOYLAND: So all three facilities  
18 produce --

19 MR. CROWDIS: No, we have two cast  
20 facilities, one in Georgia and one in Tennessee, and  
21 the Tennessee facility supplies billet to our  
22 Kentland, Indiana facility. It is a three press  
23 operation. It would be difficult to warrant a third  
24 cast facility. We can do all of our own needs if we  
25 need to.

1           MR. BOYLAND: With respect to the  
2 engineering costs that Marc was referring to, the  
3 design of the die, and the engineering support, are  
4 those costs passed through directly to the customer,  
5 or is it something that essentially companies incur  
6 and try to pass through in the price itself?

7           Is there any direct mechanism for passing  
8 through engineering?

9           MR. BROWN: In some cases there is, or the  
10 die costs particularly on a large complex program,  
11 there will be a discussion of what the total tooling  
12 cost is, and how that cost can be recovered. But more  
13 often than not the engineer costs component is  
14 absorbed by the company.

15          MR. BOYLAND: Okay. So if you ultimately  
16 don't get the order, all those costs are essentially  
17 expensed and that's it?

18          MR. BROWN: Yes.

19          MR. BOYLAND: Okay.

20          MR. CROWDIS: The only exception would be is  
21 in the automotive business. Automotive OEMs are more  
22 -- well, typically, they will look at engineering and  
23 other costs associated with prototyping and getting  
24 started. But in the bulk of our industry that is not  
25 the case.

1           MR. BOYLAND: Okay. Again, this is sort of  
2 a general question, but when we look at the average  
3 sales value during a period, we are obviously  
4 aggregating a number of different companies dividing  
5 the total volume by sales, and we get an average.

6           And the testimony today suggests that a  
7 large part of the period-to-period change in average  
8 sales values could be essentially the aluminum  
9 component, notwithstanding pressure from other  
10 sources.

11           But is that fair to say that when we look at  
12 the average sales value during this period, it is not  
13 a product mix issue as much as it is aluminum? I  
14 mean, if there are changes in product mix, were there?

15           MR. CROWDIS: I think what you are looking  
16 at is an aggregate for the size of the Petitioners'  
17 volume. That is very fair to say.

18           MR. BOYLAND: I mean, realizing that there  
19 is going to be some variability from period to period.

20           MR. CROWDIS: And within any company that is  
21 maybe the case, but not total industry.

22           MR. BOYLAND: And I think this is my final  
23 question, but I believe the testimony that Ms.  
24 Woodings gave originally suggested that the industry  
25 starting off the period that we are looking at was

1 already essentially suffering, and I guess I just  
2 wanted to kind of clarify that the margin that we  
3 calculate, the operating income margin, is still sort  
4 of in flux because we are calculating new companies  
5 that are coming in essentially.

6 But the margin itself, should we look at  
7 that as sort of a -- 2007 was a poor period to begin  
8 with, and not --

9 MS. WOODINGS: 2007 was definitely down in  
10 billeting construction because it was a decline that  
11 started in 2006, but I would also point to the fact  
12 that there was price pressure on Chinese imports  
13 during that period.

14 MR. BOYLAND: I guess my point was mainly  
15 that when people look at the numbers, they see the  
16 trend. It would be fair to say that '07 should not be  
17 looked at as a benchmark for, well, this is what the  
18 industry would typically be shooting for?

19 MS. WOODINGS: I'm turning to the industry  
20 analyst and the witnesses to see if they considered  
21 2007 to be a particularly banner year.

22 MR. CROWDIS: If you look in our case, in  
23 Bonnell's case, absolutely, because not everyone is in  
24 the residential market, but certainly anyone that was  
25 in the residential market, they started feeling the

1 effects in 2007, and so that would not be the year  
2 that I would put up as a benchmark to shoot for.

3 MR. BOYLAND: And just stepping back, I  
4 realize that there are a number of different companies  
5 being combined to generate a single number. So I  
6 realize that it is not going to be the same for every  
7 single company.

8 But I guess I just sort of wanted to make it  
9 clear that we are going to look at a trend in '07, and  
10 clearly from everything that has been said today would  
11 not appear to be a standard that you would want to  
12 shoot for essentially.

13 MS. WOODINGS: And just keep in mind, of  
14 course, that when housing starts to turn down, it also  
15 has an effect on the consumer durables market to the  
16 extent that people quit buying equipment or machinery,  
17 washing machines and all these different pieces of  
18 equipment or appliances, that would be associated with  
19 a residential construction project or industrial.

20 MR. BOYLAND: Thank you. That's all the  
21 questions that I have.

22 MS. DEFILIPPO: Thank you, Mr. Boyland.  
23 I'll now turn to Mr. McClure.

24 MR. McCLURE: First of all, I want to thank  
25 you for your testimony, your answers, and for making

1 the trip to Washington. I do want you to all go back  
2 home and tell how you observed that the government is  
3 saving taxpayers money by not feeding you at the  
4 hearing.

5 (Laughter)

6 MR. McCLURE: I apologize for the lack of --  
7 I do have just a few questions. And I don't know how  
8 much you know about the various import operations. We  
9 sent out a boatload of importer questionnaires. Now,  
10 obviously, in a few minutes, we're going to have  
11 testimony from Peng Chang. Is it your experience that  
12 the importer operations that bring in product are a  
13 fairly concentrated group of -- a few firms, say,  
14 would account for maybe 75 percent of imports, and  
15 then just a whole bunch of smaller operations?

16 MS. WOODINGS: Besides looking at the -- and  
17 you have your own sources in timely using a source  
18 like PIERS to identify volume. We have certainly  
19 looked at PIERS to identify some high-volume  
20 producers. We can have HTS categories. But this is  
21 an indication that there are some high-volume  
22 importers. That's the -- that has got to be the half.  
23 And so I will be as interested as you are in looking  
24 to see what actually comes in in questionnaire  
25 responses.

1           MR. McCLURE: Is it your view that you're  
2 competing against a few high-volume importers or --

3           MR. JONES: I don't think that question is  
4 for me, but --

5           MR. McCLURE: No, no.

6           MR. JONES: -- if you know -- you know, one  
7 of the problems, of course, that we have is, you know,  
8 PIERS is a source of information. PIERS is of varying  
9 reliability. Sometimes it can be very accurate,  
10 sometimes not. We have the official imports  
11 statistics. We can do, and we did do, a port-by-port  
12 analysis, by month of imports. And we tried to  
13 identify the HTS classification numbers, where most of  
14 the subject merchandise should be classified.

15           I think that what -- I suspect -- and I  
16 haven't had a chance to look at the importer  
17 questionnaires, but I suspect that there will be  
18 subject imports being classified in other categories.  
19 And we're going to take a close look at that and try  
20 to quantify that, or help quantify that, because we  
21 think -- I think anyway -- that the official import  
22 statistics that we provided in the petition are  
23 understated. And we're going to be taking a closer  
24 look at that to see if there are other imports that we  
25 can find out there because it is a diverse scope, it's

1 a broad scope, it's a diverse scope, and we think  
2 there are probably subject imports being classified  
3 elsewhere.

4 MR. McCLURE: Okay. Getting back to the  
5 guys who are on the front lines, though, are you  
6 running into many importers who are competitors, or do  
7 you continually run into the same few large operations  
8 as your experience?

9 MR. BROWN: If I could speak for our  
10 experience, I think there are a couple of names that  
11 keep cropping up, but then there are a variety of new  
12 ones. And very often, it is unclear to our sales  
13 people whether they are talking about a manufacturer  
14 in China, whether they are talking about an importer.  
15 Not surprisingly, customers are not always fully  
16 forthcoming. So sometimes we just get information  
17 that it's China.

18 MR. McCLURE: And this is the price.

19 MR. BROWN: But it is a very diverse --  
20 there are a lot of names, and we'll say, who is that,  
21 haven't heard of them before.

22 MR. CROWDIS: I think that is very well  
23 said. That's exactly our experience. There are some  
24 names that pop up, the ones that are commonly known,  
25 and they are sort of represented with the customers in

1 those names. But there are a bunch of others that  
2 we've -- you know, that just seem to come out of the  
3 woodwork. So I think Lynn is has wrapped that up very  
4 nicely.

5 MR. McCLURE: Do the ones that come out of  
6 the woodwork tend to be if the product gets more and  
7 more specialized, maybe you could --

8 MS. JOHNSON: Well, they are all brokers  
9 also.

10 MR. McCLURE: Right.

11 MS. JOHNSON: Yeah. It's difficult to know.

12 MR. McCLURE: To know who, okay. As far as  
13 importer operations, do them most of them bring in the  
14 product, and it just goes straight to the end user, or  
15 do you encounter a large number who are bringing in to  
16 fabrication, and then send it on? What is the general  
17 view of that? Are they fabricating after it gets  
18 here, or does it come in with some fabrication and go  
19 to the --

20 MS. JOHNSON: I might as well just throw the  
21 whole thing out here. In the solar panel example I  
22 gave you, we are extruding the metal, anodizing the  
23 metal, and doing full fabrication ourselves, including  
24 granite block testing because there can be no twist  
25 involved. The fabricator in the U.S. is importing

1 Chinese extrusions doing the secondary fabrication,  
2 and selling to the same end customer.

3 MR. McCLURE: Okay.

4 MR. CROWDIS: Our experience is probably a  
5 little different than that. Our experience is it  
6 comes in and goes to the out customer, and they use it  
7 in the same form as we would have shipped it to them,  
8 and they use it like that.

9 MR. McCLURE: So a difference for the bigger  
10 guys as opposed to the smaller guys. Any one of you  
11 can answer this. As far as non-subject imports, what  
12 -- obviously, Canada; I assume there is a fair amount  
13 of product coming in from Canada. What other non-  
14 subjects have any kind of presence in the U.S. market?

15 MR. BROWN: Well, you're exactly right.  
16 Canada would be the biggest trading partner.

17 MR. McCLURE: Right.

18 MR. BROWN: And, of course, that is going  
19 both ways. We're sending extrusion to customers  
20 located in Canada, so we that fair bit of cross-border  
21 trade there. We see some coming in from Europe, but  
22 that tends to be in our experience mainly very  
23 specialized products, often imported by European  
24 companies who have established operations here. We  
25 see some materials coming in from South and Central

1 America into Florida and some other markets. But, you  
2 know, so it comes from a variety of different sources,  
3 but not with the concentration and not with the volume  
4 that we are seeing here, or the pricing that we're  
5 seeing here.

6 MR. HENDERSON: Sapa has operations in  
7 Canada, and we ship both ways across the border, and  
8 mostly it's driven just by the capabilities of those  
9 given plants feeding, you know, kind of the regional  
10 market along the border. Price and cost are pretty  
11 much a push.

12 MS. JOHNSON: And we export.

13 MR. McCLURE: I'm sorry, what?

14 MS. JOHNSON: And we export. We export to  
15 Canada, Australia, and some products to Germany.

16 MR. McCLURE: Mr. Crowdis, you indicated  
17 that Bonnell had some Canadian properties.

18 MR. CROWDIS: Yes.

19 MR. McCLURE: That they have sold. And was  
20 it the same for you, that it went both ways?

21 MR. CROWDIS: Absolutely, absolutely. We're  
22 no longer doing it, through a non-compete we have  
23 through the acquisition, but absolutely, when we had  
24 those facilities.

25 MR. McCLURE: Okay.

1           MR. JONES: Mr. McClure, if I could just  
2 add, it is striking when you look at the import  
3 statistics that the volume of non-subject imports is  
4 down during the period from every non-subject source,  
5 and the contrast with China is striking.

6           MR. McCLURE: I had noticed that.  
7 Ms. Johnson, just to get a handle on large versus  
8 small, I guess my question is how small is small. I  
9 mean, in the pantheon of going from large down to  
10 small, you characterize yourself as a smaller  
11 producer. Obviously, you are. But if we just  
12 segregate the smaller producers, are you in the high  
13 end of the food chain, and there are --

14           MS. JOHNSON: No, we're not. We're very  
15 representative.

16           MR. McCLURE: Of the size of --

17           MS. JOHNSON: Of the size.

18           MR. McCLURE: -- what you would characterize  
19 as a small --

20           MS. JOHNSON: It doesn't get much smaller.

21           MR. McCLURE: Okay.

22           MS. JOHNSON: Two-plus operation. We happen  
23 to have two facilities, but we call it, you know,  
24 single plant.

25           MR. McCLURE: Okay. Well, now I know how

1 small small is. One last thing -- and I think maybe  
2 this would go to you or Mr. Jones, talking about the  
3 impact of the LME price. Do I get the sense that it's  
4 your view that the Chinese just basically ignore the  
5 LME price? I know there was some mention in the  
6 petition about the Shanghai Metal Exchange and the  
7 allegation at least that the Chinese government had  
8 intervened there. What is the difference, let's say,  
9 between the Shanghai Metal Exchange and the London  
10 Metal Exchange?

11 MS. WOODINGS: Mr. Jones is going to discuss  
12 the difference to the extent that we're able to do  
13 that right now. I did want to add one point. It may  
14 be what you're seeing -- because beyond what is  
15 discussed, it is the most common reference tool by  
16 U.S. producers. And so you may be seeing  
17 conversations or contacts between importers and  
18 customers that reference use of the LME. That doesn't  
19 mean that they are paying that price. But it could be  
20 used as a reference tool in pricing. But again, it  
21 doesn't mean that that's the price that China is  
22 paying.

23 MR. JONES: Ms. Woodings said pretty much  
24 what I was going to say. And I think Mr. Brown said  
25 it in his response to an earlier question. We don't

1 know what the Chinese are paying for metal. It seems  
2 to us, based on the prices that customers are telling  
3 us and what is being quoted to us that, you know,  
4 we're at a loss to explain how they can ship extrusion  
5 to the United States if they are paying the same price  
6 for metal that U.S. producers are paying.

7           And it is important also to note that really  
8 where the squeeze is taking place, even if they were  
9 paying the same price for metal -- and we don't know  
10 that they are. But even if they were, the prices are  
11 causing U.S. producers to reduce their margin. You  
12 know, you have got your metal price, and then you've  
13 got the fabrication cost, the cost to extrude, finish,  
14 and fabricate, pack, and ship, and so on. That's  
15 above the metal cost. And these ridiculously low  
16 prices that are being quoted from China are causing  
17 that fabrication cost to squeeze, and the producers  
18 are being forced to lower that aspect of the price  
19 that they're charging and the dependent prices that  
20 they are quoting in order to get business.

21           And in fact, if that fabrication cost gets  
22 too low, they'll just walk away. They will not be  
23 able to take the business. And that's what we've  
24 heard from folks on the panel, but also, and more  
25 broadly, from others throughout the industry.

1           MR. McCLURE: Thank you. I do have one  
2 question, and it is just out of idle curiosity. And  
3 somebody may have given an example. What would be an  
4 example of the hollowed extrusion? I mean, what is  
5 that used in?

6           MR. HENDERSON: Typically aerospace. You'll  
7 see a lot for airplanes, and some automotive. But we  
8 think about it in that way, and some defense  
9 applications on occasion. But mostly aerospace.

10          MR. CROWDIS: Aerospace, marine, military  
11 applications. Those kinds of things, very  
12 specialized, very specialized.

13          MR. McCLURE: That does it for me. Again,  
14 thank you for coming. Thank you for, as someone said,  
15 enduring all these questions. It has been very  
16 instructive.

17          MS. DeFILIPPO: Thank you, Mr. McClure. And  
18 as usual, staff has had a lot of very good questions.  
19 And as a cleanup hitter, I try to cross them off my  
20 list and make sure I don't repeat, but I apologize in  
21 advance if I do duplicate. I do have a couple, but  
22 again, you have been answering questions for a long  
23 time. So I will try to be brief in them.

24          A couple of questions following up on some  
25 of what staff asked in terms of the custom business

1 with the dyes in terms of -- I understand there is  
2 sort of a period where you're discussing and going  
3 through, looking at the dye. Once you actually get  
4 that business, and you are now supplying that person,  
5 who does the dye belong to? Is it yours or is it the  
6 customer?

7 MR. BROWN: Typically, our agreements are  
8 that we own the dye. We are responsible for  
9 maintaining and replacing that dye. But the design --  
10 the product is proprietary to that customer. So we  
11 cannot produce an item off of that design, off of that  
12 dye, for anyone else.

13 MS. DeFILIPPO: And the flip side then, if I  
14 am the customer and I have the design, and I own that,  
15 and you own the dye -- I guess I'm trying to get at  
16 how easy is it for me to switch to buying from someone  
17 else. I clearly could take the design to someone  
18 else, but I can't take the design from you and go  
19 elsewhere?

20 MR. CROWDIS: Yes. I mean, you need someone  
21 else to listen to. And my answer I know would be the  
22 same as Lynne's. You know, the steel is ours; the  
23 proprietary shape is theirs. They could take that  
24 shape and draw it up, and they could actually take our  
25 dye drawing and just blank out the name of the

1 supplier -- and they do this all the time -- and then  
2 send it off to extruder XYZ and say, you know, give me  
3 a quote on that. And if you have got \$1,000 generally  
4 for a dye, that other extruder can be in business.  
5 It's very simple.

6 MS. DeFILIPPO: And on the flip side, I  
7 guess, if you didn't win, you know, the business of  
8 that particular custom extrusion product with the  
9 custom dye, do you have another bite at the apple  
10 anywhere down the line? Do you keep trying to pursue  
11 that business, or do you know that -- you know, are  
12 there other opportunities for you to perhaps win back  
13 that business?

14 MR. CROWDIS: We'll always try. We're pit  
15 bulls when it comes to business, no matter who we're  
16 competing with. So yes.

17 MS. DeFILIPPO: In some of the discussions  
18 today about how you actually get to the price and how  
19 the price is negotiated and set, it sort of reminded  
20 me of a case we did recently on copper piping tube,  
21 where there was a copper price. And really, all that  
22 was on the table for negotiation was that fabrication  
23 price. So that's kind of how I was hearing this, but  
24 I wanted to make sure I was understanding correctly.  
25 When you are negotiating the LME price for the

1 aluminum, is that sort of a given, and really what  
2 you're working with the customer on is the  
3 fabrication? Or do you talk in terms of total price  
4 of the product?

5 MR. BROWN: A lot depends on the customer.  
6 A small customer for whom the extrusion is not a big  
7 component, they just say, give me a price, and, you  
8 know, we'll come back and talk about it next year.  
9 But that's a very small portion of the volume in terms  
10 of pounds. The much more typical situation is you're  
11 discussing, and the negotiation is about the  
12 conversion.

13 MS. DeFILIPPO: And if you -- and I don't  
14 know. We talked a little bit about how long you might  
15 be selling to that customer. If the price of aluminum  
16 goes up -- I mean, are prices set for a given time?  
17 Or is it always -- is it changing over the course of a  
18 month, a year, whatever, depending on the price of  
19 aluminum? Do you talk about sort of escalator clauses  
20 in terms of, okay, this is the price that we can do  
21 for this shipment. If the price goes up for aluminum,  
22 then it will change according to that.

23 MR. BROWN: Again, a significant portion of  
24 our business is transacted at the conversion price on  
25 top of the prior month's aluminum average. So the

1 first of every month, we sent out our notice to our  
2 customers and say, this is your metal basis for this  
3 month.

4 MS. DeFILIPPO: Okay. That's helpful.

5 MR. BROWN: Sometimes there is a three month  
6 roll. It depends on the negotiation.

7 MS. DeFILIPPO: Okay. That's helpful.  
8 Thank you. Earlier, we talked -- someone mentioned in  
9 their testimony that there had been several that have  
10 been shut down, several presses that have been shut  
11 down. Would it be difficult to restart those presses  
12 that have been shut down? Are they just sitting,  
13 waiting to potentially have more demand to be  
14 restarted?

15 MS. WOODINGS: There are presses. There is  
16 a lot involved in bringing the entire facility back on  
17 line. Then there are presses that are shut down and  
18 facilities that are still operating. And I'll ask the  
19 witnesses. Several have kind of mentioned their  
20 situation as to how quickly that can be brought on  
21 line.

22 MR. HENDERSON: We've had to do both. We've  
23 had some that have been actually scrapped and removed  
24 from the facility, or facilities that have been closed  
25 and sold. And then we've simply idled some presses

1 with the hope that, you know, when the recovery begins  
2 that we'll have capacity to be able to meet that need.

3 MS. DeFILIPPO: Okay.

4 MR. HENDERSON: Depending on what the  
5 strategy is with that press going in, you know, you're  
6 going to position it. So if you -- I mean, obviously,  
7 if you cut it up and dismantle it and sell the  
8 facility, it's gone. But when you idle it, I mean,  
9 there are ways you can store it so that it can come up  
10 in a few days. And that's typically the way we would  
11 handle it.

12 MS. DeFILIPPO: Okay. Tying together sort  
13 of the discussion on sort of the economic downturn and  
14 how that has affected your industry, as well as many  
15 others -- we talked a little bit about solar panels  
16 being a growing component, or that that is one end use  
17 that has seen some growth. Are there others that you  
18 are looking -- looking ahead, do you see -- overall,  
19 do you feel like the recovery will help your industry?  
20 But are the specific segments that are, like solar  
21 panels, that have a brighter future, so to speak?

22 MR. HENDERSON: Well, I think one of the  
23 trends that we have seen take place is light-weighting  
24 of stuff that uses energy, so things with wheels,  
25 right? And we offer that advantage. So these have

1       been growth for quite some time, and it has  
2       accelerated here recently. So I think the automotive,  
3       transportation -- you know, things with wheels.

4               MS. DeFILIPPO: Okay. Just a quick question  
5       on the issue of fabrication. I understand that it can  
6       be from something very small to something more  
7       sophisticated. And this may be something you want to  
8       address in the post-conference briefing, and I  
9       apologize if it is already something that is addressed  
10      in the questionnaire. But in terms of looking at how  
11      much value is added by the fabrication -- granted, I  
12      understand it is probably going to be a range, and it  
13      could be wide. But when you're talking about  
14      fabrication, what kind of value does that add to the  
15      value of just the extrusion itself?

16             MS. JOHNSON: It depends on the end  
17      application for the product. Is there a context, a  
18      bigger context, to the question that I can perhaps  
19      answer? Because a fabrication operation could consist  
20      of cutting an anodized stick of metal direct, or it  
21      could end up turning it into a grill for a class A  
22      truck.

23             MS. DeFILIPPO: Well, in different contexts,  
24      are you adding 1 to 2 percent, or is it 70 percent,  
25      you know, in terms of the cost , I'm sure it's not 70,

1 but in terms of when you're taking sort of the value  
2 of the extrusion, how much value can be added by  
3 fabricating it for different --

4 MS. JOHNSON: A tremendous amount. I can  
5 give an example that I don't think anybody would come  
6 after this product. We make hanging systems for  
7 museum-grade artwork. And they're pretty intricate  
8 little -- they're cool. They're intricate little  
9 systems that get shipped with all the other parts that  
10 go with it. Well, if you think about what that  
11 mechanism would look like, the aluminum part would be  
12 really small. The engineering component is a big  
13 part, and the ultimate end application is a pretty  
14 high price. So the fabrication on that product would  
15 be, you know, 90 to 95 percent of the price of the  
16 product.

17 MS. DeFILIPPO: Is there any pattern in  
18 terms of who does more difficult fabrication? For  
19 example, I think somebody just indicated that there  
20 were some importers that were actually importing  
21 product and then fabricating it some. But in terms of  
22 when you get to the more complicated or difficult  
23 fabrications, does that tend to be done you guys, or  
24 could an importer be doing that also?

25 MR. HENDERSON: An importer could be doing

1 it. And normally, in our business -- because we have  
2 12 facilities in the U.S., as we mentioned. Some of  
3 them are very -- have quite a degree of devotion to  
4 the high-end fabrication. So they would look a lot  
5 like Ms. Johnson's operation just on their own because  
6 there is a lot that goes into it, you know, all the  
7 equipment investment, the engineering staffing, and so  
8 on, and the type of customers that you relate,  
9 automotive or whatever, may have certain requirements.

10 But we have seen that as the value increases  
11 in the extrusion product, the competition from China  
12 becomes even worse, the differential between the  
13 prices. And they have been there in some cases, yeah,  
14 competing with us.

15 MS. DeFILIPPO: Does anyone have any  
16 information on sort of the industry in China in terms  
17 of, you know, is it a lot of little companies, or are  
18 there some big producers there? And if you don't, if  
19 there is anything you find that can be added into the  
20 post-conference brief, that would be helpful.

21 MR. JONES: We'll address that in our  
22 discussion of threat of injury in the post-conference  
23 brief. But the article that we've talked about or  
24 that we've reference a couple of times today that was  
25 published upon a MOFCOM-sponsored web site on April

1 14th speaks of 700 aluminum extruding companies in  
2 China, 100 of which had exported to the United States.

3 So that's the Chinese government  
4 information. Among those companies, there are some  
5 very large aluminum extrusion companies, and some that  
6 would be among the largest in the United States, were  
7 they located here. So you have those. And I suspect  
8 -- you know, we don't know a lot about the smaller  
9 producers in China. We know some of the larger ones  
10 and who they are. And I would note that what we've  
11 heard about them is that there have been significant  
12 investments in capacity in those plants, a lot of new  
13 capacity added and a lot of state-of-the-art  
14 production equipment.

15 The extrusion presses are manufactured -- I  
16 think I was told by these guys here -- in Europe and  
17 Germany and Italy, and the Chinese are buying the same  
18 equipment that U.S. producers are buying. These are  
19 not second-class operations. They are doing state-of-  
20 the-art aluminum extrusion production, and adding a  
21 lot more capacity.

22 MS. DeFILIPPO: That was my next question,  
23 so that's one less. Actually, I have just one more  
24 request. And we talked some earlier about some of the  
25 information that was available from the Aluminum

1 Association. And to the extent that they publish  
2 reports or something, if you have those and could  
3 include them in your brief, that would actually be  
4 helpful for us. So we'll try to get it. Sometimes  
5 it's easier for you all to get it.

6 I am being signaled that Mr. Duncan may have  
7 a couple of follow-up questions, so you are not quite  
8 off the hook yet.

9 MR. JONES: That's fine.

10 MS. DeFILIPPO: But I appreciate your  
11 answers to my questions and the other staff.

12 MR. JONES: I'd just say we will try to find  
13 those Aluminum Association statistics. I think what  
14 you're referencing are the shipments by end-use  
15 market?

16 MS. DeFILIPPO: Exactly. I think that was  
17 the primary --

18 MR. JONES: We'll look for that.

19 MS. DeFILIPPO: -- information. I think we  
20 also talked maybe a little bit about distribution  
21 channels, that they may have information on that. And  
22 that would be helpful if you could find that also.  
23 Thank you.

24 MR. JONES: Okay.

25 MR. DUNCAN: Yeah. I have a couple follow-

1 up questions based on the testimony and my colleagues'  
2 questions. And one relates -- if you're at a cocktail  
3 hour with a bunch of other executives in this  
4 industry, what are the primary topics that come up  
5 that you talk about in the last three-year period?  
6 Obviously, I think, based on our discussion today,  
7 you'd discuss solar market and the China price. But  
8 are there any other things that you'd have a  
9 discussion on?

10 MR. CROWDIS: Well, first of all, we would  
11 have a lawyer present, if that was the case.

12 (Laughter)

13 MR. DUNCAN: Good answer.

14 MR. CROWDIS: You know, I think you probably  
15 hit on two of them, you know, the growth industries,  
16 whatever that may be -- and it could be alternative  
17 energy; solar is certainly one of them. The whole  
18 thing around China has been a buzz now for well over a  
19 year, and then the just general -- you know, what is  
20 going on with the economy because that is obviously a  
21 factor in our business.

22 MR. DUNCAN: Other panelists?

23 MS. JOHNSON: We have industry meetings at  
24 least once a year, and so we are together. It's a  
25 large industry, but it's a small industry. We know

1 each other.

2 MR. DUNCAN: That's not the question. It's  
3 what the topics are.

4 MS. JOHNSON: Yeah, what the topics are.  
5 Well, the topics are what is of relevant concern to  
6 the extruders, which -- you know, the viability of the  
7 business, of their businesses and of those other  
8 extruders that may or may not be present as the  
9 pioneering --

10 MR. DUNCAN: Does bankruptcy in the U.S.  
11 market come up as a topic of conversation?

12 MR. BROWN: I was going to add two topics.  
13 One is the price of metal, which frankly is a little  
14 bit like talking about the weather. You know, there  
15 is nothing we can do about it; it happens. But, you  
16 know, we always try to figure out if it is going to be  
17 warmer or colder tomorrow. And it causes significant  
18 challenges to us in our operations when the metal  
19 price changes significantly. And certainly over the  
20 last couple of years, there has been a fair bit of  
21 speculation as to who is the next extruder to declare  
22 -- to file for chapter 11.

23 MR. DUNCAN: And in this period, do you have  
24 a sense of how many extruders have filed for chapter  
25 11 in the three-year period?

1 MR. BROWN: I think my latest count is four  
2 since the beginning of the year.

3 MR. DUNCAN: Since the beginning of 2010?

4 MR. BROWN: Since the beginning of 2010.  
5 And there is probably half a dozen at least last year.

6 MR. DUNCAN: Typically, when these companies  
7 go through a chapter 11 -- and I think Ms. Johnson  
8 made testimony earlier that you've acquired certain  
9 assets from a firm through chapter 11. What sort of  
10 cost advantage does that give you for the acquisition  
11 of assets?

12 MS. JOHNSON: There is a lot of used  
13 equipment for sale at rock bottom prices right now,  
14 not just in our industry, but in a lot of others.

15 MR. DUNCAN: Does that allow companies like  
16 those additional pricing ability?

17 MS. JOHNSON: Of the end product? At the  
18 end of the day, we're still competing primarily with  
19 the China price.

20 MR. HENDERSON: Yeah. I would add to this,  
21 just to be open. I mean, Sapa has been investing in  
22 the U.S. market, and part of that investment last year  
23 was purchasing the assets of Indolux, which at the  
24 time was one of the largest extruders in North  
25 America. And as your follow-up question, I mean, that

1 didn't particularly help us in terms of cost or price.  
2 What it just does was the range of capabilities that  
3 we could offer and how we could serve our customers in  
4 a wider scope. That was interesting to us.

5 MR. DUNCAN: But it provided you some market  
6 openings in the U.S. market?

7 MR. HENDERSON: Exactly, both geographically  
8 and also in terms of capability. And Canada was a  
9 part of that.

10 MR. DUNCAN: Well, this discussion is  
11 helpful. It sort of leads into this related question  
12 of what are the -- because we discussed other  
13 competitive factors for this industry, suppliers,  
14 buyers, concentration, and substitutes. But what are  
15 the barriers of entry for extruders, for aluminum  
16 extruders?

17 MR. CROWDIS: I think from a capital  
18 perspective, the barriers of entry are relatively low.  
19 But the operational issues are significant. You know,  
20 cash flow is tough. It's tough to get someone to  
21 finance your working capital. So I think the barriers  
22 of entry are not -- I think it would be misleading to  
23 think about cheap equipment being a way to get in.  
24 You know, you can set up, buy a press, and stick it in  
25 a garage somewhere, and actually run a business these

1 days. You know, with the economy what it is and the  
2 onslaught of the Chinese imports, it gets pretty  
3 scary. You end up with fixed costs outside of the  
4 capital depreciation that can put you under real  
5 quick. And quite frankly, I believe that's where the  
6 companies that have declared chapter 11 -- and there  
7 was one chapter 7 last year that ran into trouble.  
8 They just ran out of cash. I think that's a bigger  
9 risk for our industry, quite frankly, than, you know,  
10 the capital opportunity of getting into the business.

11 MR. DUNCAN: Okay. Thank you. I want to  
12 return also to testimony that was subsequent to my  
13 initial questioning that addressed this larger  
14 business cycle scale substitution. On one hand, you  
15 described the markets that you are in as primarily  
16 mature, but then I hear testimony that there are, or  
17 was in the most recent four- or five-year period, a  
18 sort of shift within the automotive sector, where you  
19 substituted aluminum products for steel. Is that  
20 still ongoing? Is that a growth sector?

21 MR. BROWN: That is ongoing. We hope it's a  
22 growth sector, and fundamentally it is driven by fuel  
23 economy. And if we can replace a pound of steel with  
24 a pound of aluminum, that's good. It is a huge  
25 challenge. As you might expect, there is very

1 substantial engineering challenges in doing that. And  
2 a lot of the low-hanging fruit has been harvested.

3 But as we look forward, we fully expect that  
4 there will be more aluminum and more aluminum  
5 extrusion in vehicles. Mr. Henderson also commented  
6 that almost with wheels -- and we are also seeing  
7 other parts of the transport industry saying, okay,  
8 we've got to do something to get fuel efficiency from  
9 five miles an hour to -- I mean five miles per gallon  
10 to five and a half. So that is an opportunity. Tough  
11 fighting, but it's there.

12 MR. DUNCAN: Okay. Thank you.

13 MR. CROWDIS: I think as Lynn has described  
14 this industry, we're fighters. And we'll, you know,  
15 continue to look for opportunities where we can grow  
16 the pie. You know, the scary part is we're hoping  
17 we're growing the pie for us. But we're fighters, and  
18 we have been for a long time, and we have been through  
19 these economic cycles. We have survived. We just are  
20 afraid of what we can't control.

21 MR. DUNCAN: All right. Thank you.

22 MR. HENDERSON: And in terms of barriers of  
23 entry, I might expand just a bit. You know, barriers  
24 to growth in this is that, you know, like Lynn Brown  
25 was talking about, you know, in these new

1 applications, intensive in engineering -- I mean,  
2 this condition that we're in with the imports and the  
3 price attack, this is not an easy internal sell for us  
4 to go to our corporate folks and ask for the capital  
5 to invest in the kind of equipment and human resources  
6 we need to compete in those areas.

7 So this actually hurts us to grow and take  
8 advantage of these opportunities that are in front of  
9 us.

10 MS. JOHNSON: I just might add, this is a  
11 tough industry, and we're not characterized by a lot  
12 of whining. I was at a customer's supplier event  
13 about five years ago. And they are in the Midwest.  
14 They make storm doors, and we had just received this  
15 award of supplier of the year. We were shipping a lot  
16 of fabricated parts to them. At the cocktail party,  
17 do you want to know what we talked about at the  
18 cocktail party? Another extruder said to me, you  
19 know, they have got a container of your parts on the  
20 way from China, don't you? And that was the first  
21 we'd heard of it. And they said, well -- when I  
22 finally go the purchasing agent in a headlock and got  
23 it out of them, it was a 30 percent price reduction.

24 Upon taking that back to our company, you  
25 know, I didn't allow a lot of gnashing of the teeth

1 and wailing. I said, okay, guys, if we can't compete  
2 with them, and we're right on top of our customers,  
3 then maybe we deserve to lose. And we've got to be  
4 smart. How are we going to compete in this emerging  
5 market? And, you know, to a large degree, the entire  
6 industry has faced the exact same situation.

7 But the ship is getting swamped at this  
8 point.

9 MR. DUNCAN: A couple more things. One  
10 should be a quick answer. Do you ship any product to  
11 China?

12 MR. BROWN: No.

13 MR. HENDERSON: I don't believe Sapa does.

14 MR. DUNCAN: Thank you. For thought, this  
15 is for the counsel. When moving towards a final phase  
16 investigation, should we get to that point, some  
17 additional thought should be made as to where the  
18 definition of aluminum extrusion ends and a  
19 downstream, further fabricated product begins, and how  
20 we should report that in our trade, financial, and  
21 other data tables.

22 MR. JONES: As I indicated, Mr. Duncan,  
23 we're going to continue to look at the scope and  
24 hopefully further clarify the scope so that the orders  
25 that we get with -- that we hope to get are

1 administrable by Customs, understandable by the trade,  
2 and provide effective relief to the industry.

3 MR. DUNCAN: Thank you. And then this last  
4 question -- we don't have to go into detail. However,  
5 it is my understanding that Sapa has purchased the  
6 assets of at least two former U.S. producers or  
7 products to augment and build up its capacity in the  
8 U.S. market, and has been doing a very diligent job in  
9 terms of reporting data for the purposes of our  
10 questionnaires. I just want to thank you first off,  
11 and then second confirm that that is true for both the  
12 U.S. importer questionnaire and the U.S. producer's  
13 questionnaire. You can answer that in  
14 confidentiality.

15 MR. HENDERSON: What is true?

16 MR. DUNCAN: That you've consolidated data  
17 for both the U.S. production and historical import.

18 MR. JONES: We will look at that and verify  
19 that for you in our post-conference brief. That is  
20 our understanding, but we will verify that.

21 MR. DUNCAN: And in addition to that, which  
22 will be very helpful, just provide an indication to  
23 staff where you see holes in our data may have  
24 occurred in industry coverage due to the inability of  
25 firms to report because of bankruptcy. For example,

1 if they go out of business in 2007 and we sent them a  
2 questionnaire, but they're no longer there to respond,  
3 they're not going to be in our data set. It's going  
4 to bias our trend figures without the inclusion of  
5 those data. So, if you could indicate where you see  
6 those holes, it would be helpful.

7 MR. JONES: We'll try to do that.

8 MR. HENDERSON: Mr. Duncan, I just want to  
9 be clear. You asked about if we exported anything to  
10 China and I said Sapa did not. I meant Sapa U.S.  
11 They may in Europe and I'm just not aware of it.

12 MR. DUNCAN: Okay.

13 MR. HENDERSON: But, that's to be clear.

14 MR. DUNCAN: That's fine.

15 MS. DEFILIPPO: Any other questions from  
16 staff?

17 (No additional questions from staff.)

18 MS. DEFILIPPO: Thank you, very much. You  
19 have answered a lot of questions and provided a great  
20 deal of useful information. We will take a quick  
21 break for people to stretch their legs. So, it's  
22 eight minutes before 1:00, so we'll come back a couple  
23 of minutes after 1:00 or two. We'll get a 10-minute  
24 break and I'll see you back here then. Thank you.

25 (Whereupon, a brief recess was taken.)

1 MS. DEFILIPPO: I think we're going to get  
2 ready to start with the second panel of those in  
3 opposition to the imposition of antidumping and  
4 countervailing duties. We've listed as having  
5 representatives from Peng Cheng Aluminum and I'm  
6 trying to see if I see them. Hi, welcome. That's  
7 okay, please just join us at the table and when you  
8 get settled in and are ready to begin, please proceed.  
9 Gentlemen, yes, good afternoon. Thank you for coming  
10 and please proceed when you're ready.

11 MR. POK: Good afternoon, ladies and  
12 gentlemen. Thank you, very much, for the panel to  
13 give us time and the patience. Nobody had lunch yet  
14 and you are still staying here listening to us. We  
15 really appreciate it. And it's cool here, but it's  
16 still very comfortable. Sometimes California sun can  
17 be too hot, as well.

18 My name is Charles Pok. I'm the general  
19 counsel for Peng Cheng Aluminum. And our name has  
20 been mentioned several times in today's proceedings,  
21 we want to join and provide information, so that the  
22 ITC can make a very informed and educated decision to  
23 this issue.

24 Originally today, we have Mr. Johnson Shao,  
25 our president, is going to speak. But, today, we're

1 very fortunate to have our marketing and region south  
2 manager, Mr. Christopher Boland is going to help us to  
3 give us a lot more on-hand experience, front-line  
4 experience, where the real market is.

5 Okay. So, I will defer the podium to Mr.  
6 Boland.

7 MS. DEFILIPPO: Excuse me. Could you  
8 introduce yourself, so we can get your last name, so  
9 the court reporter has it again? Thank you.

10 MR. BOLAND: Christopher Boland, B-O-L-A-N-  
11 D.

12 MS. DEFILIPPO: Thank you.

13 MR. BOLAND: You're welcome. Okay. So,  
14 we're here on behalf of Peng Cheng Aluminum and we've  
15 been referenced several times here this morning with  
16 regard to the article that appears at -

17 MS. DEFILIPPO: Excuse me, Mr. Boland, can  
18 you make sure the microphone is on? The court  
19 reporter wasn't catching it. Thank you, very much.

20 MR. BOLAND: So, we've been in the U.S. now  
21 for about five years marketing extrusions that we've  
22 been purchasing from China in the U.S. And we've  
23 began somewhat modestly on the west coast and have  
24 since begun to sell product elsewhere in the United  
25 States. And today, we operating primarily out of the

1 facility in southern California, Walnut, California,  
2 through which we bring material for further resale  
3 throughout the United States.

4 We sell to a fairly diverse range of  
5 industries in the U.S. We have access to some of the  
6 broadest ranges of products, both in terms of alloys,  
7 as well as circle size. You heard the term "circle  
8 size" mentioned this morning. And there are some  
9 products that we are marketing in the U.S. that, from  
10 my point of view, are either not readily available in  
11 the U.S. or not exactly in the same configuration of  
12 circle size. So, we think that we bring a value added  
13 aspect to customers who are interested in having a  
14 global source of extrusions. Some of our customers  
15 that we've been successful with are multinational  
16 firms that have operations in China and are certainly  
17 very interested in having a global supplier that can  
18 supply them both in their China operation, as well as  
19 U.S. operations.

20 We heard a great deal a lot today with  
21 regard to pricing coming in from China and so forth.  
22 And it's our view that, at least from the standpoint  
23 of Peng Cheng Aluminum, that we would not view the  
24 import situation with as broad of a brush as perhaps  
25 the industry has been presented here earlier this

1 morning.

2           Since I joined the company -- and I've been  
3 in extrusions 25 years, I had executive positions with  
4 Alcoa, with Kaiser and Alcan here in the U.S. So, I  
5 know the industry pretty well. I understand the  
6 dynamics of the market, particularly on the extrusion  
7 side. And I can say that in my brief tenure here at  
8 Peng Cheng Aluminum, I've seen our company write more  
9 lost order reports to Mr. Johnson here than we have  
10 booked orders. And there truly is a competitive  
11 advantage that the U.S. producers have and retain and  
12 the number of the comments this morning spoke to that,  
13 in terms of proximity to the market, serviceability.  
14 And despite the notion of once a supply chain is full  
15 you can have a regular flow of material, in some cases  
16 that's true for a very large producer or manufacturer,  
17 who has a steady stream of requirements, but very  
18 often those requirements change so much that it's  
19 difficult to really be effective and successful  
20 bringing that product in from offshore. So, we  
21 continue to not be successful in a lot of segments of  
22 the market where service is certainly paramount or  
23 where there is a lot of value added aspect that the  
24 sources that we have access to are not particularly  
25 strong in that part of the business.

1           So, we feel that our, again, value to the  
2 U.S. industry is to provide products that aren't as  
3 readily available to the market as they would be or  
4 could be here in the U.S. We currently supply a  
5 customer a very large circle size shape, actually two  
6 shapes, that are only available from Europe. They're  
7 not extrudible here in the United States. And it's in  
8 those particular areas that we try to differentiate  
9 what we're doing in the marketplace from a product  
10 offering and from a price strategy standpoint.

11           Those are our opening comments.

12           MS. DEFILIPPO: Thank you, very much.

13           MR. BOLAND: You're welcome.

14           MS. DEFILIPPO: And I, also, thank you all  
15 for coming today. It's always helpful having industry  
16 participants that are here and we will ask some  
17 questions. So, hopefully, you'll be able to answer or  
18 provide us later. But, we appreciate very much you  
19 coming today. I'm going to start with Mr. Duncan.

20           MR. POK: Before -- I have a little bit  
21 supplement. I'm so sorry.

22           MS. DEFILIPPO: I'm sorry.

23           MR. POK: Today, we mentioned about this  
24 Modern Metals. There is an article. I think it is  
25 fair for us to say we have to put the right background

1 to the article. Modern Metals is a trade advertising  
2 magazine. It's not a very scholarly prepared study  
3 material. So, if we look at it, it's basically  
4 advertisement, but written in a form -- and it was not  
5 even written by us. It was written by the editor of  
6 that magazine in 2008. And quoting some of it and use  
7 as a basis of a determination, may create some type of  
8 misunderstanding or prejudice. So, we strongly urge  
9 that the committee to look at it and form a whole  
10 perspective of the magazine and also the whole  
11 article.

12 And to give you some specific information,  
13 we do provide LME or the Shanghai Exchange Price to  
14 our customers for them to choose. So, our pricing is  
15 directly related on mirroring those international  
16 price indexes. It's not that we disregard those  
17 prices, no. We definitely have to follow that and we  
18 put in a mechanism. I can tell because I've seen the  
19 contracts we have and we have done that.

20 As to talking about we have some warehouses  
21 in other places, it's just regular. We try to provide  
22 services. This should not be considered a factor that  
23 is unfair trading, you know. And those transportation  
24 costs, those warehousing costs are money spent in the  
25 United States. So, it cannot be said, you know, we

1       tried to say it's not unfair. And today, Pension  
2       Aluminum is a totally independent importer and a  
3       marketer of aluminum product in the United States. We  
4       have our suppliers. Yes, we have suppliers in China.  
5       But, we are independently owned and are working in the  
6       United States.

7                 Another point we want to -- I think we have  
8       to say this, among different business models, we  
9       actually started a partnership with our local  
10      extruders for reprocessing and fabrication because a  
11      lot of our customers do need localized fabrication and  
12      reprocessing. And we, also, to work in a partnership  
13      with our local, especially in southern California  
14      areas, extruders, small scale we talk about, that 100  
15      people, 20 people extruders, develop products, so we  
16      can resell to the international market. So, it's not  
17      a situation where we only bring cheap stuff, you know,  
18      as these allegations. There are different sectors in  
19      the market. But, we have started a partnership with  
20      our local businesses. So, we are actually helping out  
21      the local extruders and our fabricators to develop a  
22      better product and that they can take advantage of our  
23      warehousing and our supply chain.

24                 So, these are the models, I think, we should  
25      also put into consideration. As you can see from the

1 panel today, there are a wide variety of different  
2 type of business models and Peng Cheng is working a  
3 model, which is to be more localized, working with our  
4 southern California extruders. Southern California  
5 extruders, business has been very good. We have  
6 problem even in telling them taking our orders.

7           And the last point I want to address is I  
8 think Mr. Bernstein told very well is a causal effect,  
9 the records of causal effect. I think it's not very  
10 clear at this moment as to what really caused the  
11 industry, the U.S. aluminum industry, the damages. I  
12 think there are people -- there are industries, which  
13 goes into bankruptcy, which we understand. But, maybe  
14 we want to study more into what's the real reason for  
15 that bankruptcy. For example, according to my  
16 information, Indolux, which went into bankruptcy, they  
17 are also importers of Chinese aluminum. So, the  
18 causal effect is not very clear. We strongly urge  
19 that the committee will take more of a consideration  
20 of different sectors, variety of business models,  
21 before we have overall slap of punitive measures on  
22 that.

23           That's all I have and we will defer the  
24 podium to the more specialized experts to answer your  
25 questions.

1 MS. DEFILIPPO: Thank you, Mr. Pok. So, Mr.  
2 Johnson, no statement, just ready for questions? Yes?

3 MR. JOHNSON: Yes.

4 MS. DEFILIPPO: Okay, thank you. We'll  
5 start with Mr. Duncan.

6 MR. DUNCAN: First off, thank you for coming  
7 in today. How large of an operation is Peng Cheng in  
8 the United States?

9 MR. BOLAND: Well, in terms of the scale of  
10 the organization, it's a relatively small company. We  
11 have, oh, perhaps a couple of dozen employees  
12 throughout the United States.

13 MR. DUNCAN: Do you have an estimate roughly  
14 of size out of the pool of U.S. importers of these  
15 products? Would you characterize yourself as the  
16 largest? One of the largest?

17 MR. BOLAND: I would say over the past  
18 number of years looking at the statistics, that we  
19 would characterize ourselves as one of the smaller  
20 importers.

21 MR. DUNCAN: Is this by virtue of the fact  
22 that you are offering these specialized products that  
23 you claim are not able to be produced in the United  
24 States?

25 MR. BOLAND: Partially so.

1           MR. DUNCAN: Okay. Along those lines, when  
2 you're talking about some of these products that you  
3 say cannot be produced by the U.S. manufacturers, how  
4 representative is that of your total imports of these  
5 products? I mean, is that just anecdotal evidence of  
6 one or two products that cannot be produced in the  
7 United States and the vast majority of what you import  
8 can be produced here?

9           MR. BOLAND: I would say the vast majority  
10 can be produced here, but the percentage that cannot  
11 or at least not in kind is growing for us.

12           MR. DUNCAN: Okay. Thank you for that. You  
13 had indicated, and not having specific trade counsel,  
14 you don't know sort of like some of the legal issues  
15 we discuss at the Commission, but you made a comment  
16 about the petitioning party painting too broad a brush  
17 stroke for imported products. Can you further  
18 elaborate what you meant by that?

19           MR. BOLAND: Well, the only -- what I meant  
20 by that comment was that the import -- the profile of  
21 the importer from a price perspective seemed one  
22 dimensional in what was presented today. And I would  
23 suggest that it's more complex than that; that between  
24 importer, one versus another, depending upon what  
25 market segments are focused on, depending upon what

1 their source of supply is, that that profile is vastly  
2 different.

3 MR. DUNCAN: So does that mean that you  
4 would look at group of products as distinct from each  
5 other within the category of aluminum extrusions?

6 MR. BOLAND: Well, they're all distinct and  
7 I think the testimony this morning spoke to some  
8 degree that there's a differential between types of  
9 extrusions, whether it's a custom or whether it's a  
10 standard. There's a differential between whether or  
11 not it's mill finished or additionally finished or  
12 fabricated. The alloy composition has a factor on  
13 that. Circle size, complexity of the shape has a  
14 factor bearing on the price structure. So, there are  
15 very discrete categories of pricing for extruded  
16 products. It's not all one price.

17 MR. DUNCAN: Okay. Thank you. That's  
18 helpful. As information that's been made publicly  
19 available to the filing of the petition, according to  
20 the specific HTS numbers that were identified as being  
21 most likely contained most or, you know, primarily the  
22 subject merchandise, import quantities first decreased  
23 between 2007, 2008, and increased between 2008 and  
24 2009. Was that the experience of your firm?

25 MR. BOLAND: I would say probably in 2008

1 and 2009, our sales decreased during that period of  
2 time. Is that correct? You were here before I was.

3 MR. JOHNSON: About the same.

4 MR. BOLAND: They were about the same?

5 MR. JOHNSON: About the same and 2009,  
6 almost the same.

7 MR. DUNCAN: So, level off there. Was there  
8 a decrease between 2007, 2008, or same as well?

9 MR. JOHNSON: Almost the same.

10 MR. DUNCAN: So, same all three?

11 MR. JOHNSON: Yes, 2008 and 2009.

12 MR. DUNCAN: Okay. So, if your firm did not  
13 really change the quantity level of imports that  
14 you're bringing in of these products, do you have  
15 market knowledge of why there was an increase in  
16 imports of these products from China in 2008, 2009?

17 MR. JOHNSON: We have some --

18 MS. DEFILIPPO: Thank you. It's just hard  
19 for the court reporter to transcribe.

20 MR. JOHNSON: We have some project with some  
21 customer. This sometime maybe we present it there,  
22 that is equal to another country for some project  
23 there. There's no business for us.

24 MR. POK: So, I think to clarify that, our  
25 import level almost didn't increase that much. But, I

1 think in industrial market knowledge-wise, we are  
2 encountering some more projects that we're going to  
3 process the aluminum here. Then, it will be  
4 eventually shipped -- exported to other countries.  
5 So, there is a trend of -- first one is expectation of  
6 recovery and those import is naturally going to go up  
7 because they expect that maybe some increase in the  
8 usage or the demand for that product. But, our  
9 company, we're in negotiation with quite a few  
10 projects where the U.S. will be the processor of  
11 fabrication. As the previous panel said, there are  
12 some processing, which has to be done in the United  
13 States, and people, especially out of the United  
14 States, has some confidence in the United States  
15 fabrication process and that's a very good advantage  
16 of the U.S. local, especially in our specialized  
17 aspect.

18 MR. DUNCAN: Well, thank you for that. That  
19 raises sort of this other issue that we're trying to  
20 grapple with in the morning's panel and that is the  
21 degree to which fabrication is within the industry.  
22 In terms of Peng Cheng's operations, do you guys  
23 import certain aluminum extrusions and then sometimes  
24 further fabricate them in the U.S.? Or are your  
25 products ready for end use when they enter the U.S.

1 Customs?

2 MR. JOHNSON: Some producers will be  
3 fabrication there.

4 MR. DUNCAN: In China, some? Oh, here.

5 MR. BOLAND: Here and in China.

6 MR. JOHNSON: We got the fabrication charge  
7 half, half from China.

8 MR. DUNCAN: And so the fabrication that you  
9 do in the United States system by your firm or third  
10 company?

11 MR. JOHNSON: Lower down, our supplier.

12 MR. DUNCAN: Okay. Thank you for that.

13 You, also, discussed in your testimony that you take  
14 LME or Shanghai prices for your aluminum, in terms of  
15 incorporating the cost of aluminum in your extrusions.  
16 Are the prices of the LME or Shanghai indices highly  
17 correlated or do they often differ in terms of  
18 directional price movements?

19 MR. JOHNSON: We give the price to customer.  
20 Customer, they make a choice. If a customer place an  
21 order, use LME, later continue with LME price. If a  
22 first-time user is Shanghai price, continue to use the  
23 Shanghai price. That's all policy.

24 MR. DUNCAN: Okay, thank you. I understand  
25 that. But my question was the prices on these two

1 indices, do they move in tandem together; if one goes  
2 up, the other goes up? Or has it occurred that one  
3 goes up and one goes down?

4 MR. JOHNSON: One must arise -- all three  
5 must arise.

6 MR. DUNCAN: Okay. Would you be in a  
7 position to --

8 MR. POK: We didn't have specific data as of  
9 today; but, of course, we can easily go back and  
10 search those historical numbers. But, I think -- you  
11 know, I cannot go from the historical data; but from  
12 here, our customers have very watchful eyes on those  
13 numbers. And we give them a choice and the reason  
14 being is you never know which one come out to be more  
15 advantageous. So, our customers have a choice.

16 MR. DUNCAN: But, if you've locked them into  
17 a single index, then, I mean, hopefully they've made  
18 the right choice.

19 MR. POK: Yes. But, it seemed to have lost  
20 also to --

21 MR. JOHNSON: We make price list monthly.

22 MR. DUNCAN: What?

23 MR. JOHNSON: We have price list monthly.

24 MR. POK: We give them price list every  
25 month.

1 MR. JOHNSON: Every month, every month.

2 MR. POK: We give them price list every  
3 month.

4 MR. DUNCAN: Oh, okay.

5 MR. BOLAND: The price changes each month.

6 MR. DUNCAN: Okay. And so if you can  
7 provide data, historical data over this period 2007-  
8 2009 on the evolution of the prices for the two  
9 indices based on your records, that would be very  
10 helpful for us.

11 MR. POK: We can search for that,  
12 definitely.

13 MR. DUNCAN: You mentioned this article --  
14 or magazine Modern Metal. I did not understand what  
15 you were talking about.

16 MR. POK: I think that in today's panel  
17 discussion, they quoted quite a few -- one or two  
18 times that Mike Broward, Peng Cheng's former CEO,  
19 talked about -- I think they --

20 MR. DUNCAN: Is this the quote on the single  
21 penny, the price --

22 MR. POK: Yes, yes.

23 MR. DUNCAN: Okay.

24 MR. POK: Yes, yes, exactly. That's what I  
25 mentioned about. I think the whole --

1           MR. DUNCAN: And your allegation is that  
2 this was not a reputable source for that quote?

3           MR. POK: No, it's not a not reputable  
4 source. The purpose -- first of all, the author of  
5 that article or the essay was not from Peng Cheng. It  
6 was by one of the editors of Modern Metals. And the  
7 purpose of that article or the magazine is not to give  
8 a very categorical study or the price or the trend of  
9 the industry. It is more an opportunity for Peng  
10 Cheng to advertise. So, in layman's term, that's give  
11 a grain of salt.

12           MR. DUNCAN: Okay, thank you. That's clear  
13 now. Thank you.

14           MR. POK: I'm so sorry. Maybe I didn't get  
15 -- because today, our name was mentioned quite a bit.  
16 That's clarifying where the source is. It's not like  
17 from an academic standpoint.

18           MR. DUNCAN: In this morning's panel  
19 discussion, I think there was testimony that  
20 originally, historically, in some period prior to our  
21 period that we're looking at for this case, most of  
22 the imported Chinese material competed sort of in  
23 standardized products. And then as time went on and  
24 closer to the present day, the Chinese product entered  
25 into more end use specific for the fabricated products

1 and so, they compete, according to the first panel, on  
2 a wide range. Is that your understanding?

3 MR. BOLAND: Well, I believe that's accurate  
4 and I think that's the natural evolution of any  
5 industry growth situation. And I think as the panel  
6 or the presenters this morning discussed, developing  
7 your relationship with an OEM takes time, you know, to  
8 understand their business. They understand your  
9 capabilities. There's a trust. There's a business  
10 relationship that evolves and develops over time.  
11 There's a natural evolution that occurs, if you're  
12 successful at all, to which you begin to convince the  
13 customer that you can provide more value for their  
14 operation than maybe initially.

15 And, also, back say 10 years ago and maybe  
16 not even that long ago, there were a lot of standard  
17 extrusions brought in from China by some mills, some  
18 extruders here in the U.S., I believe to subsidize  
19 their cost structure, to either improve profitability  
20 or compete, as well as a number of metal service  
21 centers. You heard the term "distributors" this  
22 morning. Distributors very early on began importing  
23 standard extrusions for the purpose of trying to  
24 improve their costs or maybe get access to products  
25 that they couldn't get access to here in the U.S. So,

1 I think those two elements may have skewed the  
2 percentages more to the standards early on than today.

3 MR. POK: And also want to supplement that.  
4 For Peng Cheng, our model, yes, is the market moving  
5 to more highly specialized products. We're involved  
6 in local fabricators because only local fabricators  
7 and the reprocessors can provide that specific and  
8 high quality and time saving sources. So, there's a  
9 buy side to that. We involve the local business.

10 MR. DUNCAN: Which is in the United States?

11 MR. POK: Yes.

12 MR. DUNCAN: And these are third company  
13 parties in between the end user and yourself?

14 MR. POK: Yes. Sometimes end users need a  
15 product and we have to -- and we are put in  
16 partnership with our local fabricators to make it to  
17 work. We are actually in the process -- we're having  
18 a lot of partnerships setting up.

19 MR. DUNCAN: Does most of the product that  
20 your firm brings into the United States come in on the  
21 west coast?

22 MR. BOLAND: Yeah, the majority would come  
23 in through the west coast.

24 MR. DUNCAN: The majority?

25 MR. BOLAND: Uh-huh.

1                   MR. DUNCAN: But some of it might come in on  
2 the east coast?

3                   MR. BOLAND: Some of it would come in on the  
4 east coast or the gulf coast.

5                   MR. DUNCAN: So is that just a matter of  
6 transportation costs, what's most efficient to get to  
7 the end user?

8                   MR. BOLAND: I think it's partly that, sure;  
9 yeah.

10                  MR. DUNCAN: And how big a role does  
11 transportation costs play in this market?

12                  MR. BOLAND: I think transportation costs is  
13 a very important role, very important percentage of  
14 the cost of doing business.

15                  MR. DUNCAN: Is there a market in the United  
16 States that you cannot get your products to because of  
17 transportation costs?

18                  MR. BOLAND: There are a lot of markets. I  
19 think back to the comment of standards, standard  
20 extrusions, low value added extrusions, we can't  
21 compete outsourcing material here in the U.S. with the  
22 duties that the government has today on imports of  
23 extrusions, with the duties or the taxes that the  
24 Chinese government has self-imposed on a wide class of  
25 extruded products coming out of China, such as rod and

1 bar over a certain perimeter inch. We can't compete  
2 on those basic commodity extruded products. So, we  
3 don't try to go after those segments of the industry.

4 MR. DUNCAN: When you say "rod and bar," is  
5 that the billets or is this products subject to these  
6 orders?

7 MR. BOLAND: No, these would be extruders.  
8 This would be extruded rod and bar from machine  
9 applications.

10 MR. DUNCAN: If I understand your testimony,  
11 you're saying that certain areas you cannot service in  
12 the United States in the standardized products that  
13 are more high volume, less end-use fabrication?

14 MR. BOLAND: Well, service is -- by service,  
15 I believe you mean compete.

16 MR. DUNCAN: Yes.

17 MR. BOLAND: We cannot compete, that's  
18 right.

19 MR. DUNCAN: Okay. But, then, if you have  
20 products that have more individual value added and  
21 fabricated to an end-use specification, because of  
22 price, you can get those to your end users?

23 MR. BOLAND: More of a custom shape  
24 configuration, on an angle or a channel or a simple  
25 rod or bar. They may be in straight lengths, 12-foot

1 lengths. They may not necessarily be fabricated,  
2 although if we can add more value, then obviously  
3 there's more opportunity to compete.

4 MR. POK: And to the competition, our  
5 experience is with customers, price is not only  
6 concern. They want it simply because we have people  
7 here to help them go through the process and the  
8 specialized -- with our partnership with the local  
9 business, that's also a very important aspect in that.

10 MR. DUNCAN: I would be very interested if  
11 you could also provide following this conference -- I  
12 know you're not going to submit a brief, but just as  
13 an interested party, information on these export  
14 duties you were talking about in the Chinese party.  
15 That would be very interesting because I'm well aware  
16 of the fact that Chinese authorities place a 15  
17 percent export duty on primary aluminum ingot. And so  
18 that, all things being equal, will depress the price  
19 of aluminum in the domestic Chinese market and raise  
20 the world price, assuming China is a large producer of  
21 these products, giving a cost advantage to the U.S.  
22 producers. But, if they're also putting export duties  
23 on the product subject to these investigations, I  
24 would like to know that.

25 MR. BOLAND: We'll get back to you.

1 MR. JOHNSON: Yes.

2 MR. DUNCAN: Thank you. There was  
3 discussion also at this morning's panel about price  
4 differences in the products between the type of  
5 finishing, not just the fabrication, but whether mill  
6 finish or anodized. Is that your experience in the  
7 market? Are there these differences?

8 MR. BOLAND: That there's a difference in  
9 the price, yes.

10 MR. DUNCAN: Yes. Okay. And your firm  
11 supplies the U.S. market for both anodized and --

12 MR. BOLAND: And painted.

13 MR. DUNCAN: Okay. In terms of growth in  
14 the U.S. market, demand for these products, what  
15 sectors do you see that growth taking place in? Where  
16 would you target most of your -- if one were to try to  
17 enter as an extruder and try and service a growing  
18 market, where would you look at in the United States?

19 MR. BOLAND: Well, that depends on the  
20 company. It depends on the marketeer. But, I think  
21 in the more mature markets where the margins are the  
22 most depressed, those aren't particularly attractive  
23 targets for us to be looking at. So, we're trying to  
24 develop niche positions in the growth industries.  
25 Transportation is one area.

1           MR. DUNCAN: I know you are probably not  
2 familiar with the data provided in the petition to a  
3 great extent, but one thing that struck me, it appears  
4 that imports of these products from China have  
5 apparently both displaced U.S. produced product and  
6 other sources of imported extrusions. When you are in  
7 the marketplace, are you products competing also with  
8 imports of extrusions from Canada? From Russia?

9           MR. BOLAND: Sure, absolutely.

10          MR. DUNCAN: Okay. And do you find that the  
11 products you are able to offer into the marketplace  
12 are, as have been alleged, the cheapest out there?

13          MR. BOLAND: I'm sorry, would you repeat  
14 that?

15          MR. DUNCAN: Do you find that by and large  
16 the products you are able to offer into the United  
17 States market do offer a significant price advantage  
18 compared to other sources, whether domestic or --

19          MR. BOLAND: No, that's not our experience.

20          MR. DUNCAN: That's not your experience?

21          MR. BOLAND: No.

22          MR. DUNCAN: So, you are offering prices  
23 roughly the same as --

24          MR. BOLAND: In some cases, higher. We have  
25 had customers -- I have had customers, who have said,

1 you know, you're not competitive. Your price -- we're  
2 surprised your price is high. We thought you would  
3 have a more competitive price. And so in some  
4 circumstances, our price level is higher.

5 MR. DUNCAN: Okay. Thank you. For me, Ms.  
6 DeFilippo, I am finished with my questions.

7 MS. DEFILIPPO: Thank you, Mr. Duncan. I  
8 will now turn to Mr. Bernstein for questions.

9 MR. BERNSTEIN: Thank you. I would like to  
10 thank the panel for joining us. Mr. Boland, let me  
11 ask you a few more questions about these products you  
12 say that Peng Cheng sells that are not necessarily  
13 widely available from domestic producers. You  
14 describe these very generically, circle sizes, the  
15 domestic producers don't make, and sizes they don't  
16 make. Could you be a little more specific about what  
17 the specifications of these products are? Quite  
18 frankly, I'm not going to be able to understand them,  
19 but other members of the staff may and also members of  
20 the petitioning coalition may, that they can then  
21 address in their post-conference submission their  
22 ability or lack of ability to produce these products.

23 MR. BOLAND: Well, not particular class of  
24 products I was referring to. That could be a  
25 combination of specialized alloys that we've

1 developed. We have proprietary alloys in some cases.  
2 And it would include, again, extrusions that are  
3 outside the extrusion size capability of U.S.  
4 manufacturers. We have a 13,000 ton extrusion press,  
5 which is one of the largest extrusion presses in the  
6 world. That has the capability that, in several  
7 applications, exceeds the capability of press  
8 capability here in the U.S. So, it would be how big  
9 you could make it or how thin of a wall you could make  
10 for a particular hallow shape that we have been  
11 successful in extruding, versus what our customers  
12 here said they were able to get here in the U.S. That  
13 would be an -- those would be two examples.

14 MR. BERNSTEIN: Let me ask a question of one  
15 of those because one of the things that was mentioned  
16 in this sort of famous article in Modern Metals that  
17 appeared in Exhibit 12 of the petition is that, at  
18 least there was a statement by the Peng Cheng CEO at  
19 the time, that container size was a constraint on the  
20 size of parts you could bring in to the U.S. So --

21 MR. BOLAND: Right.

22 MR. BERNSTEIN: -- I'm not understanding  
23 from this how you could bring in something that's  
24 bigger than the U.S. would make.

25 MR. BOLAND: Great point. So let me draw a

1 distinction between that when I'm talking about size.  
2 Circle size is an industry reference point or  
3 definition that describes how big of an extrusion you  
4 can extrude inside a circle. So, a very small press  
5 or a small extruder may have a 3,000 ton press or a  
6 2,000 ton press and capable of extruding a shape that  
7 would fit into a five-inch circle. So, that's a small  
8 extrusion. That's a press design of the shape.

9           There's another dimension that you're  
10 alluding to that I didn't comment on and that's  
11 length. And so with containers typically being 45-  
12 foot long, you're constrained as a marketer to those  
13 extrusions that fit within a certain length  
14 requirement. So, there are some industry segments  
15 here in the U.S., such as the truck-trailer market,  
16 that require 50-, 53-foot lengths. We can't import  
17 those products because they won't fit within the  
18 parameters of the container. So, that market is  
19 virtually categorically off limits from a competitive  
20 standpoint.

21           MR. BERNSTEIN: Could you, also, elaborate  
22 what you mean when you use the term "proprietary  
23 alloy?"

24           MR. BOLAND: So those might be derivatives  
25 of the basic alloys that you heard mentioned this

1 morning, such as 6061 or 6063 or some of the other  
2 alloys that may have been spelled out that we may have  
3 developed a specific chemistry that matches very  
4 closely what the customers and requirements are,  
5 machinery requirements might be.

6 MR. BERNSTEIN: You mean something  
7 proprietary to the customer?

8 MR. BOLAND: Proprietary to us.

9 MR. BERNSTEIN: Proprietary to us. You  
10 produce extrusions and alloys that are unique to you -  
11 -

12 MR. BOLAND: Right.

13 MR. BERNSTEIN: -- than everybody else in  
14 the world does?

15 MR. BOLAND: Well, at least unique to us.  
16 Now, there may be close substitutes. It doesn't say  
17 that it's not substitutable by another product. But,  
18 it would be one that we've been able to market the  
19 characteristics of the product to the end user to  
20 their satisfaction and choice.

21 MR. BERNSTEIN: Okay. Let me go on to  
22 another topic. Both in your prepared testimony and  
23 your responses to Mr. Duncan's question, you said you  
24 had been losing some sales in the U.S. based on dyes.  
25 To whom are you losing them?

1 MR. BOLAND: We're losing them to, in some  
2 cases, to offshore competitors; but in other cases,  
3 we're losing them to domestic competitors.

4 MR. BERNSTEIN: Offshore competitors being  
5 other Chinese entities?

6 MR. BOLAND: Other Chinese entities and  
7 other countries, as well.

8 MR. BERNSTEIN: Okay. So, any particular  
9 offshore entities, other than those from China?

10 MR. BOLAND: Russia.

11 MR. BERNSTEIN: Russia. Do you have any  
12 impression about what your pricing level is vis-a-vis  
13 other Chinese suppliers and how representative it  
14 might be of what the Petitioners panel kept referring  
15 to as the China price?

16 MR. BOLAND: I don't know how I'd -- I'm not  
17 sure I --

18 MR. BERNSTEIN: Let me try and ask the  
19 question another way. Do you perceive yourself as  
20 among the universe of Chinese suppliers or relatively  
21 higher priced supplier among that universe?

22 MR. BOLAND: I'll give you my view. My view  
23 is that we're among the higher priced.

24 MR. BERNSTEIN: Okay, thank you. Let me  
25 also ask Mr. Pok a little more -- a few more questions

1 about these provisions in your contracts allowing  
2 customers to choose the LME price or the SME price.  
3 Now, the petition in this case was very, very long.  
4 If you happen to look at Volume III of the petition,  
5 which was not the part about injury, it was the part  
6 about subsidies, there is some discussion by the  
7 Petition there as to comparisons, monthly comparisons  
8 in 2008 and 2009 between LME prices and SME prices. I  
9 won't go through this -- my recollection was it was  
10 all public. But, the general allegation was, and this  
11 was part of their allegation that this was a  
12 countervailable program, was that China basically  
13 makes -- reduces the acquisition cost of primary  
14 aluminum to extruders in China. They were alleging  
15 that in 2008 and 2009, the SME price was consistently  
16 lower than the LME price. Is that consistent with  
17 your knowledge or experience?

18 MR. POK: Unfortunately, I didn't go to the  
19 data to study it. So, I think I have to go back and  
20 understand those data --

21 MR. BERNSTEIN: Okay.

22 MR. POK: -- to give an educated response.

23 MR. BERNSTEIN: Given that, would any  
24 customer choose the LME price over the SME price?

25 MR. POK: Because I do not sit down and

1 negotiate the prices with --

2 MR. BOLAND: In my experience, they choose  
3 the LME.

4 MR. POK: Yes.

5 MR. BOLAND: They know the LME.

6 MR. JOHNSON: Follow the LME --

7 MR. BERNSTEIN: Okay. From your U.S.  
8 distribution facilities, are these distribution  
9 facilities for the U.S. market or for the North  
10 American market? Do you only supply the U.S. or do  
11 you supply other North American countries from them?

12 MR. POK: At this moment, I believe we only  
13 supply the U.S. market.

14 MR. BERNSTEIN: Had you been supplying  
15 Canada before --

16 MR. POK: Canada, no.

17 MR. BERNSTEIN: No?

18 MR. POK: No Canada; no Canada.

19 MR. BERNSTEIN: No Canada.

20 MR. JOHNSON: Maybe Mexico.

21 MR. BERNSTEIN: Mexico; but not Canada?

22 MR. JOHNSON: Not Canada.

23 MR. BERNSTEIN: Okay.

24 MR. POK: We go San Diego down.

25 MR. BERNSTEIN: Okay. No, I was going to

1 have some follow-up questions if you did supply  
2 Canada, given their own -- the own trade remedies  
3 investigation they have there.

4 Let me ask a final series of questions,  
5 something that I was a little surprised by your  
6 omission in the testimony, is from the Petitioner  
7 witnesses, we got a great deal of testimony about  
8 effects of the recession; that generally speaking,  
9 because of the recession, because much of the customer  
10 base of this industry is in products that are affected  
11 disproportionately, we will say, by the overall  
12 economic conditions, lack of construction, lack of  
13 investment in durable goods, they're having some  
14 difficulties. I did not hear any testimony of that  
15 nature from you. Could you explain to us how the  
16 current economic conditions in the U.S. over the past  
17 couple of years is having an effect or not having an  
18 effect on your business? Because, I got the  
19 impression you thought your business was pretty good.

20 MR. POK: Well, I would defer the question -  
21 - the answer to Mr. Boland. But one thing I want to  
22 tell you, before we come into the room, Mr. Boland  
23 telling me, you know, I have some fear of losing my  
24 job because I'm not turning up the business volume.  
25 So, that's more indicative, I think.

1           MR. BOLAND: Well, you know, I think that  
2 Johnson made the comment that our business was pretty  
3 much straight line over the past three years. Now, I  
4 think if any of these gentlemen would have a marketing  
5 department turning in that type of performance, they'd  
6 have management turnover pretty quickly. So, yeah, I  
7 would say we're not -- we don't think it's any raging  
8 success that we have some upward slant here to our  
9 business. And, certainly, the recession has impacted  
10 things and, you know, it's certainly impacted what  
11 markets we feel we can go after successfully.

12           MR. BERNSTEIN: Okay. Thank you for your  
13 testimony.

14           MR. BOLAND: You're welcome.

15           MR. BERNSTEIN: I have nothing further.

16           MS. DEFILIPPO: Thank you, Mr. Bernstein.  
17 We will now turn to Mr. Fetzer.

18           MR. FETZER: Thanks. Jim Fetzer, Office of  
19 Economics. Thanks, again, for joining us this  
20 afternoon and to our questions. Mr. Boland, you  
21 talked about -- you were making a comment on the  
22 testimony from this morning on lead times saying that  
23 I believe that there really -- you know, since there  
24 is a lot of turnover, they're a lot longer. Can you  
25 give me a sense of how much longer on average lead

1 times from China would be for the U.S.?

2 MR. BOLAND: Initially, it can easily be  
3 three months compared to a few weeks from a U.S.  
4 producer.

5 MR. FETZER: Okay.

6 MR. POK: I want to add one more thing.  
7 This morning, we talked about dyes. In Peng Cheng, we  
8 do charge the customers for the dye because we cannot  
9 afford to adding on it. So, we charge a pretty high  
10 price on the dyes to compensate our cost.

11 MR. FETZER: I think this morning \$1,000 was  
12 thrown around. Is it something on that order? A lot  
13 more than that?

14 MR. POK: A lot more than that.

15 MR. FETZER: A lot more.

16 MR. POK: A lot more than that, yeah. We  
17 lost time. We had a dye cast come close to 200,000.

18 MR. FETZER: Two-hundred-thousand dollars?

19 MR. POK: Yes.

20 MR. FETZER: Okay.

21 MR. POK: That's a contract I saw.

22 MR. FETZER: Okay.

23 MR. BOLAND: That's not representative of  
24 all our dye costs. But, I mean, it's an extreme  
25 range. But, I can tell you, our dye costs are not

1 competitive.

2 MR. FETZER: Is there a reason for that,  
3 maybe to secure more business?

4 MR. BOLAND: I can't answer that question.

5 MR. FETZER: Okay.

6 MR. BOLAND: I don't know. Maybe Johnson  
7 does.

8 MR. JOHNSON: Before we try to get more  
9 business, but it take two years, three years -- this  
10 time, we have this money. So, later, we charge our  
11 customer.

12 MR. POK: We think it's too high. So, we do  
13 have to add up those costs we past on to our customers  
14 here.

15 MR. FETZER: Okay. In terms of -- you said  
16 price isn't the only issue. Were there any other  
17 things -- I mean, we talked about lead times and other  
18 issues. Any other issues you would like to throw out  
19 there in terms of things that matter other than price?  
20 For example, are there differences in quality between  
21 your product or even Chinese product in general than  
22 the U.S. product, or do you think they're generally  
23 interchangeable or similar?

24 MR. JOHNSON: Lead time?

25 MR. FETZER: Sorry?

1 MR. BOLAND: Quality of products.

2 MR. JOHNSON: Quality.

3 MR. BOLAND: I would say they're comparable,  
4 by and large. In some cases, frankly, the U.S.  
5 product is better.

6 MR. FETZER: Okay.

7 MR. POK: For this very simple reason, if  
8 there's a little mistake -- little thing in the dye,  
9 truth is a fabricator in the U.S., they can change it  
10 within a few weeks time. But where it's China, I'm  
11 talking about three months down the line and it would  
12 delay the whole processing. So, there's a definite  
13 advantage of the local business.

14 MR. FETZER: I'm sorry, what's that,  
15 quality?

16 MR. POK: Well, I'm talking about the whole  
17 --

18 MR. FETZER: In terms of -- oh, sorry. I  
19 went to another question.

20 MR. POK: Yes.

21 MR. FETZER: Okay.

22 MR. POK: The high end, the position of it,  
23 is also the quality.

24 MR. FETZER: Okay.

25 MR. POK: Not only the material. If it's

1 100 of one-inch different, it's useless.

2 MR. FETZER: Okay.

3 MR. BOLAND: That's a good point. I'd like  
4 to just make one comment in terms of capability. From  
5 my experience, there have been situations where we've  
6 quoted and received business on the merits of being  
7 able to hold tolerances that, in some cases, were not  
8 able to be held by the U.S. manufacturer and that was  
9 the determining factor in getting the business.

10 MR. FETZER: What is --

11 MR. BOLAND: dimensional tolerance.

12 MR. FETZER: I'm sorry?

13 MR. BOLAND: Dimensional tolerance.

14 MR. FETZER: Oh, dimension. So, when you  
15 say "tolerance," you mean it has to be within --

16 MR. BOLAND: Its flexibility in terms of x  
17 thousands. And tolerances typically are very  
18 important to the end user in terms of their assembly  
19 or the operation of that component in whatever they're  
20 making.

21 MR. FETZER: Okay. That's all the questions  
22 I have for him. Thank you.

23 MR. BOLAND: Thank you.

24 MR. FETZER: Thank you for your responses.

25 MR. BOLAND: You're welcome.

1 MS. DEFILIPPO: Thank you, Mr. Fetzer. Mr.  
2 Boyland, do you have any questions for this panel?

3 MR. BOYLAND: Just a couple.

4 MS. DEFILIPPO: Okay.

5 MR. BOYLAND: Thank you for your testimony.  
6 I guess one question, and you may have alluded to  
7 this, but the dyes, themselves, that you use -- that  
8 are used, I mean, we're talking about the  
9 manufacturing the extrusion that's taking place in  
10 China, correct?

11 MR. BOLAND: Uh-huh.

12 MR. BOYLAND: Extrusions that you are  
13 importing?

14 MR. BOLAND: Right, or it could be  
15 fabrication, dyes that were utilizing fabricators here  
16 in the U.S.

17 MR. BOYLAND: Okay. So, it's sort of a dual  
18 -- okay.

19 MR. BOLAND: Right.

20 MR. BOYLAND: I just wanted to clarify that.  
21 Thank you. That's all the questions I had.

22 MS. DEFILIPPO: Thank you, Mr. Boyland. Mr.  
23 McClure, do you have any questions for this panel?

24 MR. MCCLURE: Jim McClure, Office of  
25 Investigations. I have just one. The sense I get

1 from what you're saying is that your operation is  
2 atypical of import operations in this country. Would  
3 that be correct? Is that what you're trying to tell  
4 us?

5 MR. BOLAND: I would think so, yes.

6 MR. MCCLURE: And it's in what ways? I  
7 mean, what would a typical import operation, a product  
8 from China reflect? I mean --

9 MR. POK: Well, as you see this morning,  
10 there are so many different importers. I don't think  
11 we can give you a typical model they operate as to  
12 price. Basically, we do not know. We have the same  
13 situation when our name pops up was that we, Peng  
14 Cheng, we are here to speak for ourselves, and the  
15 model is based in the U.S., work with U.S. customers,  
16 utilize local community businesses and fabrications.  
17 So, unfortunately, I cannot tell you how the other  
18 people operate.

19 MR. MCCLURE: Would you characterize many of  
20 those operations, for want of a better term, as bare  
21 bones? They literally get the product in the country  
22 and it goes to the end user and you -- I get the sense  
23 you're saying that you believe you provide more in the  
24 way of service in various items. Is --

25 MR. BOLAND: Well, I think you used the

1       qualifier "many." I wouldn't try to quantify it.  
2       But, certainly, as a category, there are brokers.  
3       There are one-off operators, a number of which, who I  
4       have known, have gone out of business over the past  
5       couple of years that were importers of extrusions and  
6       they're no longer doing that today. But, yeah, try to  
7       draw that distinction between somebody sitting in an  
8       office somewhere and doing a manufacturing rep type  
9       operation compared to what I think we're doing, which  
10      is having a physical location, U.S. employees, trying  
11      to provide more value services to the market. Yeah,  
12      we're different in that sense.

13               MR. MCCLURE: Are you aware of any others?

14               MR. BOLAND: I'm not aware of any others.

15               MR. MCCLURE: You think you are alone in  
16      that category?

17               MR. BOLAND: I'm not aware of any others.

18               MR. POK: We're not aware of that, no. We  
19      are more U.S.

20               MR. MCCLURE: Okay. All right. Thanks for  
21      coming. Thanks again enduring our questions.

22               MR. BOLAND: You're welcome.

23               MR. POK: Thank you for giving us the  
24      opportunity to do that.

25               MS. DEFILIPPO: Thank you, Mr. McClure. I

1 just have a couple of quick follow-ups. You're not  
2 done yet, no. Earlier, I believe you had indicated  
3 that market segments could also affect price levels;  
4 that depending on which market segment you are in,  
5 price levels could be different. Are there certain  
6 market segments that traditionally tend to be higher  
7 or could some be higher or lower depending on what's  
8 going on in those market segments?

9 MR. BOLAND: Yes.

10 MS. DEFILIPPO: Oops, I asked two questions  
11 and I got a yes.

12 (Laughter.)

13 MS. DEFILIPPO: So yes to which part? There  
14 are some that are traditionally higher all the time or  
15 it can vary? That's traditionally higher?

16 MR. BOLAND: Right.

17 MS. DEFILIPPO: So which would those be? I  
18 mean, in your opinion, have you seen which market  
19 segments tend to have higher prices for the aluminum  
20 extrusion?

21 MR. BOLAND: And I think some of the  
22 testimony this morning profiled and described what  
23 those markets were; in fact, I think even described  
24 them. And so, for example, the truck-trailer market,  
25 very high volume, very high volume per extruded shape.

1 Having been in this business 25 years, I can tell you  
2 that historically has been one of the most  
3 aggressively priced parts of the market. Now, when  
4 you go up the scale of complexity and so forth, then  
5 the margins change.

6 MS. DEFILIPPO: Okay.

7 MR. BOLAND: And I think you heard that this  
8 morning, as well.

9 MS. DEFILIPPO: Okay, thank you. I think  
10 Mr. Bernstein was asking this question and I apologize  
11 if you got to what I'm asking you again. I don't  
12 remember. I remember the first answer.

13 MR. POK: There's no objection, don't worry.

14 MS. DEFILIPPO: Mr. Bernstein had asked  
15 about the orders that you had lost, to whom you had  
16 lost, whether it was U.S. companies or other imports.  
17 And I don't know if you said and, if you did, I  
18 apologize, but do you know why you lost? Was it your  
19 price was higher? Your quality? Other terms that  
20 were indicating you weren't as competitive?

21 MR. BOLAND: It was primarily price.

22 MS. DEFILIPPO: Okay.

23 MR. BOLAND: And I think you heard that this  
24 morning, that's obviously a factor and yeah.

25 MS. DEFILIPPO: Okay, thank you. Last

1 question was in terms of any information that you have  
2 on the Chinese market, in terms of number of suppliers  
3 or is it structured similarly, are there big companies  
4 and small companies, are they adding new capacity,  
5 anything you could share with us would be helpful.

6 MR. BOLAND: We'll do some research.

7 MS. DEFILIPPO: That would be great. That's  
8 fine. Thank you, very much. Any other questions from  
9 staff that came up while --

10 (No further questions from staff.)

11 MS. DEFILIPPO: Well, thank you, very much,  
12 for coming and helping us out with our investigation.  
13 More information is always better and I appreciate the  
14 time you took to come talk with us today. So, thank  
15 you.

16 MR. BOLAND: Thank you.

17 MR. POK: Thank you, very much.

18 MR. BOLAND: You're welcome.

19 MS. DEFILIPPO: Mr. Jones, did you want to  
20 take a break to confer with your clients before we  
21 move to closing remarks? You would be set to go?  
22 Great. We'll give this panel a minute or so to move  
23 back and then head you move forward, that would be  
24 great. Thank you, again. Ready to go. Please feel  
25 free to proceed. Thank you.

1                   MR. JONES: Thank you, Ms. DeFilippo,  
2 members of the staff. Again for the record, my name  
3 is Steve Jones, counsel to the Petitioners. And at  
4 the risk of incurring everyone's wrath, I wondered  
5 whether to come up here at all. But, there are a few  
6 things that I would like to -- there are a few points  
7 that I'd like to make in things that I think are  
8 important. And there's a lot to react to there and  
9 not a lot of time to do it in. We'll provide much  
10 more fulsome reaction in our post-conference brief.  
11 But, there are a couple of things I wanted to point  
12 out, which I thought are interesting.

13                   Throughout Peng Cheng's presentation and  
14 answers to questions, it came as they're a small  
15 importer, high-cost importer. What they didn't  
16 mention is that they're the U.S. affiliate of the  
17 largest aluminum extrusion company in China. Jon  
18 Huang Holdings in northern China bills itself as the  
19 largest extruder in China. And to paint -- try to  
20 paint a different picture of who they are and what  
21 their interests are really, to me, is a little  
22 disingenuous.

23                   I, also, thought it was very interesting  
24 that they ran away from this article that's in Exhibit  
25 12 of Volume I of the petition because this is a press

1 article in a magazine called Modern Metals. They did  
2 a feature article on Peng Cheng and their business.  
3 And this is -- it's a very interesting and complete  
4 article about what they do, what they're interested in  
5 doing, what their strategy is. And I'm not surprised  
6 they're trying to discount this article because it  
7 really echos a lot of the arguments that we're making.  
8 So to the extent you haven't read it yet, and I know  
9 you -- I'm sure you've read a lot of the petition; you  
10 may not have gotten to this yet -- I commend it to you  
11 because I think you will find it interesting. And  
12 I'll come back to that.

13 Mr. Boland said he thinks that this is a  
14 "complex" situation. Well, we'll admit and we did  
15 admit with the panel up here, this is a very diverse  
16 industry, a lot of different types of products, a lot  
17 of different types of producers. There is some  
18 complexity in that. But from an international trade  
19 Title VII injury determination perspective, this is  
20 not complex. And Mr. Bernstein, we're going to, of  
21 course, address this in our brief, but the causal link  
22 here is very, very clear. There's a surge in imports  
23 in 2009; an increase in market share that on a Mofcom  
24 website, the Chinese Government says it's 20 to 25  
25 percent now market share in the United States;

1 millions of dollars of lost sales and lost revenues in  
2 this industry; numerous bankruptcies; numerous plant  
3 closings; numerous idling of extrusion presses;  
4 thousands of employees laid off; very, very distressed  
5 industry. No question that there has been a decline  
6 in demand. The data show that. The shipment data  
7 show that there's been a decline in demand. But,  
8 there is also no question that the industry has been  
9 injured by imports, that there is present injury caused  
10 by subject imports, and the threat case is incredibly  
11 strong. I don't think this case gets to threat,  
12 frankly. But, if it does, we'll provide enough  
13 information in our brief for the Commission to make  
14 its affirmative determination on that basis, if it  
15 needs to.

16           What is coming in from China? Well,  
17 everything is coming in from China: all different  
18 products, all market segments, standard shapes, custom  
19 shapes. It's not just standard shapes. And Peng  
20 Cheng's testimony was helpful, in that regard, at  
21 least in confirming what we say, that they're trying  
22 to do value added. They're trying to fabrication.  
23 They're trying to compete for the value added and  
24 value added segments of the market. And that's where  
25 we're seeing a lot of the competition from China.

1 They're not the only ones trying to do it. Now as the  
2 value of the product increase, the competition  
3 intensifies. Mr. Henderson said that this morning and  
4 PCA agreed, Peng Cheng agreed. So, I think there's  
5 broad agreement on that point.

6 In terms of the importance of price, there  
7 was testimony about non-price factors. It's general  
8 agreement that the quality is the same. There's  
9 general agreement -- or Peng Cheng tried to make an  
10 argument or did make an argument that they can provide  
11 products that are not available in the United States.  
12 Our people don't know what those are, what those  
13 products are. So, that's news to us. The U.S.  
14 industry can make all products that -- this is my  
15 understanding, that the United States industry can  
16 make all products that are demanded in the U.S.  
17 market. We'll look at that and we'll provide some  
18 commentary on that for our brief.

19 With respect to lead times, Mr. Fetzner asked  
20 the question about that. Look at this article, Mr.  
21 Fetzner, in this petition. There's a lot in there  
22 about Peng Cheng and others are doing this, as well,  
23 we think, providing warehousing services and providing  
24 what's referred to in here as "JIT," just-in-time  
25 programs for customers in the United States. Lead

1 time is not a non-price factor in this industry. In  
2 short, there are no significant non-price factors. In  
3 isolated cases, there may be something that a customer  
4 needs or can't find from one producer or another.  
5 But, the vast majority of instances is price. It  
6 comes down to the price and that's what dictates who  
7 gets the business.

8           Again, Ms. Johnson, in our panel, talked  
9 about the China price. It's strictly price. And  
10 there aren't any products that the U.S. industry can't  
11 produce. There was mention made of special alloys  
12 that Peng Cheng can provide, that the U.S. industry  
13 can't. Specialized alloys, providing those to  
14 customer are not -- that is not an unusual practice in  
15 this industry. U.S. producers can and do do that, as  
16 well. So, the suggestion that that's something that  
17 Peng Cheng can do, Peng Cheng's affiliate in China can  
18 do, that the U.S. producers can't do is false.

19           This industry has an incredible amount of  
20 production capacity available. And you heard  
21 testimony this morning that it can bring idle presses  
22 back on line quickly. They haven't been scrapped  
23 altogether and there are unfortunately a lot of  
24 presses in the industry that have been scrapped. But,  
25 there are some that haven't. And it's certainly the

1 industry's hope that with relief imposed from dumped  
2 and subsidized imports from China, that those presses  
3 can be brought back on line, that people can be called  
4 back to work, and the business that rightfully should  
5 have been placed here in the first place can be placed  
6 here again. And U.S. industry, U.S. companies can  
7 make those products and supply those to the market.

8           There are a lot of bankruptcies, of course,  
9 a lot of companies that have disappeared. But the  
10 companies that are still in existence and very good  
11 companies and prominent companies, and you met some of  
12 the folks from them today, are very, very worried.  
13 And they're worried about whether they will be able to  
14 continue to stay in business and about the economic  
15 viability of some of the investments that they've  
16 made. You heard the word "scarey" and you heard that  
17 "the ship is getting swamped," and I think that's sums  
18 it up. And the industry very much needs to have the  
19 law enforced and for determination from the Commission  
20 that this industry is being injured by subject  
21 imports, for the case to go to Commerce from the  
22 investigation, the extent of the unfairness.]

23           And we thank you, again, for your attention,  
24 for your questions today, for your interest in this  
25 industry. We look forward to working with you further

1 on this. Thank you.

2 MS. DEFILIPPO: Thank you, very much, Mr.  
3 Jones. On behalf of the Commission and the Commission  
4 staff, I would like to thank the witnesses who came  
5 here today, as well as counsel, for helping us to gain  
6 a better understanding of this product and the  
7 conditions of competition in the industry. Before  
8 concluding, let me mention a few dates to keep in  
9 mind. The deadline for the submission of corrections  
10 to the transcript and for submission of post-  
11 conference briefs in these investigations is Monday,  
12 April 26<sup>th</sup>. If briefs contains business proprietary  
13 information, a public version is due on April 27<sup>th</sup>.  
14 The Commission has tentatively scheduled its vote on  
15 the investigations for May 14<sup>th</sup>. It will report its  
16 determinations to the Secretary of Commerce on May  
17 17<sup>th</sup>. Commissioner's opinion will be transmitted to  
18 Commerce on May 24<sup>th</sup>. Thank you all for coming. This  
19 conference is adjourned.

20 (Whereupon, at 2:16 p.m., the hearing was  
21 concluded.)

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25 //

**CERTIFICATION OF TRANSCRIPTION****TITLE:** Certain Aluminum Extrusion From China**INVESTIGATION NO.:** 701-TA-475, 731-TA-1177  
(preliminary)**HEARING DATE:** April 22, 2010**LOCATION:** Washington, D.C.**NATURE OF HEARING:** Preliminary Conference

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

**DATE:** 4/21/10

**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:** Micah Gillett  
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:** Christina Chesley  
Signature of Court Reporter