

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2 In the Matter of:) Investigation Nos.:
3) 701-TA-514 and
4 53-FOOT DOMESTIC DRY) 731-TA-1250 (Preliminary)
5 CONTAINERS FROM CHINA)

6 Wednesday, May 14, 2014
7 Court Room B (Room 111)
8 International Trade Commission
9 500 E Street, S.W.
10 Washington, D. C.

11 The meeting commenced, pursuant to notice, at
12 9:30 a.m., before the Commissioners of the United States
13 International Trade Commission, CATHERINE DEFILIPPO,
14 DIRECTOR OF INVESTIGATIONS, presiding.

15 APPEARANCES:

16 On behalf of the International Trade Commission:

17 Staff Present:

18 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND
19 INFORMATION OFFICER

20 SHARON BELLAMY, PROGRAM SUPPORT SPECIALIST

21 MIKAYLA KELLEY, INTERN

22 CATHERINE DEFILIPPO, DIRECTOR OF INVESTIGATIONS

23 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

24 ANGELA M.W. NEWELL, INVESTIGATOR

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2 TRADE ANALYST

3 ALBERTO GOETZL, ECONOMIST

4 MARY KLIR, ACCOUNTANT/AUDITOR

5 MARY JANE ALVES, ATTORNEY

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1 PANEL

2 Jeffrey S. Levin, Levin Trade Law, P.C.

3 Frank H. Morgan, White & Case LLP

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5 Levin Trade Law, PC Bethesda, MD and Hodes Keating & Pilon

6 Chicago, IL on behalf of:

7 Stoughton Trailers, LLC

8 Robert (Bob) Wahlin, President, Stoughton

9 Trailers, LLC

10 Gary L. Fenton, Vice President, Engineering,

11 Stoughton Trailers, LLC

12

13 James Dougan, Senior Economist, Economic

14 Consulting Services, LLC Jeffrey S. Levin & Michael Hodes

15 Of Counsel

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17 Drinker Biddle & Reath LLP- Washington, DC on behalf of J.B.

18 Hunt Transport, Inc.

19 Kent Delozier, Director of Maintenance, J.B. Hunt

20 Transport, Inc.

21 Mark Whitehead, Senior Vice President, Risk

22 Management & Claims, J.B. Hunt Transport, Inc.

23 Douglas J. Heffner & Richard P. Ferrin Of

24 Counsel

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1 White & Case LLP Washington, DC on behalf of China
2 International Marine Containers (Group), Ltd.; CIMC USA;
3 Singamas Management Services, Ltd.; and Singamas North
4 America, Inc.

5 Daniel Drella, Director of Intermodal Equipment
6 and Maintenance, Schneider National, Inc.

7 O.H. Buzz Hagen, CEO CIMC Intermodal Equipment

8 Johnny Yeung, Sales Director, Dingamas

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10 Keir Whitson, Senior Advisor, White & Case LLP

11 Frank H. Morgan Of Counsel

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13 Mayer Brown LLP Washington, DC on behalf of Hub Group, Inc.

14

15 Douglas Beck, Assistant General Counsel, Hub

16 Group, Inc.

17 Jakub Cerny, Vice President, Fleet Services, Hub

18 Group, Inc.

19 Charlie Green, Industry Engineering Expert, G-P

20 Moves Freight, LLC

21 Matthew J. McConkey & Margaret-Rose Sales Of

22 Counsel

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1 Norfolk Southern Corporation Norfolk, VA

2 Paul Dean, Director of Intermodal Equipment and

3 Maintenance, Norfolk Southern Corporation

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	INDEX	
		PAGE
1		
2		
3	Opening Remarks of Jeffrey S. Levin,	8
4	Levin Trade Law, P.C.	
5	Opening Remarks of Frank H. Morgan,	11
6	White & Case, LLP	
7	Testimony of Mr. Robert Wahlin, President,	15
8	Stoughton Trailers, LLC	
9	Testimony of Mr. Gary L. Fenton,	24
10	Vice President of Engineer,	
11	Stoughton Trailers, LLC	
12	Testimony of Mr. Michael Hoades	34
13	Hoades, Keating & Pilon	
14	Testimony of Mr. James Dougan, Senior	38
15	Economist, Economic Consulting Services	
16	Testimony of Mr. Jeffrey S. Levine,	40
17	Levine Trade Law, P.C.	
18	Closing Statement of Jeffrey S. Levine	199
19	Closing Statement of Frank H. Morgan	205
20		
21		
22		
23		
24		
25		

1 P R O C E E D I N G S

2 (9:30 a.m.)

3 MS. DEFILIPPO: Good morning. Welcome to the
4 United States International Trade Commission's conference in
5 connection with the preliminary phase of antidumping and
6 countervailing duty investigation numbers 701-TA-514 and
7 73-TA-1250 concerning 53-Foot Domestic Dry Containers from
8 China.

9 My name is Catherine DeFillipo. I am the
10 Director of the Office of Investigation, and I will preside
11 at this conference.

12 Among those present from the Commission staff
13 are, from my far right, Douglas Corkran, the supervisory
14 investigator, Angela Newell, the investigator. To my left,
15 Al Goetzl, the economist, Michael Stanton-Geddes, the
16 industry analyst, Mary Jane Alves, the attorney advisor, and
17 Mary Klir, the accountant/auditor.

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

22 We also ask that you state your name and
23 affiliation for the record before beginning your
24 presentation or answering questions for the benefit of the
25 court reporter.

1 All witnesses must be sworn in before presenting
2 testimony. Any questions regarding the time allocations
3 should be addressed with the Secretary.

4 Are there any questions?

5 (No response.)

6 MS. DEFILIPPO: Hearing none, Madam Secretary,
7 are there any preliminary matters?

8 MS. BELLAMY: No, there are not.

9 MS. DEFILIPPO: Very well. Let us please proceed
10 with the opening statements.

11 MS. BELLAMY: Opening statements on behalf of
12 Petitioner, Jeffrey S. Levin, Levin Trade Law, P.C.

13 MS. DEFILIPPO: Good morning, Mr. Levin.
14 Welcome. Nice to see you. Please proceed when you are
15 ready to go.

16 OPENING REMARKS ON BEHALF OF THE PETITIONERS

17 MR. LEVIN: Good morning. My name is Jeff Levin,
18 and I am with Levin Trade Law. I am joined today with my
19 co-counsel Michael Hoades, of Hoades, Keating & Pilon, of
20 Chicago, Illinois.

21 I have the privilege of representing the
22 Petitioner in these investigations, Stoughton Trailers, the
23 sole U.S. manufacturers of 53-foot domestic dry containers,
24 which is referred to in the industry and the market as
25 simply domestic containers.

1 You may not know this product by name, but Im
2 guessing that everyone in this room has seen this product on
3 roadways and railways, perhaps even on your way to the
4 conference this morning.

5 Domestic containers now do a great percentage of
6 the heavy work of moving products within this country.
7 There are literally thousands of these domestic containers
8 on the roads and railways of America today. In coming
9 years, based on current forecasts and trends, there will be
10 thousands more. Unfortunately, as of now, and with rare
11 exception, they are all manufactured in China.

12 I am honored today to be joined by Stoughtons
13 president, Mr. Bob Wahlin and the companys Vice President of
14 Engineering, Mr. Gary Fenton. These gentlemen know as well
15 as perhaps anyone in this country the product, the
16 manufacturing process, and the market. And they know all
17 too well what has happened to this industry, to their
18 extensive investment of time and financial, and manpower
19 resources at the hands of cheaply priced, directly
20 competitive, imports from China.

21 China is now the dominant player in the U.S.
22 market, accounting for nearly all of the domestic containers
23 used in the United States.

24 In 2009, after having been approached by
25 prospective U.S. customers looking a

1 domestically-manufactured product, Stoughton made a
2 considered decision to start manufacturing domestic
3 containers, using the production process which had been
4 introduced by the Chinese and accepted by the market here in
5 the United States over the several preceding years.

6 This was not some multi-million dollar lock, but
7 a business decision by a company that has been manufacturing
8 transportation equipment in the nations heartland for
9 several decades, and which was determined to move forward
10 into this market based on sound and reasoned financial and
11 operational projections.

12 There are some fairly unique attributes to these
13 investigations. We have a single-company domestic industry.
14 We have just a handful of foreign producers and U.S.
15 importers. There are no government or industry sources that
16 we are aware of which fully isolate the volume of imports or
17 that quantify with exactitude the size of the U.S. market.

18 Perhaps most uniquely, we assert that subject
19 imports have materially retarded the establishment of a
20 domestic industry. In this case, a domestic industry
21 composed of Stoughton Trailers.

22 You just dont see a material retardation case
23 every day. In our petition, we have tried hard to identify
24 and clarify these unique attributes to as focused a degree
25 as possible. But certain aspects are not unique to these

1 investigations. Namely, that the volume of subject imports
2 is significant. That subject imports have had and continue
3 to have a pronounced adverse impact on U.S. prices of the
4 product and that the inability of the domestic industry to
5 establish itself upon firm competitive footing is to a
6 significant degree attributable to an overarching tide of
7 cheaply priced, directly competitive and we submit, unfairly
8 traded imports.

9 This petition has been brought with good faith,
10 not embargo Chinese imports or to impede companies that
11 purchase and use this product, but with the hope that parity
12 and the rule of law will imbue this nascent manufacturing
13 sector.

14 On behalf of Stoughton Trailers, we respectfully
15 submit that the evidence will demonstrate that a domestic
16 industry has been and continues to be materially retarded by
17 reason of subject imports. Thank you.

18 MS. BELLAMY: For Respondents, Frank H. Morgan,
19 White & Case, LLP.

20 MS. DEFILIPPO: Welcome Mr. Morgan.

21 OPENING REMARKS ON BEHALF OF THE RESPONDENTS

22 MR. MORGAN: Thank you, Ms. DeFilippo, and
23 members of staff. My name is Frank Morgan. Im with White &
24 Case, and we represent China International Marine Containers
25 Group and Singamas Group, the only two Chinese producers and

1 exporters of subject merchandise.

2 We greatly appreciate the efforts we know staff
3 has already undertaken and is about to undertake in the
4 coming weeks, and we stand prepared to assist in those
5 efforts in whatever way we can. We want to get you all the
6 information we know you want and that is at all possible for
7 us to get to you.

8 I have the distinct privilege of being joined
9 today by representatives from four of the largest U.S.
10 purchasers of domestic containers, Mr. Kent Delozier of JB
11 Hunt, Mr. Jakub Cerny and Mr. Charlie Green of the Hub
12 Group, Mr. Paul Dean from Norfolk Southern, and Mr. Dan
13 Drella from Schneider National.

14 Im going to throw out a statistic that you
15 probably dont hear that often in a preliminary staff
16 conference. We have purchasers here today accounting for
17 approximately 70 percent of purchases in the U.S. market.
18 We have incredible coverage and were very serious about
19 ensuring that you have a complete record so that there is no
20 reason for continuing this to a final phase.

21 In addition to the U.S. purchasers we have, we
22 also are joined by Mr. Buzz Hagen, who is from CIMC
23 Intermodal Equipment, and we have Mr. Johnny Yeung from
24 Singamas. We also have representatives of the two foreign
25 producers who are here to answer any questions you may have

1 about their operations.

2 We are pleased to have the opportunity today to
3 tell you the other side of the story. Each one of our
4 witnesses will testify without ambiguity that Stoughtons
5 domestic containers have not been accepted by the market
6 because they are not fully welded.

7 This means Stoughtons containers have
8 significantly more leakage than fully welded containers, are
9 most costly to repair, and are less durable than the
10 domestic steel containers that have been on the market for
11 several years.

12 Mr. Dean of Norfolk Southern is going to tell you
13 about the delivery and quality problems that they
14 experienced when they purchased Stoughton domestic
15 containers -- I apologize -- domestic steel containers
16 because there are aluminum containers, but these are the
17 Stoughton domestic steel containers.

18 Perhaps that single purchasing event, which was
19 the very first in which other market participants quickly
20 learned of explains why Stoughtons attempt to establish a
21 domestic industry has been successful. I mean, after all,
22 when you have four or five purchasers accounting for that
23 much of purchases it doesnt take long for them all to find
24 out whats going on in the market. Its not complicated.

25 Mr. Delozier of JB Hunt, and others, will explain

1 the benefits to them of a hundred-plus-inch width container,
2 which accounts for approximately 40 percent of market
3 demand. Stoughton did not and does not offer such a
4 product. You'll hear from Mr. Drella of Snyder
5 International, and others, the containers need to be field
6 tested before they will be accepted by the market.

7 It is out of line with commercial reality to
8 expect sales and significant commercial quantities within a
9 year or two.

10 These factors, not imports from China are why
11 Stoughton's efforts to manufacture domestic containers have
12 been unsuccessful. By the way, I note that the term
13 domestic containers is a bit of a misnomer because the
14 containers are actually used throughout North America.

15 As you will hear from our witnesses, a startup
16 U.S. company called American Intermodal Container
17 Manufacturing has informed the market that the company is on
18 schedule to build a prototype by June 2014. By all
19 accounts, it is going to be a fully welded container.

20 Like RadioShack says, You've got questions. We've
21 got answers. If there is information you do not have,
22 please ask us for it; and if it exists, we will get it to
23 you.

24 Our panel is eager to answer all of your
25 questions. And I hope you'll explore the quality and design

1 issues which are at the heart of this case with Stoughton
2 and with us. Thank you.

3 MS. DEFILIPPO: Thank you very much, Mr. Morgan.

4 We will now move to direct testimony by those in
5 support of the imposition of antidumping and countervailing
6 duty orders.

7 Mr. Levin, I welcome you and your panel up to the
8 table.

9 Welcome everyone, and proceed when you all are
10 ready.

11 MR. LEVIN: Thank you, Madame Chair.

12 Im pleased to introduce our first witness for
13 this morning, the president of Stoughton Trailers, Mr. Bob
14 Wahlin. Bob?

15 TESTIMONY OF MR. WAHLIN:

16 MR. WAHLIN: Good morning investigation staff.

17 My name is Bob Wahlin, and Im the president of Stoughton
18 Trailers, the Petitioner in this investigation.

19 Stoughton Trailers headquartered in Stoughton,
20 Wisconsin is the only producer in the United States of
21 domestic containers that are the subject of our petition.

22 My company has been in operation for over half a
23 century, since 1961. It was founded by my father and
24 remains family owned. When the company first started, we
25 manufactured truck bodies. And after a few years, began the

1 manufacture of trailers as well.

2 Over the next several decades, my company has
3 expanded and added more production facilities, and now we
4 are a leading American manufacturer of
5 transportation-related equipment, including over-the-road
6 vans, grain trailers, converter dollies, domestic dry
7 containers, and chassis.

8 We are a proud member of the manufacturing base
9 of Wisconsin, employing a total of 1,100 workers,
10 supervisors, and administrative staff. We consider all of
11 our employees to be part of the Stoughton family, and we are
12 an active and dedicated member of our community and our
13 state.

14 Although I am part of the family that owns
15 Stoughton, I was not simply given a key to the executive
16 offices. I worked my way up the ladder, first as department
17 manager, then as plant manager. I helped develop, teach,
18 and implement the companys lean manufacturing programs
19 before I was promoted to vice president of manufacturing in
20 2007, and then became president in 2011. There is little,
21 if anything, which happens in the company with which I have
22 not been personally involved or personally aware.

23 As a matter of philosophy, as well as business
24 strategy, I, and Stoughton Trailers as a whole, believe
25 strongly in free and fair competition and an open and level

1 market, and that is why Im here this morning.

2 Although I am an engineer by training, I will
3 leave some of the more technical discussion to our next
4 witness, Gary Fenton, who is our Vice President of
5 Engineering. But I do want to take a minute to describe our
6 product, 53-foot domestic dry containers, which we refer to
7 in shorthand as domestic containers.

8 It is a product that Im sure everyone in this
9 room has seen, perhaps every day, but probably have not
10 thought much about.

11 Since I was told I probably could not get a
12 53-foot domestic container through security, I brought a few
13 HO scale models with me as the next best thing.

14 Interestingly, but not surprisingly, these models
15 are made in China and are identified on the sales tag as
16 being representative of domestic container made by one of
17 our former Chinese competitors, Jindo Container Company.
18 Jindo, by the way, was one of the smaller manufacturers in
19 China when compared to the primary Chinese supplier, China
20 International Marine Containers Group, or CIMC, which is, as
21 we understand, the largest container manufacturer in the
22 world.

23 The irony of a U.S. company taking action to
24 fight against unfair trade practices by Chinese
25 manufacturers with the assistance of a model manufactured in

1 China under the company name of one of prime competitors is
2 not lost on us.

3 Domestic containers are shipping containers
4 specifically designed and used throughout North America in
5 connection with long distance intermodal movement of
6 freight. Intermodal refers to movement of freight using
7 multiple modes of transportation, most commonly on a
8 container chassis for highway use and on a railcar for rail
9 transport.

10 At one time, various sizes of domestic containers
11 were manufactured and/or imported and somewhere still
12 currently in service in North America because 53-foot
13 domestic dry containers are used exclusively in the North
14 America intermodal freight industry. There is no
15 substantially equivalent foreign product in use outside of
16 North America. However, due to both evolving regulatory
17 changes and evolving economics, including increased reliance
18 on and efficiencies in their intermodal routes, the demand
19 for shorter length domestic containers has significantly
20 diminished.

21 The subject of this petition is the 53-foot and
22 53-foot high cube domestic container. High cube refers to a
23 container with a greater interior height. A 53-foot
24 container has a minimum interior height of 107 inches. A
25 high cube 53-foot domestic container has a minimum interior

1 height of 109-3/8 inches.

2 As I noted a moment ago, domestic containers are
3 used for the intermodal movement of freight within North
4 America, typically from a port, manufacturing facility, or
5 distribution center. The domestic containers which we
6 manufacture are virtually identical to the domestic
7 containers imported from China.

8 Both are designed and constructed to be placed on
9 a container chassis for movement to the place of intermodal
10 transfer, typically a rail yard, where they are top lifted
11 off the chassis and placed in a rail well car. Domestic
12 containers are specifically designed to be double stacked on
13 the railcar. At the destination point, they are unloaded,
14 and an individual domestic container is placed on another
15 container chassis and moved to its final or interim
16 destination where freight contents are unloaded.

17 Domestic containers are widely used in intermodal
18 transportation because for shipment over longer distances it
19 is much less costly to complete most of the transport by
20 rail than entirely by surface, over-the-road transportation.
21 In addition, the 53-foot length of container allows for more
22 freight to be shipped by means of the more economical
23 intermodal move. Two containers can be transported on a
24 single railcar as opposed to one 53-foot trailer on a
25 corresponding railroad car called a spine car.

1 Our manufacturing site for domestic containers,
2 which we call Plant 7, was added in 1993 in Evansville,
3 Wisconsin. When Plant 7 initially opened, it was a 240,000
4 square foot production facility, which was expanded to
5 300,000 square feet in 1998. At that time, Stoughton
6 produced 53-foot containers, utilizing a mechanical assembly
7 process.

8 By the early 2000s, China had introduced a
9 steel-welded construction process for 53-foot domestic
10 containers, which was accepted by U.S. customers as the
11 prevailing standard. Of course, at the extremely low prices
12 that China was able to sell, Stoughton found that it could
13 no longer remain competitively viable, and production of
14 53-foot domestic containers at the Evansville facility was
15 idled in 2006.

16 In 2009, Stoughton began to receive inquiries
17 from U.S. rail and truck carriers and lessees that were
18 interested in securing a source of U.S. manufactured
19 domestic containers. The Evansville facility was later
20 reopened in 2011 on the basis of business plans that
21 projected a steady increase in production capacity to
22 commercially competitive levels over the course of the next
23 several years.

24 Unfortunately, as we detailed in our petition,
25 the production orders which we were able to receive fell way

1 below what we reasonably and, indeed, conservatively
2 projected. This was a direct result of consistent and
3 unyielding price-cutting by Chinese producers. As a result,
4 Stoughton's production of domestic containers rose to no
5 more than negligible levels over the years to follow. In
6 fact, our production in 2013 amounted to the functional
7 equivalent of a rounding error compared to the volume
8 imported from China.

9 We have not been able to produce a single
10 domestic container for commercial sale since the first
11 quarter of 2013. And at present, the Evansville facility
12 dedicated to the manufacture of domestic containers, which
13 constituted a substantial investment of finances and
14 resources sits all but idle.

15 I hope Gary will take a minute to brag a bit
16 about our Evansville facility. Its a beautiful,
17 state-of-the-art manufacturing plant, and we would love for
18 the investigation staff and the commissioners to come out
19 for a visit; but at this point it is for all intents and
20 purposes a beautiful, state-of-the-art echo chamber.

21 And why is that? Well, the answer is not too
22 complicated. Domestic containers made in China are sold in
23 the U.S. market at prices that are significantly below what
24 we are able to charge. Even as we continue to improve
25 production efficiencies, streamline the number of labor

1 hours necessary to manufacture a single container, and
2 implement practical cost-cutting measures so long as they do
3 not comprise the quality or engineering integrity of the
4 container.

5 Not only is the playing field not level, since we
6 very much believe that the Chinese prices made possible
7 through a range of unfair trade practices, but the goal post
8 on the field keep moving. We entered the market at a
9 certain price knowing that like an industry getting off the
10 ground that price would be the high water mark. Over the
11 course of a relatively short period of time, we were able to
12 bring that price down as our experience and production
13 efficiencies grew. Yet, almost every time we came for bid
14 at a lower price, our competition, the Chinese
15 manufacturers, lowered theirs by an equal or greater amount
16 making it near impossible to close that pricing gap.

17 I have a pretty good idea as to what our bottom
18 price would be before we just have to fold up this industry.
19 I do not see any evidence that theres such a bottom price
20 for the Chinese. Even when selling at prices which would
21 not earn a profit, but which would at least establish our
22 presence in the market, we continued to lose sales and
23 market opportunities.

24 I certainly dont lay this on our customers. I
25 would consider doing the same thing if I was given the

1 option of a virtually identical product of equivalent
2 quality, but at a steeply discounted price. That, of
3 course, is the nature of free competition in an open market.
4 But if the steeply discounted price is made possible through
5 unfair trade practices, dumping, and government subsidies,
6 then the balance of this free competition in an open market
7 tilts wildly in favor of the product manufactured in China.

8 In our petition, we provide some of the strategic
9 planning documents that detailed our expectations and
10 projections upon entering into the market and attempting to
11 establish this domestic industry. Based on our close
12 familiarity with the market, these encompass startup costs,
13 and the reasonable expenditure of time and resources
14 necessary to institute production on a realistic commercial
15 scale.

16 We incorporated available expertise from
17 consulting companies, market intelligence, market trends,
18 project freight-load volumes, projected fleet replacement
19 rates, and a range of other factors. We knew that we would
20 likely incur losses at the get-go, as pretty much any
21 startup does. But we also had a very well founded basis to
22 project that over a relatively short period we could reduce
23 production costs and compete at or near the price level
24 which we were seeing at the time from our Chinese
25 competitors.

1 It was the ensuing dive in the Chinese price once
2 we tried to enter the market that makes our strategic goal
3 increasingly difficult to achieve. We have the production
4 capacity, engineering skills, design ingenuity, and service
5 base to remain extremely competitive with any producer in
6 the world. We are not looking for a free pass, or for the
7 allowance of a portion of the market. We are not looking to
8 knock competition out of the market, or to embargo Chinese
9 manufacture of domestic containers. We are asking only for
10 parity, for a level playing field, and for trade on fair
11 conditions.

12 On behalf of Stoughton Trailers, and all of our
13 dedicated employees, I appreciate the opportunity to present
14 this testimony, and I look forward to any questions that you
15 might have. Thank you.

16 MR. LEVIN: Thank you, Bob.

17 These models, which well be happy to leave with
18 the staff, actually get much larger as you get closer to the
19 models.

20 Anyway, our next witness will be Stoughtons vice
21 president of Engineer, Mr. Gary Fenton. Gary?

22 TESTIMONY OF MR. GARY FENTON:

23 MR. FENTON: Good morning. My name is Gary
24 Fenton, and Im the Vice President of Engineering at
25 Stoughton Trailers, LLC.

1 Ive been employed with Stoughton in various
2 engineering capacities since 1988, and was recently promoted
3 to vice president of Engineering in 1911 (stet). Prior to
4 that, I was employed by two companies in various engineering
5 responsibilities. I hold a number of patents related to
6 containers and trailers. Im well versed in the nuts and
7 bolts of the design and construction of the products which
8 Stoughton Trailer produces.

9 My principal responsibilities at Stoughton is to
10 supervise the engineering department to oversee the design
11 of all of Stoughtons products, including 53-foot domestic
12 dry containers, container chassis products, converter
13 dollies, grain trailers, and dry van trailers.

14 Stoughton manufactures, or I should more
15 appropriately state, has the capability to manufacture
16 domestic containers at its plant in Evansville, Wisconsin.
17 Unfortunately, as documented in our petition and
18 questionnaire responses, the actual production from 2011 to
19 the first quarter of 2013 has been, at best, negligible.
20 There is currently no active domestic container production
21 at our Evansville plant, although on occasion we may build a
22 container for the purpose of improvement of production
23 methods and to test engineering processes.

24 Stoughton has and currently does produce chassis
25 at our Evansville plant in a separate part of the facility.

1 Stoughton also produces trailers, which I will discuss
2 shortly, at different facilities in Stoughton and Brodhead,
3 Wisconsin.

4 Domestic containers are quite simply shipping
5 containers and certain unique physical characteristics that
6 permit them to be used in intermodal transportation. With
7 the exception of the door seals and floor material, domestic
8 containers are constructed primarily of various strengths of
9 carbon steel. Although some forms of composite steel may
10 also be used in the doors, the predominate means of
11 attaching the various steel members to one another is
12 through a welding process.

13 The doors are allowed to swing on the hinge pins
14 applied through hinge butts providing a pivot point and
15 incorporating a perimeter seal. The flooring material is
16 secured by means of self-tapping screws and sealed to
17 prevent water intrusion. The entire structure is painted
18 inside and out to resist corrosion.

19 As Bob Wahlin discussed, because domestic
20 containers are intended to be used in an intermodal truck/rail
21 move where double stacking of containers in a rail well car
22 is a critical requirement, the American Association of
23 Railroads has published specifications for the design and
24 construction of domestic containers which they will permit
25 to be moved on their systems.

1 These specifications were attached as Exhibit 1-2
2 to Volume 1 of the petitions. I will refer to these
3 specifications as simply the AR specification. Producers of
4 domestic containers must manufacture their products in
5 accordance with these specifications.

6 One large user of domestic containers has
7 negotiated certain variances from the AR specification with
8 the rail carriers relating to interface dimensions
9 specifically in the area of chassis to container securement
10 geometry. Such variances cannot and do not alter the
11 fundamental characteristics of the domestic container, or
12 encumber its full use in intermodal transportation.

13 The significant -- assemblies of a typical
14 domestic container consist of a front wall, vertical
15 corrugated sidewalls, stamped roof panels, an under
16 structure, floor planks of solid wood or other wood-based
17 materials, a rear wall consisting of a doorframe and
18 supporting members, steel composites, steel fabricated
19 doors, and stack frames placed at locations as per the AR
20 specification.

21 The predominant method of assembling all
22 sub-assemblies to other members of the container structure
23 is through welding. Prior to 2007, Stoughton had used a
24 mechanically assembled design and corresponding process in
25 our facilities.

1 As Bob Wahlin pointed out, Chinese producers
2 persuaded customers to adopt the steel-weld construction
3 process by coupling the new production method with prices
4 much lower than Stoughton.

5 When Stoughton decided to reopen the Evansville
6 facility in 2011, it switched its production design and
7 process to the steel-welded construction method. The
8 container front walls are thin, form steel sheets welded
9 together and then painted. The front wall includes a
10 forward-facing metal-formed aperture in each of the lower
11 corners to facilitate latching onto a chassis. The sidewall
12 of a domestic container consists of three sections. Each
13 consisting of thin steel side panels, but welded together
14 and then welded to steel top and lower rails. The
15 intermediate wall section and two end-wall sections are
16 welded to two stacking posts to complete the sidewall
17 assembly.

18 The stacking posts are also welded steel
19 sub-assemblies that include top and bottom castings that are
20 used to latch stacked containers together when stacked and
21 locate them properly in a railroad well car. The stacking
22 posts are a key structural element of the container since
23 they permit the double stacking of loaded containers in a
24 well car. The container roof consists of multiple stamped
25 fin steel panels welded together and then welded to the top

1 rails, stacking frame headers, front wall header and rear
2 frame.

3 The container rear frame is a welded steel
4 structure that includes aperture holes on the bottom plate
5 to allow engagement to a chassis twist lock securement
6 device. The container does not have a rear impact guard
7 system. Both the standard trailer and container have the
8 same type of door system, consisting of door panels, seals,
9 hinges, and lock rods. The container front lower structure
10 is also a steel assembly, but is made differently from that
11 of a trailer. It has a fore and aft tunnel section that
12 allows it to sit over the front of a chassis and does not
13 connect directly to the highway tractor.

14 The container also has steel cross members
15 spanning between the lower rails with wood floorboards
16 screwed on top. The container floor consists of many
17 smaller sections that have to be fitted into the front
18 tunnel and intermediate stacking frames.

19 Stoughton last produced domestic containers by
20 means of the mechanical-assembled process prior to its
21 idling the Evansville facility in June of 2006. Stoughton
22 began considering production of the all-steel welded design
23 in late 2009, after being contacted by a previous customer
24 with a request for a quote on a steel-welded domestic
25 container.

1 Upon receiving a substantial order for domestic
2 containers, Stoughton began transforming the container
3 facility from a mechanically assembled production line into
4 a production facility tailored to the production of the new
5 steel-welded product.

6 The production was disassembled and rebuilt from
7 start to finish. This required a substantial capital
8 investment backed by management resolute commitment to add
9 the welded assembly domestic container to Stoughtons product
10 line.

11 New linear weld equipment was installed to
12 assembly the sidewalls, roof, and front walls previously
13 assembled by riveting thin aluminum panels to stiffening
14 posts of either aluminum or steel profile. Following the
15 linear weld station for the longer panel assemblies, and
16 abrasive blaster was installed for surface paint
17 preparation. Previous assemblies were made from pre-painted
18 skins and corrosion-resistant stiffeners.

19 End frame construction remained similar at the
20 point of assembly. The difference comes from the front wall
21 being steel-welded panels welded into the perimeter frame
22 rather than assembled and riveted in place. The rear frame
23 and doors are similar to units being built using the
24 mechanical-assembled process.

25 The older design employed stacking frames, which

1 were constructed as a complete frame and then attached with
2 rivets to the sidewalls and roof structure. The steel-weld
3 design incorporates the side posts of the frame into the
4 welded construction of the sidewalls and the upper
5 horizontal member is incorporated in the welded roof
6 structure.

7 The staff frames become a unit at the point which
8 the sidewalls and roof structure are connected again via
9 weld. The resulting upper housing, two sides and a roof,
10 must now be handled as a single component as it enters into
11 the blast-and-paint process. Previous design only required
12 sub-assemblies to be blasted and painted, then assembled to
13 the already constructed sides, roof, front, and rear. The
14 steel-welded design requires full surface interior and
15 exterior painting.

16 Stoughton started building its first domestic
17 container using the welded process in May of 2011. As might
18 be expected, with any sophisticated engineered product being
19 manufactured through a new process using new equipment,
20 Stoughton faced design issues with the initial production.
21 In line with managements commitment to succeed, Stoughton
22 worked through the problems, providing a reinforcement
23 method to the already produced units.

24 Subsequently, Stoughton introduced engineering
25 improvements in a new design, which has been accepted by

1 Stoughtons customers. Regretfully, our new state-of-the-art
2 container production facility sits idle after a small
3 production run of the new design because Stoughton could not
4 get sufficient orders in the face of the lower priced
5 Chinese containers.

6 Finally, I would like to briefly discuss the
7 manufacturing and other differences between containers and
8 trailers.

9 We manufacture domestic containers and trailers
10 in different facilities. We make containers in Evansville,
11 Wisconsin, and Stoughton manufactures trailers at two
12 facilities in Stoughton and Brodhead, Wisconsin. Because
13 containers and trailers play different roles in the movement
14 of goods across the United States, they necessarily have
15 different design and construction features.

16 A trailer is the rear portion of a motor vehicle.
17 It consists of both a cargo box and an undercarriage
18 permanently integrated into a single unit. It includes
19 wheels, tires, a braking system, an electrical system, a
20 rear impact guard, and of course, a cargo box to store
21 freight. A trailer also incorporates a kingpin, which
22 permits the trailer to connect to the tractor.

23 All of the foregoing are lacking in a container,
24 except for the large box portion. A trailer lacks both the
25 stacking frame that is characteristic of the container as

1 well as the upper and lower fittings and castings that
2 permit the container to be top lifted on and off the chassis
3 and rail equipment.

4 The distinct physical and design differences
5 between trailers and containers drive their primary use in
6 the movement of freight across the United States. The
7 container is a shipping container specifically intended to
8 move freight intermodally over long distances by truck and
9 rail, with the longest portion of the movement typically on
10 the railcar.

11 The unique structural features of the container
12 permit it to be loaded and unloaded on both a chassis and on
13 rail equipment, and double stacked in a rail well car,
14 effectively doubling the capacity of the rail carrier to
15 move freight across the country. Needless to say, due to
16 their design and construction, trailers may not be double
17 stacked for intermodal transport. Over long distances,
18 using a domestic container is far more effective than using
19 a trailer to carry the same quantity of freight on the
20 highway.

21 I appreciate the opportunity to present this
22 testimony, and I look forward to any questions that you may
23 have. Thank you.

24 MR. LEVIN: Thank you, Gary.

25 Our next witness will be my co-counsel, Mr.

1 Michael Hoades of Hoades, Keating & Pilon. Mike?

2 TESTIMONY OF MR. MICHAEL HOADES:

3 MR. HOADES: Thank you, Jeff.

4 Good morning everybody. I hope that after the
5 hearing Mr. Levin will let me play with his toys because I
6 havent had an opportunity to do so yet.

7 My name is Michael Hoades, and I am co-counsel
8 with Jeffrey Levin to Stoughton Trailer.

9 I would like to make a few brief comments with
10 regard to the industry and the domestic-like product which
11 the industry produces.

12 In the petition, Stoughton observes that it is
13 the sole U.S. producer of 53-foot domestic containers. And
14 that since its domestic containers are virtually identical
15 to the imported product, the domestic-like product for
16 purposes of the investigation is and should be 53-foot
17 domestic containers as described in the scope language.

18 Stoughtons 53-foot domestic container is like the
19 imported product and there really is no other U.S.-produced
20 article which is like the imported product.

21 I note that the Commission has issued a trailer
22 supplement to the U.S. producers and importers
23 questionnaire, focusing on what are denominated as certain
24 trailers. These are defined as trailers greater than
25 48-feet in length, generally, 53-feet in length, which

1 incorporate an enclosed cargo box, not for transportation of
2 bulk liquids and not refrigerated.

3 Using the framework of the Commission's
4 traditional six factors for identifying possible
5 domestic-like products, I would like to summarize, briefly,
6 the differences between 53-foot domestic containers and
7 certain trailers.

8 Physically, there are profound differences
9 between domestic containers and certain trailers. A
10 domestic container is an enclosed shipping container. It is
11 merely a cargo box. A certain trailer is, in fact, the rear
12 portion of a motor vehicle. It is of integrated
13 construction. It incorporates the cargo box and the
14 undercarriage as a single unit. It has brakes, lights,
15 wheels, tires, and a rear impact guard system.

16 The physical differences between domestic
17 containers and certain trailers is significant and not minor
18 in nature. Both articles do share a general use. They are
19 both used to carry freight, but theyre interchangeability
20 ends with this general use. Domestic containers and certain
21 trailers play distinctly different roles in the movement of
22 freight across the United States.

23 The clearest dividing line between the two is
24 that domestic containers are specifically designed and
25 constructed to be double stacked in a rail well car. This

1 drives their use in intermodal transportation such that the
2 domestic container is the preferred choice for moving goods
3 long distances by means of an intermodal truck/rail move.
4 Certain trailers tend to be used for moving goods over
5 shorter distances; thus, domestic containers and certain
6 trailers serve different transportation markets.

7 The manufacturing processes are different. There
8 are several key differences. The cargo box of a domestic
9 container is of welded construction. The sidewalls of
10 trailers are mechanically assembled. A domestic container
11 is simply a container. A certain trailer includes an
12 undercarriage. The manufacturing process of the latter is
13 more complex because it requires the integration of the
14 cargo box and the undercarriage.

15 Stoughton uses different facilities at different
16 locations to manufacture domestic containers and certain
17 trailers. This necessarily requires a different workforce
18 with varying skills to account for differences in production
19 processes and workflow.

20 Channels of distribution are different.
21 Stoughton produces and sells domestic containers and certain
22 trailers. It sells domestic containers directly to its
23 customers. On the other hand, it sells trailers directly
24 and through a network of distributors and manufacturers
25 representatives.

1 The trade itself recognizes the differences
2 between domestic containers and certain trailers. When the
3 industry reports on traffic patterns, it separately reports
4 the number of moves by trailers and domestic containers.

5 Stoughtons own perceptions reflect the
6 differences and dividing lines between domestic containers
7 and certain trailers. Its spending on marketing and
8 advertising for the two products are dramatically different,
9 and the number of people devoted to marketing and selling
10 trailers is significantly greater than the employees who
11 sell domestic containers for Stoughton.

12 Finally, price is an appropriate factor to
13 consider in this case. The price of a domestic container is
14 not significantly affected by customer preferences.
15 Accordingly, it is basically priced in a single flavor;
16 however, the price of certain trailers is greatly affected
17 by customer preferences and can influence the price of the
18 trailer by many thousands of dollars.

19 Additionally, the base price of a trailer is
20 already many thousands of dollars above that of a domestic
21 container because of the substantial cost of the
22 undercarriage.

23 This concludes my remarks, and I appreciate the
24 opportunity to have presented this testimony. Thank you.

25 MR. LEVIN: Thank you, Mike. Youre welcomed to

1 play with the toys any time.

2 Our next witness will be Jim Dougan. Jim is
3 senior economist with Economic Consulting Services. Jim?

4 TESTIMONY OF MR. JAMES DOUGAN:

5 MR. DOUGAN: Good morning. My name is Jim Dougan
6 of ECS.

7 While the nature of this proceeding, a
8 preliminary phase with relatively few market players, make
9 it impossible to discuss in specific terms during this
10 public conference.

11 Id like to make a few brief remarks about the
12 Commissions price effects analysis.

13 Because this is a material retardation case, and
14 we submit, the domestic industry has not yet been
15 established, the sole reliance on the Commissions
16 traditional manner of conducting its price effects analysis,
17 price depression, price suppression, and under selling may
18 not give the full picture of the injurious price effects
19 caused by unfairly traded imports of containers from China.

20 That is because these traditional analyses rely
21 on a comparison of sales prices of subject imports to sales
22 prices of the domestic industry, but the whole issue here,
23 we argue, is that the domestic industry has not been able to
24 make sales, has not been able to penetrate the market thanks
25 to the low and decreasing subject import prices.

1 Thus, while the Commission can and should use the
2 available record evidence to look at price trends that would
3 signal depression and cogs the sales ratios that would
4 signal price suppression, and count up instances of under
5 selling among its specified pricing products this will not
6 lead to a complete picture of the injury.

7 We submit that the Commission should also look at
8 the bid data and who won those bids and at what price and
9 what implications those data have for the domestic industrys
10 market entry and establishment as an industry.

11 In addition, the Commission should consider
12 evidence already on the record and to be presented in
13 Petitioners post-conference brief about cost of production.
14 It should consider whether the domestic industry could ever
15 attain entry into this market at any significant commercial
16 volumes, given the prevailing market prices as driven down
17 by unfair pricing practices.

18 This should be considered, not only using the
19 actual experience of the domestic producer, which reflects,
20 to some degree, startup costs and associated learnings. But
21 even under a pro forma analysis, using projections and
22 market benchmarks, we think that the Commission will find
23 that the answer is no. That is because of the unfair
24 pricing practices of subject imports, and even making
25 generous assumptions about various inputs to production,

1 this domestic industry will never attain market entry so
2 long as the prevailing market prices are driven by subject
3 imports unfair pricing. Thank you.

4 MR. LEVIN: Thank you, Jim.

5 Im going to finish off our witness panel this
6 morning.

7 TESTIMONY OF MR. JEFFREY S. LEVIN:

8 MR. LEVIN: Good morning again investigation
9 staff. I want to thank the investigation team for their
10 work on these investigations, and we look forward to working
11 with you throughout these preliminary phase investigations.

12 And I want to thank especially our industry
13 witnesses, Bob and Gary. Its been a great professional and
14 personal privilege to have been working with them and the
15 Stoughton team as a whole over the past several months.

16 Stoughton respectfully submits that the
17 establishment of an industry in the United States to
18 manufacture domestic containers is being materially retarded
19 by reason of unfairly traded imports from China.

20 Pursuant to the operative statute, the Commission
21 will issue an affirmative preliminary determination if the
22 establishment of an industry in the United States is
23 materially retarded by reason of imports of the subject
24 merchandise.

25 Although the issue of material retardation has

1 been posed in relatively few petitions and investigations,
2 most recently, I believe, in 2007, in laminated woven sacks
3 from China, the Commission has detailed a framework for
4 evaluation of such claims.

5 The first step in this analysis is to determine
6 whether or not the domestic industry has been established.
7 If an industry is not yet established, the Commission will
8 then determine in a second step of the analytical framework
9 to evaluate whether the establishment of the industry was
10 materially retarded by reason of subject imports.

11 To determine if a domestic industry is
12 established, the Commission in prior investigations has
13 examined several or all of a series of criteria, which I
14 will briefly walk through this morning.

15 First, the Commission looks at the length of
16 domestic production operations. Generally, the Commission
17 has determine that where domestic producers, or in this case
18 a domestic producer, has engaged in production operations
19 for few than two to three years the industry will be
20 considered nascent, and I say nascent because I like saying
21 nascent. It's a fun word to say. Nascent meaning, of
22 course, non-established.

23 Stoughton began production of steel-welded
24 domestic containers of the type subject to this petition
25 only in 2011, and then only and since then only at

1 negligible or near negligible levels.

2 Second, the Commission looks at the
3 characteristics of domestic production, whether the
4 industrys production has been modest, continuous, or more
5 akin to a start and stop operation. When the Commission has
6 found that domestic production was modest or that domestic
7 production began, but halted, and domestic producers were
8 not producing at the time of the Commissions vote, the
9 Commission found that the domestic industry was not
10 established.

11 Stoughtons production can most readily, indeed,
12 Im sorry to say charitably be characterizes as more akin to
13 start and stop. Production throughout the period of
14 investigation has been at negligible levels. And as youve
15 already heard this morning, Stoughton has not produced a
16 single domestic container for sale to the commercial market
17 since the first quarter of 2013.

18 Third, the Commission examines the size of
19 domestic production operations compared to the U.S. market
20 as a whole, with higher levels of production for domestic
21 producers, generally, leading to a finding that the domestic
22 industry was established and lower market shares leading to
23 a finding that the domestic industry was not established.
24 The size of the domestic production here compared to the
25 U.S. market is negligible.

1 Fourth, the Commission evaluates whether the
2 proposed domestic industry has reached a reasonable
3 financial breakeven point. In some previous cases the
4 Commission has examined whether total revenues and total
5 expenses are equal.

6 Where it found that domestic producers as a whole
7 had reached a reasonable breakeven point the Commission
8 found that domestic industry was established. Here,
9 regardless of the basis that you examine this issue of
10 breakeven, were not even close.

11 Lastly, is the startup more in the nature of the
12 introduction of a new product line by an already established
13 business? We submit that the domestic-like product consists
14 solely of domestic containers, as there are many substantive
15 points of differentiation as youve already heard a little
16 bit about this morning between the subject merchandise and
17 other products, including smaller sized containers,
18 trailers, and chassis; therefore, domestic containers should
19 not and cannot be considered a new product line by an
20 already established business.

21 The information presented strongly portrays an
22 industry that is not established. Therefore, we submit a
23 material retardation analysis is appropriate and indeed
24 necessary in these investigations.

25 The Commission has recognized that under the

1 operative statute material retardation and material injury
2 or threat of material injury are mutually exclusive
3 standards. As stated by the Commission in its preliminary
4 determination in Laminated Woven Sacks, In previous
5 Commission determinations, and I'm quoting, if a domestic
6 industry is established, then it no longer qualifies as a
7 nascent industry and instead the analysis turns on the
8 issues of material injury or threat of material injury.

9 Petitioner respectfully submits that this
10 petition presents a quintessential instance of the material
11 retardation of a domestic industry. However, should the
12 Commission determine otherwise, Petitioner respectfully
13 submits that the Commission's analysis must in course
14 proceed to an evaluation of material injury or threat of
15 material injury by reason of subject imports.

16 And we submit the information presented in our
17 petition and the information that the Commission has and
18 will collect and evaluation in these preliminary
19 investigations are supportive of an affirmative finding on
20 one or the other of these bases.

21 Of course, the Commission needs to find a causal
22 nexus between the subject imports and the condition of the
23 industry. Since we have a single company domestic industry
24 and since there are but a handful of importers and foreign
25 producers, I can only note here in a public forum and in

1 general terms that our petition details what we submit is a
2 strong causal connection between the imports from China and
3 the condition of the domestic industry.

4 Of course, we look forward to expounding on this
5 in our post-conference brief. But for present purposes
6 allow me to say this, if the Chinese manufacturers did not
7 so dominant the U.S. market through ever-decreasing prices
8 made possible in large part, we submit, by unfair trade
9 practices Stoughtons investments and operations would have
10 had the opportunity to succeed. That opportunity is not now
11 presented under current market conditions.

12 Therefore, we respectfully submit that the
13 evidence of record in these preliminary investigations, as
14 will be further supported by our post conference brief,
15 strongly support an affirmative determination. With that,
16 and on behalf of Stoughton Trailers and our witnesses, we
17 thank the investigation team for the opportunity to testify
18 before you this morning, and that concludes our witness
19 panel presentation.

20 MS. DEFILIPPO: Thank you, Mr. Levin. And I
21 would like to take this opportunity to thank all the members
22 of the panel for being here today. I know it is difficult
23 to get away from your office and your work, but it greatly
24 helps us in understanding a new product and gathering
25 information to make the best staff report we can.

1 So, with that, I will turn to Ms. Newell for
2 questions from her first.

3 MS. NEWELL: Thank you. And I also thank you for
4 coming today.

5 My first question I think is best for Mr. Fenton.
6 Is fully steel welded addressed in an industry standard for
7 containers?

8 MR. FENTON: Im sorry. Im going to have to ask
9 you to ask that again.

10 MS. NEWELL: Is fully steel welded addressed in
11 an industry standard for containers?

12 MR. FENTON: Steel-welded containers are and have
13 been for several years an option of assembly method.
14 Currently, it is the prevailing accepted method for
15 providing these products.

16 MS. NEWELL: I think you referenced a railroad
17 specification.

18 MR. FENTON: In the railroad specification, they
19 do not determine the methodology in which a container must
20 be assembled.

21 MS. NEWELL: And does Stoughton currently fully
22 weld the containers it has produced?

23 MR. FENTON: Stoughton has not produced a product
24 at this point that is fully welded. There are several
25 points of connection that are accomplished by mechanical

1 means rather than by welded. The predominant means of
2 connection are welds, but there are a portion that are not.

3 MS. NEWELL: What is the interior width
4 measurement for the 53-foot containers that Stoughton has
5 produced?

6 MR. FENTON: The ones weve produced thus far have
7 been 99-inch inside width. We have, indeed, defined and
8 designed the product to be able to move those walls out to
9 incorporate an additional width because we know that the
10 industry has a duplicity of specifications, some of which 99
11 satisfies and some of which they want 100-plus inches in
12 order to facilitate types of loading.

13 MS. NEWELL: So, what would you say would be the
14 maximum width that youd be able to produce to?

15 MR. FENTON: Weve produced them in the past, and
16 the design is such. We havent produced a welded steel box
17 in the past of this dimension, but we have designed the box
18 such that it would be 100 1/2 inch.

19 MS. NEWELL: On page 5 of the public petition,
20 you state that the international standards for 20- and
21 40-foot containers used in international shipping are not
22 within the scope of the subject merchandise. What about
23 53-foot containers that are used for ocean shipping?

24 MR. FENTON: 53-foot containers, as we
25 understand, they do ship one direction. They ship from the

1 point of origin to our borders and then reside in our
2 borders. 53-footers, as we understand it, are used solely
3 in the North American market.

4 MR. LEVIN: Ms. Newell, as we understand it -- as
5 I understand it -- these guys know a lot better than me --
6 the ocean freight containers that you would see pictures,
7 movies, et cetera, et cetera, none of that is a 53-foot
8 container. Its not used for bearing ocean freight traffic.

9 It comes here from China. Its shipped,
10 obviously, by ocean and then it stays here.

11 MS. NEWELL: So, what Im trying to wrestle with
12 is we have one company that indicated it imports 53-foot
13 containers for ocean shipping, and the product appears to
14 meet the physical characteristics of the proposed scope.

15 Would you agree that then that product is within
16 the proposed scope or out?

17 MR. LEVIN: If its equipped to handle intermodal
18 traffic in the United States or within North America, then
19 yes. And my only caveat would be I would want to see
20 exactly what they are referring to. But as a general
21 matter, so long as it meets the definition of the scope,
22 which we believe Commerce will be adopting I think will
23 announce initiation. If it meets the intermodal
24 requirements for moving traffic here in the United States,
25 then presumably it would be included.

1 MS. NEWELL: Thank you.

2 So, recognizing the petition was brought on a
3 claim of material retardation, I realize that Stoughton
4 hasnt produced much of the product, but of the product you
5 have produced can you describe the feedback youve received
6 from your customers?

7 MR. WAHLIN: On the product that weve produced so
8 far, it comes into two batches with two different customers.

9 On the first batch, which was our Generation 1,
10 as we refer to it, container, we did have some design issues
11 that once out in the field we worked with the customer to
12 remedy. And we remedied that by repairs out into the field
13 on their equipment as well as repairs to the equipment at
14 our facility.

15 So, with that, after those corrections, those
16 units have been in service and we have not had any other
17 reported issues with those.

18 From that, we also took that information to our
19 design and engineering and testing departments and developed
20 our Generation 2 container. Our Generation 2 container
21 corrected any issues that were on Generation 1. Those have
22 been in service for quite some time now, and the feedback
23 has been positive on those. They've served the function as
24 designed and have been working well.

25 MS. NEWELL: Would you be able to submit any

1 internal records that you have regarding this feedback as
2 part of your post-conference submission?

3 MR. LEVIN: Wed be happy to submit everything
4 that we can possibly submit, absolutely.

5 MS. NEWELL: Thank you.

6 Do you have any sense of what the average number
7 of 53-foot domestic dry containers are in use in any given
8 year?

9 MR. WAHLIN: We believe that the number of
10 53-foot containers that are out and around in North America
11 exceeds 200,000 units.

12 MS. NEWELL: So, North America, including Mexico
13 and Canada?

14 MS. WAHLIN: Yes.

15 MS. NEWELL: Okay.

16 Do you believe that the demand for 53-foot
17 containers is increasing or decreasing?

18 MR. WAHLIN: I believe it is increasing. Its
19 increasing as many are finding it more economical,
20 especially for longer distance loads to move over the rail
21 as oppose to over the road.

22 MS. NEWELL: And do you have any industry studies
23 that support that, or articles or anything that youve read
24 that you could submit?

25 MR. WAHLIN: Yes, we do.

1 MS. NEWELL: Great. Thank you.

2 That's all the questions I have. Thank you.

3 MS. DEFILIPPO: Thank you, Ms. Newell. I'll turn
4 to my left to Mr. Goetzl for question from this panel.

5 MR. GOETZL: Thank you. Thank you very much.

6 And again, I appreciate as well as other members of the
7 investigation team. We're very appreciative of your taking
8 the time to travel here to help us with this investigation.
9 The information you provide is going to help us understand a
10 lot about this industry, which is one that we don't know
11 every much about going into it.

12 I'm the economist on the team, and so most of my
13 questions are not surprisingly going to be related to market
14 characteristics, pricing, and competitive conditions.

15 But initially, I just want to follow up on one of
16 Angelas question regarding what I understand to be termed
17 international containers.

18 In one of the exhibits in the petition, there's a
19 report from LoadMatch & Drayage, which has some very
20 illuminating pictures with it. And one of the pictures in
21 that exhibit shows what I think are 53-foot containers
22 stacked very high. And I assume those are, perhaps, for the
23 international shipping purposes.

24 Should we be looking at this as part of our
25 investigation? Are these included in the scope?

1 MR. LEVIN: Again, if it fits the definition of
2 the physical characteristics set forth in the scope, then we
3 would submit that it would be part of the scope of these
4 investigations. But the key aspect of the scope is based on
5 the ability for the containers to move intermodally once
6 they arrive here in the United States, or within the North
7 American market.

8 MR. GOETZL: Thank you.

9 All right, to sort of being with a few questions
10 regarding the market, the first thing I'd like to ask is kind
11 of the differentiation between the standard container and
12 the high cube. Are the markets -- in other words, do people
13 buy one versus the other for a particular reason?

14 MR. FENTON: When 53-foot containers were
15 initially introduced, they followed the same format from the
16 AAR specification as what was already being produced as
17 48-foot units. These had a different lower structure within
18 the makeup of the container. That structure being thicker
19 than what the high cube structure had become, and it changed
20 it by about two and a half inches of differential.

21 Some customers, a narrow volume of customers, had
22 used the standard 53-foot, which was 107-inch inside height
23 for a period time. The majority of customers today are
24 going to go to the high cube, which allows for the 109-plus
25 inches on the inside, which gives them some more capability

1 as far as product variance that can be loaded within the
2 box.

3 MR. GOETZL: When it comes to the data that we
4 are receiving thus far it appears that some firms are just
5 transacting or dealing in the standard size units and others
6 only in the high cube, product 1 versus product 2 in our
7 vernacular in our questionnaires. Im trying to reconcile
8 why it might be that theres this specialization because we
9 have no cases thus far where theres a mix of the two
10 products that are being reported by any one company thats
11 either an importer or a purchaser.

12 MR. FENTON: It could be the clarifying point.
13 As far as the AAR specification is concerned, when it talks
14 about high cube it talks about height. However, as far as
15 the utilization and the customers, they consider -- you
16 know, some consider the high cube to be discussing width.
17 And the width we talked about just a moment ago with Ms.
18 Newell was the fact that one was 99-inch inside width, one
19 was 100-1/2 inside width.

20 And as far as absolute definition within the AAR,
21 its height; but when youre talking to someone utilizing the
22 equipment they can use the definition as being width rather
23 than height.

24 The differential on the width allows for a
25 specific sized pallet to be placed within the unit, and that

1 pallet then, based on the footprint and the pattern which is
2 placed in there, the 100-1/2 allows for 25 pallets to be
3 placed within a container. Without the 100-1/2, there would
4 only be the allowance of 22 pallets, so they get an
5 additional three pallets caused by the additional width
6 allowance on that.

7 From that standpoint, I could understand many
8 referring to high cube being the added width rather than the
9 definition from AAR, the added height.

10 MR. GOETLZ: Can you give us some idea as to what
11 the difference in cost or value would be between a standard
12 and a high cube unit, and if thats something thats PPI feel
13 free to provide it in a post-conference brief, or you can
14 provide some kind of range, perhaps. Are we talking 10
15 percent, 20 percent?

16 MR. FENTON: We can give you some more
17 information in our post-conference, but on a general basis
18 theres going to be a differential only due to the different
19 materials used in that shallow undercarriage compared to the
20 taller undercarriage.

21 The shallow undercarriage must still carry the
22 same strength and force characteristics as far as carrying
23 payload, as does the taller one; therefore, the material is
24 generally a little bit more -- has a little more weight to
25 it. So, in general, the cost is going to be based on the

1 weight of the material used, and well follow up with that.

2 MR. GOETZL: Thank you.

3 What drives the demand for these containers, if I
4 may ask? What are the major factors that drive the market?
5 Perhaps Mr. Dougan or Mr. Wahlin would like to respond.

6 MR. WAHLIN: Well, I think theres a lot of
7 factors. Again, as you look at fuel costs and driver
8 availability, particularly on the longer haul, over-the-road
9 moves people are finding it more and more economical to
10 shift to rail. Again, fuel costs and driver availability
11 are playing a large part in that.

12 Theres also been a fairly large investment in the
13 rail infrastructure, allowing more points of operation and
14 accessibility, areas allowing for greater distribution
15 throughout the United States and North America.

16 MR. DOUGAN: This is Jim Dougan. And to follow
17 up a little bit on what Bob has said, I dont recall if its
18 in the presentation that was provided in the petition, but
19 there is something that we can provide in post-conference,
20 if not, which is a visual representation of the distance of
21 the haul and how that has maybe shifted over time to
22 intermodal from, say, over-the-road transport based on the
23 factors that he mentioned, such as driver availability and
24 fuel costs. And thats increasingly been going in the
25 direction of intermodal being favored, thereby increasing

1 the demand for the subject merchandise.

2 MR. GOETZL: To what extent do general economic
3 conditions actually affect demand for intermodal shipping?
4 I assume that there must be a linkage. I mean as our
5 economy is improving I would imagine shipping, in general,
6 is going up and then also perhaps the demand for intermodal
7 shipping, is that a fair assumption?

8 MR. DOUGAN: I think thats fair to say. And the
9 directness of the relationship, I think, may vary, in part,
10 also because of the useful life of these containers. And
11 they tend to be purchased, as I understand it, and the
12 gentlemen from Stoughton can correct me on this, in sort of
13 lumpy, as it were, and have long service lives rather than a
14 sort of continual purchase pattern like on a monthly basis.

15 So, the relationship is definitely there, and I
16 think from a longer trend you would definitely see it. Is
17 this something that you could observe on a month-to-month
18 basis Im not sure about that, but they could let us know.

19 MR. GOETZL: So, there are sort of two markets
20 here that are interconnected. Theres the market for 53-foot
21 domestic dry containers, right, so people are going out and
22 buying these containers. And then theres the intermodal
23 shipping market, I guess, which sort of does has its own
24 drivers to it, as it were. And I assume theres a linkage
25 between the two.

1 Looking at the data that weve received thus far,
2 theres not a direct link in the sense that I guess over time
3 as the intermodal shipping goes up theres not a correlation
4 between the number of containers that are being purchased or
5 imported

6 Any thoughts on why that might be the case? Is
7 it just the lumpiness of the orders and the way theyre put
8 into use, put into the so-called inventory of use in the
9 marketplace?

10 MR. WAHLIN: Wed be happy to provide more
11 information on that in our post-conference brief.

12 MR. GOETZL: So, what are the kind of main
13 factors that affect the price of these particular
14 containers. Obviously, I mean youre arguing that theres
15 some market forces related to imports. Do raw material
16 costs appreciably affect the value of these containers or
17 any other costs, for that matter, unrelated to the market,
18 the price youre able to obtain in the market?

19 And if so, have those costs changed over time in
20 any appreciable manner, up or down, particularly during the
21 period of investigation?

22 MR. WAHLIN: Yeah, by far and away, the greatest
23 cost associated with the container is the material cost.
24 For that, primarily consists of the cost of steel and the
25 wood floors. And wood floors have increased substantially

1 during that time period; particularly, the type of wood
2 floor that would typically go into a container.

3 As far as steel, steel has been up and down. I
4 would say slightly trending upward during the period of
5 investigation.

6 MR. GOETZL: In the post-conference brief, would
7 you mind providing a breakout in percentage terms of the
8 material costs, a broad category of material costs in terms
9 of producing the product?

10 MR. FENTON: Wed be happy to.

11 MR. GOETZL: Speaking of material costs, I guess
12 if steel is the main component I guess one of the indices we
13 commonly use here at the Commission for steel prices I think
14 its called benchmarker, and I'd like to ask if thats a
15 reasonable indicator of steel prices over time that we might
16 reference in the staff report? Thats something you can get
17 back to me on, if youd like.

18 MR. WAHLIN: We will get back to you on that in
19 the post-conference. Thank you.

20 MR. GOETZL: Ive observed from the information
21 that weve read, and its in the petition, that the market for
22 these containers is somewhat split between, I guess,
23 different types of carriers, which presumably are the motor
24 carriers and the railroad carriers. Are those the only two,
25 I guess, general types of carriers that would be the

1 customers for this product, and how is the market sort of
2 divided? Is it primarily a certain type of carrier that is
3 the primary purchaser of this kind of product or variable is
4 it? How variable is the market in terms of the
5 characteristics of those that are purchasing it?

6 MR. WAHLIN: As far as the primary customer to
7 this type of product, its primarily through the railroad.
8 There are some leasing organizations that participate in
9 this as well, and a growing interest in trust companies as
10 they move a little bit more into intermodal over-the-rail
11 versus over-the-road.

12 We can provide a breakdown of information in the
13 post-conference brief that tries to separate between the
14 three different classifications.

15 MR. GOETZL: Thank you. That would be very, very
16 helpful.

17 In terms of the use of intermodal shipping in the
18 overall economy, are there certain sectors of the economy
19 that rely more on intermodal shipping than others, thinking,
20 for example, housing? So, is there a lot more building
21 materials being shipped using intermodal transport as
22 opposed to something else? Are there any sectors of the
23 economy that have sort of latched onto intermodal shipping
24 as their primary means of freight?

25 MR. WAHLIN: In general terms, anything that

1 doesn't have a local source, so as a requirement to ship to
2 customers further and further away that is going to be an
3 opportunity to use more and more intermodal.

4 Again, because the shorter haul is typically
5 dominated through trucking, but anything that has to go
6 across the country or across the continent shipped a great
7 distance is going to be -- they're going to look long and
8 hard and aggressively pursue intermodal.

9 MR. GOETZL: Is there seasonality to the
10 intermodal shipping market, number one? Number two, is
11 there seasonality to the ordering of these -- the market for
12 these containers?

13 MR. WAHLIN: Seasonality of the intermodal
14 market, you know, other than you approach the end of the
15 year and the typical season increases as you approach the
16 holidays, et cetera, that shifts upwards a little bit, but I
17 think throughout the year intermodal freight moves are
18 fairly steady.

19 As far as orders, they come in bunches. They
20 most typically order once a year and they will ^^^ you
21 know, that'll be in the range of thousands -- for the larger
22 of players thousands of units at that particular time. It's
23 not typically an order month-to-month basis. It's order once
24 a year and that's going to be towards the end of fourth
25 quarter, early first quarter for the majority of those

1 orders.

2 MR. GOETZL: Thank you.

3 MR. FENTON: Mr. Goetzl, one of the
4 considerations that brought about a high cube versus a
5 standard was the ability to carry white goods. And white
6 goods, of course, have an interior height requirement as far
7 as shipping is concerned of around 108 inches, which would
8 not fit into what was a standard product. So, in order to
9 be all that the container could be in capturing potential
10 loads, they had to do something about being able to meet
11 those height requirements. So, the design was pushed to a
12 limit that said now we can carry white goods. White goods,
13 of course, being appliances and the like, and that is very
14 building sensitive.

15 MR. GOETZL: Thank you.

16 MR. DOUGAN: Sorry. If I may add one more thing
17 -- Jim Dougan -- I think it stands to reason that while the
18 economies and efficiencies associated with intermodal
19 transport would benefit pretty much anyone needing to move
20 goods long distances, it would be particularly appealing to
21 those with a relatively lower value-to-weight ratio. So,
22 things like building materials would, obviously, be more
23 sensitive to these type of economies than say shipping Ipads
24 and Ipods and things like that where the value-to-weight
25 ratio is very high. It might be less sensitive to making

1 that transition over time.

2 MR. GOETZL: Are there any data that you could
3 submit in a post-conference brief that sort of track or
4 describe the intermodal shipping market? I understand from
5 some of the submissions that we've seen already that there
6 are some data available for some of the association, but I'm
7 not sure we got any specific data points that we could
8 actually graph. So, anything you would have on the
9 intermodal shipping market in terms of trends would be very
10 helpful if you could submit that.

11 MR. DOUGAN: Well provide what we can.

12 MR. GOETZL: And also, to the extent that there's
13 data available about which sectors of the economy might be
14 using intermodal shipping perhaps relatively more than
15 others.

16 MR. DOUGAN: Will do.

17 MR. GOETZL: Thank you.

18 I guess kind of a general kind of overview
19 question is I'm thinking about the market for these
20 containers. How do you define the market for these
21 containers, is the market for these containers sort of what's
22 happening in intermodal shipping, or is the market for these
23 containers the actual kind of supply and demand of the
24 containers themselves, keeping in mind that they have a
25 long, useful life, 15 years, as I understand it, or is it a

1 mix of both? Is it something you have to sort of look at
2 both?

3 And sort of as a follow up to that question, what
4 happens to these containers after their useful life? And if
5 you dont understand the question, maybe I should rephrase
6 it, but -- okay.

7 MR. WAHLIN: Starting with the second question,
8 what happens to these containers many of them may be
9 scrapped out. Some of them may be used for just storage
10 boxes. Youve probably seen some parked along sides of the
11 road, that type of thing. So, yeah, theyll either be
12 scrapped out or used in kind of retired into a lighter duty
13 service.

14 MR. LEVIN: Probably 15 or so years down the line
15 youre going to start to see enormous food trucks on the
16 streets of major cities. But in terms of the size of the
17 market, it is a little confusing and its not a clear-cut
18 situation. You do have a couple of hundred thousand of
19 these domestic containers that are in existence and in use
20 at this particular time or any given time in this general
21 timeframe.

22 But what the point of particular relevance we
23 believe is the additions to the market on an annual basis
24 because as a manufacturer Stoughton is playing in that
25 specific part of the market. Generally speaking, were

1 looking at additions to the market of about 13, 14, 15,000
2 units on an annual basis, with the exception of -- well, you
3 know the number that Stoughton represents. So, whether you
4 look at the whole market containers in use at any particular
5 time, or annual additions to the market, Stoughton has had a
6 very, very, very difficult time making its presence known,
7 so to speak.

8 MR. GOETZL: I think thats all I have for the
9 moment. Thank you very, very much for those responses. I
10 appreciate it.

11 MS. DEFILIPPO: Thank you, Mr. Goetzl. Well now
12 turn to our industry analyst, Mr. Stanton-Geddes for
13 questions.

14 MR. STANTON-GEDDES: Good morning, and thank you
15 for coming. My name is Michael Stanton-Geddes. Im the
16 industrys analyst, and my questions are about the physical
17 characteristics used as in applications of domestic
18 containers.

19 First, a simple question, weve gotten around this
20 a few times. Can domestic containers be stacked more than
21 two high?

22 MR. FENTON: The design of the domestic container
23 based on the AAR specifications says that on the railroad
24 they must comply with a two high stack capability. In the
25 rail yard, as far as storage is concerned, it must be

1 capable of being stacked three high in that static location,
2 and these are loaded conditions.

3 MR. STANTON-GEDDES: Thank you.

4 I have a question about dimensions. The scope
5 states minimum exterior dimensions, and those seem to be a
6 bit lower than the dimensions of the 53-foot container. The
7 dimensions in the AAR manual also the same width for the
8 53-foot normal and high cube. Could you just go through the
9 dimensions again and the differences, and also explain the
10 difference on interior dimension and how that might vary for
11 different containers?

12 MR. LEVIN: I'll let Gary talk to this point in a
13 minute cause hes the expert, but let me make a point about
14 the way the scope is written. As we have worked with the
15 Commission staff prior to the filing of the petition, we did
16 the same thing with the Commerce Department. Of course, the
17 Commerce Departments principal focus in pre-initiation is
18 the language of the scope definition.

19 One of the things that we, as a domestic
20 industry, or pretty much any petitioning industry sort of
21 needs to anticipate as they are writing the scope is what
22 might be possible avenues of circumvention going down the
23 line if an order is put into place. And therefore, I always
24 follow the advice and the guidance and the direction of the
25 Commerce Department who is, in turn, getting guidance and

1 advice and directions from Customs about making the language
2 of the scope a little broader than what you would see as the
3 actual black and white language of the specific product
4 because I know Commerce knows. Customs knows that should
5 orders go into place there is a, shall I say, cottage
6 industry out there that is trying to find any wiggle room to
7 get out from the black and white language of the scope
8 description. So, indeed, some of the measurements may not
9 be an exact match up to the measurements that you would see
10 for containers in the commercial market or the exact
11 measurements that you would see in an AAR spec, for example.

12 But what we are doing pretty much by necessity is
13 anticipating, okay, where are the loopholes here and to what
14 extent can those loopholes be realistically covered in a
15 scope description, all by way of preface and Ill let Gary
16 get onto the real stuff.

17 MR. FENTON: Well, let me try to put a family of
18 product together that you understand as far as width is
19 concerned.

20 In the AAR specification, youll see three
21 distinct widths that are overall outside widths, that is,
22 96, 102, and 102-3/8. The 96 is very much the standard for
23 international equipment. The 102 was the original
24 specification for domestic equipment as far as width is
25 concerned. And the 102-3/8 has been included in the last

1 release of the AAR specification in order to provide an
2 opportunity of design enhancement of the handling positions
3 utilized within the boxes. And that means the handling
4 positions have each casting, which handle has an aperture in
5 it. Its an elongated aperture. And when you interface that
6 with lift equipment or lock equipment or chassis and rail
7 equipment, that elongated aperture allows you to go in and
8 throw a T headed lock type device in order to do the lifting
9 interlocking together.

10 The ISO 96-inch wide the apertures are located at
11 89 inches for center-to-center, side-to-side. Now, with
12 that being the case, that means the position of the center
13 of that aperture relative to the outside face of that
14 handling is very close. It's 3 and 1/2 inches.

15 What had occurred in years past was we said, you
16 know, in the United States we use 102 wide so we can carry
17 more freight. The domestic market was generated around 102
18 wide, but the 89-inch position was still very important as
19 far as interface with anything else that was in the system,
20 rail cars, other chassis, and containers.

21 This moved that aperture location another three
22 inches inboard of the structure, which was trying to do the
23 work of carrying the load from one container to another.
24 The structure and stresses therefore put into the post end
25 up being detrimental to the overall box itself.

1 A migration occurred to the 102 and 3/8, which
2 allowed for that aperture to be moved outboard to within 3
3 and 11/16 or 96 and 3/8 as far as dimension. The reason it
4 moved that far was to allow for dual apertures on the bottom
5 fittings so they can still interface with the chassis, the
6 containers, and the international equipment.

7 So, the 102 and 3/8 basically came from the
8 regulation of DOT that says the overall width of anything
9 moving down the highway is regulated at 102 and 3/8. So,
10 thats the outside dimension that you ask about as far as
11 history and understanding of where that came from and where
12 it is.

13 Now, you also asked about interior?

14 MR. STANTON-GEDDES: I was wondering if there was
15 a difference on the interior dimensions between --

16 MR. FENTON: The interior basically is -- of
17 course youre limited on the outside. And as thin as can be
18 accomplished with the structure that can carry the double
19 stack load imposed upon those positions defines how much we
20 can actually thin the interior. Of course, our customers
21 would like us to have 102 and 1/2 inside when we can only go
22 to 102 and 3/8 outside, and that cant be done. But through
23 the limitations, we have been able to design, build, and put
24 into service equipment that would provide for up to 102 and
25 1/2. Now, that being the case, that is associated with the

1 exterior width of 102 and 3/8, not 102.

2 MR. STANTON-GEDDES: I guess the better question
3 is do the stocking post intrude interior into the container?

4 MR. FENTON: That is the key element. The
5 stacking post must allow for the clearance of the 102-plus
6 inches in which we talk about, so the 102 and 1/2 is at the
7 narrowest position within the box, other than at the very
8 top I was telling you that there is an aperture in a casting
9 -- think of a shoebox -- that shoebox is on the corner of
10 the frame. That shoebox does intrude into the interior
11 space, allowing the engagement of a -- they call it a
12 bayonet lifting device -- and that comes down into the box.
13 Its 4 and 5/8 inches tall. You generally have an inch at
14 the top, so it comes into the box 3 and 5/8 inches, and its
15 dimension is now in between those two castings is 12 inches
16 less than the overall, so its at 90 and 3/8 inches instead
17 of the full width throughout the rest.

18 MR. STANTON-GEDDES: All right, thank you.

19 These all specified in the AARM 930 Intermodal
20 Equipment Manual, is that correct?

21 MR. FENTON: That is correct.

22 MR. STANTON-GEDDES: From that manual, theres a
23 paragraph, 4.6.2, that requires that containers are
24 weatherproof and specifies the mechanically assembled
25 components must be assembled with waterproofing barrier

1 materials. Does fully welding the container avoid the need
2 for this requirement?

3 MR. FENTON: You would think automatically that
4 fully welding causes a leak-proof seal. You'll find in any
5 application that in order -- you do want the weld to be leak
6 proof, but there are many welds that can be applied that
7 will not be leak proof, but it's the idea.

8 The weld is not the component that must provide
9 the seal. If it's the connecting component, yes, it is; but
10 there are other methods of providing that leak-proof
11 connection. And of course, if you go into section 5 of the
12 specification, you'll see a weatherproof-ness test that each
13 box must withstand before it goes out into service.

14 MR. STANTON-GEDDES: From the customer's point of
15 view then, what's the difference between two containers that
16 are both tested and weatherproofed to the AAR standards if
17 one is welded and one is mechanically assembled?

18 MR. FENTON: Perception it would have to be the
19 fact -- if we look at connecting methods, and we do have
20 some connecting methods, and we can build the box otherwise.
21 We can build it as a welded structure, but as far as
22 facilitating the assembly of the box and the methodology in
23 which we use in our production the mechanical fastening
24 positions, and there's four of them, one at each corner post,
25 front/rear. So, there's four lines of fasteners in our

1 standard production.

2 These lines of fasteners theyre two inches on
3 center. They overlap material and they have gasket material
4 along with ceiling materials in them to prevent those
5 moisture intrusions. This is the same method in which the
6 trailer industry, of which we also share production in, same
7 method in which trailer industry does their connections at
8 200,000 units plus a year throughout the industry.

9 MR. STANTON-GEDDES: Id like to move on to some
10 questions about the chassis and how the containers are fixed
11 to the chassis, how theyre moved from the chassis into the
12 railcar and fixed there, and how long it takes. So, Im not
13 sure who would answer that, but the question is essentially
14 the process of moving it from the chassis, where its fixed?
15 Is the chassis specific to a domestic container or can many
16 different types of chasses be used?

17 MR. FENTON: The AAR has also another
18 specification -- its M943 or M931-G, depending upon the age
19 of the specification -- defines an interface of connecting
20 points between the container and the chassis in which well
21 sit on it. These connecting points basically circle around
22 three different construction locations.

23 The very front of the unit has, again, one of
24 those apertures in it, and it has just a pushpin, if you
25 will, that comes out of the rear face of a chassis. It

1 comes out of the rear face of the chassis and inserts into.
2 So, out of this little chassis theres a couple of pins that
3 push this direction from this front section, and youll get
4 to play with these in a little bit; but those pins then
5 enter a couple of holes which are in the front of the box.

6 So, that keeps it from being lifted off of the
7 chassis. At the rear, its the same locking device, bayonet
8 device that goes into the apertures that are on the bottom
9 face, sits down on the oblong space. Then theres a T head
10 that turns and secures it to the rear.

11 The third point is what we call the tunnel in the
12 container, and that means there's a recess in the bottom of
13 the container going upward because on a chassis there is
14 structure that rises above the plane in which the majority
15 of the box sits on. As it sits on that, then it wouldnt be
16 able to go forward. This recess allows for the inside
17 height in the connection to the tractor. But that recess
18 fits right over the top of the gooseneck -- what we call a
19 gooseneck in the chassis.

20 This is, and we talked about a variance in one
21 customers particular usage. Those three components are the
22 components which are different than what the AAR
23 specification has defined. Those three components then mean
24 that the owner of that type of equipment can only -- the box
25 can only engage on their specific chassis. A standard AAR

1 specification container will not sit on their chassis and be
2 able to lock in, nor will the chassis be able to carry, you
3 know, someone else's box. So, in either case they will not
4 interface. And that was a specific desire of that
5 particular customer and the railroads have given them
6 allowance to be used without having the specification and
7 the certified label that says AAR compliant.

8 MR. STANTON-GEDDES: Thank you.

9 Who owns the chassis?

10 MR. FENTON: Chassis are owned by leasing
11 companies. They'll create a pool of which there are leasing
12 companies for containers, and they may not own chassis at
13 all. So, the only thing that they have in their ownership
14 is the box, but the box then has to be moved. So, to
15 facilitate that there are chassis pools that are used by any
16 number of customers that have relationship with one another
17 to, here, I've got a box but I don't have a chassis. Well,
18 I've got the chassis. You can use it to move your box.

19 MR. STANTON-GEDDES: And when it comes to the
20 matching between the person or the company with goods to
21 move, the company who owns the container, the company who
22 owns the chassis, the railroad who manages the branch lines,
23 who facilitates that process?

24 MR. FENTON: Different brokerage methodologies
25 are accomplished. You know the trucking groups that own

1 containers and chasses, they deal directly with the
2 customers that move product.

3 Some of the leasing companies basically its,
4 here, Ill give you \$5 for your box today and Ill take it out
5 and I will put a product in it and Ill move it back and then
6 Ill return that box to you after Im finished with it. Some
7 of those leases are daily. Some are longer periods of time.
8 Some can be years.

9 MR. STANTON-GEDDES: Thats all my questions.
10 Thank you.

11 MS. DEFILIPPO: Thank you, Mr. Stanton-Geddes.
12 Well now move to Ms. Alves for questions from this panel.

13 MS. ALVES: Good morning. Mary Jane Alves from
14 the General Counsels Office.

15 I apologize in advance. A number of questions
16 that I had prepared have already been asked, and so I may be
17 skipping around a little bit, so bear with me.

18 First, Mr. Levin, let me start with you. I
19 noticed that there were some amendments to the petition that
20 included some revisions to the scope language. If both you,
21 Mr. Morgan, and other Respondents counsel would take a look
22 at the final scope language, assuming that Commerce
23 initiates, and let me know what implication, if any, any of
24 the amendments to the scope language have on our data
25 collection? That would be extremely helpful.

1 MR. LEVIN: Be happy to.

2 MR. ALVES: Also, keeping in mind the scope
3 language, does the scope include domestic containers that
4 were not produced using steel welding, for example, that
5 might have been mechanically welded?

6 MR. HOADES: Mike Hoades. I believe the answer
7 to that would be yes because the AAR specification does not
8 specifically require a mechanical assembly versus a steel
9 weld. And any 53-foot domestic container, regardless of the
10 method of its construction, would be covered within the
11 scope I believe.

12 MS. ALVES: Thank you.

13 Where does Stoughtons domestic container
14 production process begin? And what I mean by that is does
15 Stoughton buy the carbon steel and then form it into the
16 various set components, such as the walls, the roof panels,
17 the under structure door, and stack frames; or is it
18 purchasing the subcomponents already pre-made?

19 MR. WAHLIN: A little bit of both. The majority
20 of the components we process internally in house, but we do
21 have some suppliers that do some of the cutting and bending
22 and forming of some of the rail components and other things.
23 But panels and roofs, we do have the capability to take
24 sheet steel and process that into the corrugated panels for
25 final manufacture.

1 MS. ALVES: Is there an overlap in the parts that
2 you're using to make domestic containers with the parts that
3 you're using to make domestic trailers?

4 MR. FENTON: The shared similarities between a
5 trailer and a container we use the same type of wood
6 flooring in our trailer as we do in our container; however,
7 the profiles of each individual plank are different because
8 they have to fit in and around surfaces that are specific to
9 the container where they are just full width, full length on
10 a trailer. So, that's the container or the floor.

11 The rear doors can be of the same material.
12 There is a slight difference in dimensionality. The rear
13 frame on a domestic container is up to 109 and 1/2 door
14 opening, where on the trailer it's 109 and 7/8, so it's a
15 minimal difference. But it is the same type of material
16 that we have produced on the units thus far. Now, there is
17 an option, of course, to build a different type of door, and
18 this type of door would be fully welded steel construction
19 door, which is not part of the trailers option at all. It
20 would be only on a container.

21 MS. ALVES: So, then just to make sure I'm
22 understanding, there is some overlap then in the types of
23 parts, or there could be some overlap in the types of parts
24 that are used for both?

25 MR. FENTON: The basic wood materials and the

1 basic door, correct.

2 MS. ALVES: What about the side panels?

3 MR. FENTON: Side panels currently are produced
4 with either using thin aluminum or even thinner galvanized
5 steel or composite materials on trailers, where on the
6 product that is now accepted to the industry for containers
7 its a thin, corrugated steel welded together, not fastened
8 together with mechanical connections. So, there is not an
9 overlap of the material usages from container to trailer
10 with regard to front walls, sidewalls, roofs, under
11 structure, just again floors, and doors.

12 MS. ALVES: And what about the chassis, are you
13 using the same chassis?

14 MR. FENTON: Thats an important distinction. If
15 youll look at the product here, when you say a chassis, the
16 chassis comes out and Ive got a chassis, which is connected
17 to a tractor.

18 The trailer does not have a structure like this
19 at all. It has a running gear, which includes just the
20 wheels thats connected to the cargo box. It has the landing
21 gear that is connected to the cargo box, not part of the
22 structure. It has a kingpin, which is connected to the
23 cargo box, which is not attached to a structure. And it has
24 an under ride guard to keep people from driving underneath
25 of a trailer during an impact that also is attached to the

1 cargo box, but its not attached to the structure.

2 Its a common misnomer. In Europe, they do have
3 under structures that look like this, but are more
4 substantial. In the United States, a trailer is built as a
5 monocoque construction, which means the structure carries
6 itself. It isnt carried by something. It is the item that
7 carries and provides all of the strength, and then all the
8 other components are attached to it.

9 MS. ALVES: I found that your visual movement of
10 the prop were very helpful to me. Its not going to show up
11 as well in a transcript. If you have a diagram or two sets
12 of diagrams that you could place side-by-side in your
13 post-conference brief to point out the differences that
14 would be helpful.

15 MR. LEVIN: Absolutely.

16 MS. ALVES: Then moving towards your Plant 7 in
17 Evansville, in the petition you indicate that this plant was
18 used by Stoughton from 1993 to 2007 to produce, and I quote,
19 its page 2, The domestic containers that are the subject of
20 this petition. This plant was also used during the POI to
21 make domestic containers.

22 This morning you described briefly that there
23 were a number of changes that you made in order to resume
24 production in this plant. If you could provide some more
25 detail as to the nature of those changes that were made so

1 that we can fully understand whether or not you were using
2 prior components, equipment from that old facility or just
3 the outer shell.

4 MR. WAHLIN: Sure. When we changed over the
5 plant, the primary change was we were transitioning from
6 mechanically assembled and fastened walls, front walls,
7 roofs, et cetera. So, if you can imagine a plant that had
8 -- you know, again, we're processing these in basically
9 53-foot increments.

10 So, youve got a material processing system that
11 has the raw material on one side passing through presses to
12 punch and to squeeze rivets and everything like that.
13 Material processing up to 450-ton presses to mechanically
14 fasten the components together, and then you have the
15 53-foot system on the outside. Then when you have that
16 wall, you have all these material handling devices that are
17 moving that wall from one station to the next as it goes and
18 becomes a box.

19 When we renovated that plant, we had to eliminate
20 all of that equipment and switch to an entirely new system
21 that instead of mechanically fastening and punching and
22 squeezing those components we are not putting in welding
23 systems, seam welding systems that weld those components
24 together.

25 In addition to that, its an entirely different

1 process to form those parts. So, as I mentioned before, we
2 had sidewalls sheets that came in. We had to put the
3 corrugation in, so we had to add presses and other material
4 handling systems to process that equipment, to transfer it
5 into a welding operation. And then as that sidewall is
6 welded, we now had to begin a process that would prep it for
7 painting, whereas before it was all pre-painted material.
8 So, that was a Wheel-A-Brator system that would rough up the
9 surface and prep it for painting operation.

10 From that, then we had to add components of the
11 top and lower rails in a welded fashion as well, all again
12 that was previously mechanically fastened. So, more
13 equipment that's moved from the process and replaced with
14 welders, in addition to material handling equipment that had
15 to position the components most appropriately for doing an
16 appropriate weld and then transferring it into the assembly
17 station.

18 Once that was done, that's just getting our
19 sidewalls and roofs into place. So, you can imagine almost
20 an upside down U with the roof components and the sidewalls
21 in place and 53-foot long. Now, we have to pass that
22 through our paint system, so our paint system which
23 previously only was able to accommodate smaller components
24 now has a 53-foot component going through it and turning and
25 going through again another paint surface prep station, a

1 prime station, a curing oven, a top coat station, and then
2 into another curing oven. So, that paint system had to be
3 significantly renovated to accommodate these parts.

4 Now, we have to move that painted component to
5 the assembly process with new material handling systems and
6 then attach it what starts to become the floor of the unit,
7 and then it goes down the final assembly stage.

8 So, in doing that, it really was a clearing out
9 of all the old mechanically fastened equipment from the
10 facility and replacing it with new welding systems, material
11 handling systems, paint systems, you name it.

12 MS. ALVES: And that was helpful. Your
13 presentation this morning was helpful. If you could take a
14 close look at that and provide as much additional
15 information about this as you can, one of the reasons being
16 that given that this is a situation where you're alleging
17 the material retardation of the establishment of the
18 industry the fact that there was production beginning in
19 1993 to 2007 is relevant to a number of the factors that
20 were looking at, both in terms of whether or not you were
21 producing for a longer period of time than just the POI.
22 Also, in terms of whether or not you may have benefited from
23 any experience that you had producing this product during
24 that period.

25 So, any additional information about how

1 transferable the operations were and what was still being
2 used in terms of equipment is extremely helpful to get a
3 better sense of that.

4 MR. LEVIN: Understood.

5 MS. ALVES: Also, you indicated both in the
6 petition and in your testimony this morning that you had
7 increased capacity during this prior period. If you could
8 provide in your post-conference brief, if its not already in
9 your U.S. producer questionnaire response, information about
10 your production during that pre-POI period just so we have a
11 sense of what your production levels were.

12 Im guessing at some point they must have been
13 moving up if your capacity was expanding, but if that wasnt
14 the case then make sure that we have the data to know what
15 they look like.

16 Also, in terms of your post-conference brief, if
17 you could make sure that we have any information that you
18 might have regarding your business plans, not only when you
19 decided to resume production or to start up production, but
20 also the prior decisions to slow down production or stop
21 production. If you could provide us those materials as
22 well, that would be helpful, if we dont already have them.

23 And also, if you had any estimates that you made
24 at the time regarding what your expectations were and
25 whether or not you were able to financially break even.

1 Youve indicated both this morning and in the petition that
2 at some point in time you determined that you were no longer
3 competitively viable to remain in the market. So, if you
4 have your studies or your business plans contemporaneous
5 from that time that would be helpful.

6 And then, turning slightly to the issue of
7 trailers, both in terms of exploring possible domestic-like
8 product issues and also in terms of understanding what your
9 other production operations help bring to the table in terms
10 of your ability to produce the domestic containers, can you
11 describe for me some of the differences in terminology that
12 exists out there? Ive seen in some various publications and
13 in the petition the term containers on rail flat cars, COFC,
14 versus the term trailers on flat cars, TOFC.

15 In your petition there's also a sentence at one
16 point on page 22 indicating that Trailers cannot as
17 efficiently be used in intermodal transport.

18 Does the existence of this trailer on flatcar
19 terminology, or your statements suggest that there might be
20 some use of trailers in rail transport?

21 MR. FENTON: TOFC does mean, indeed, trailer on
22 flatcar. The trailer, as far as operationally, can go, or a
23 container chassis combination can go on a flat car in either
24 case.

25 In order to do that, they have a stanchion, and

1 that stanchion is a pop-up structure out of the flatness of
2 that car that then connects to the kingpin of the trailer,
3 or the chassis of a combination container/chassis. The
4 running gear or the tires then sit, of course, behind it and
5 are over a center section, which would prevent it from
6 moving side-to-side.

7 That is one method of moving cargo on rail. It's
8 been around for a long time. They call it piggyback. On
9 that same car and on other cars such as spine cars, when it
10 comes to a container and chassis, they take the container
11 off of the chassis and they sit it on the flatcar and engage
12 those lock points that are in there, those apertures that we
13 discussed, and those are at each of the four locations that
14 are on the bottom of the stacking frames that transfer load
15 if it's in a well car. But a spine car can only carry one
16 container level, so it cannot go high enough because its not
17 close enough to the rail in order to get through the tunnels
18 and the various clearance issues.

19 So, as far as operationally, when the
20 efficiencies are greatest known with a container it is
21 during the application in this situation where its in a well
22 car. So, youve got a container on the bottom in the well
23 car and its approximately 12 inches above the rail itself
24 and then the next car sits on top of it, or the next
25 container sits on top of that and provides clearance for

1 those tunnels and areas that they would otherwise have to be
2 single level.

3 In some countries, they would not be able to do
4 double stacking because they dont have the clearance. In
5 our country, a lot of the tunnels had to be re-worked in
6 order to facilitate the added width of the 102 or 102 and
7 3/8, either one, when it was decided that this was a viable
8 option and they looked at it as an effective means of
9 providing greater efficiencies to the extent that they spent
10 large amounts of money in order to re-work their
11 infrastructure to allow the things to pass through the
12 tunnels that already existed.

13 So, thats the difference. A trailer, yes, can go
14 on, but in that same space in a rail consist you could put
15 two containers, only one trailer. So, you effectively
16 double what you can haul in that space or length of the
17 unit.

18 MS. ALVES: Thank you.

19 And youve alluded to my next question, which is
20 there information available that you could provide to us on
21 exactly what portion of the rail traffic can go through
22 using a double container? How significant is the ability to
23 double stack these containers?

24 Presumably, there are some areas where the
25 tunnels havent been upgraded or theres low-lying electrical

1 wires, so what portion of the market needs to have the
2 double stacking capabilities, if you have that information.

3 MR. FENTON: We would have to query our railroad
4 partners or customers to find out those portions. I do not
5 know personally what they are.

6 MS. ALVES: Well, are there specific regions
7 where this is more prevalent that you have the ability to
8 double stack and others where its less prevalent?

9 MR. FENTON: That has been the case in the past.
10 Most recently, theres a corridor called the Crescent
11 Corridor, which is in the Northeast that has been re-worked
12 in order to accept these units in service. So, it's an
13 ongoing process. I cannot tell you how far they are in
14 accomplishing all access.

15 MS. ALVES: Thank you.

16 The same with some of the conditions of
17 competition in this market, what portion of North American
18 domestic container traffic occurs in the United States as
19 opposed to elsewhere?

20 MR. LEVIN: We will attempt to get that data for
21 you. It is not readily available. And I understand where
22 the question is coming from. The easy answer is the vast
23 majority just because of the relative sizes of the countries
24 and the population.

25 We dont know of any specific data, but well go

1 back and see if such data exists.

2 MS. ALVES: Thank you.

3 Are any domestic containers used for intermodal
4 river transportation? There's been heavy focus in the
5 petition and the discussions this morning on highway traffic
6 and rail traffic, is there ever any use of these materials
7 on rivers?

8 MR. FENTON: I'm not aware of any river usage, but
9 I am aware of barge usage that is on the coastal regions
10 where they can put these boxes on and they transfer them
11 down to the Caribbean and things of that nature from the
12 East Coast, so there are some barge operations that utilize
13 this equipment on the water.

14 MS. ALVES: In their opening statement this
15 morning, Respondents alluded to some arguments they're going
16 to be raising this afternoon regarding potential difference
17 in quality between their products and the domestic products.
18 They referred to leakage, the fact that domestic products
19 may not be fully welded, they're less durable, they don't have
20 the width availability, or they suggested that there were
21 issues with field testing.

22 I don't have any more to go on, other than what
23 they've alluded to this morning. I'm sure there will be
24 additional discussions this afternoon. Do you have any
25 preliminary response to that? Obviously, please address it

1 in your post-conference brief as well.

2 MR. WAHLIN: The quality of our product will meet
3 or exceed that of the Chinese competition on both the leak
4 end and any structural end as well.

5 MR. FENTON: One thing to follow up on because
6 you did ask about dimensionality. The original design of
7 our product, and what we have been able to build thus far
8 has been of an interior dimension of 99 inches; however, the
9 design of the sidewall is structured such that those walls
10 can move outboard and provide for the 109 or 100 and 1/2
11 inch inside width. The shape of that sidewall was so
12 designed so we could build either or. Weve not had the
13 opportunity to build the wide, but are ready to do so.

14 MS. ALVES: Thank you.

15 There was also a reference this morning to
16 American Intermodal, a firm that Respondents have suggested
17 will be producing I believe they said as of June 2014. Do
18 you have any additional information about American
19 Intermodal that you can share with us at this point?

20 MR. WAHLIN: Sure. We are familiar with American
21 Intermodal, and have actually spoken with them about
22 possibly being a contract manufacturer for some of their
23 equipment.

24 MR. LEVIN: Theres a little bit of background
25 with American Intermodal, and well go into more of this in

1 the post-conference brief. American Intermodal had, as best
2 as we can tell, a back of the napkin plan to set up
3 operations in an abandoned gear factory in DeWitt County,
4 New York. And DeWitt County had awarded them some grants
5 and loans to be able to do so.

6 DeWitt County never heard back from American
7 Intermodal about progressing on those plans. Nothing
8 happened in upstate New York. They are looking to fill a
9 plant that is located down south. Theyve never manufactured
10 a product. To the best of our knowledge, they dont have the
11 ability to manufacture a product.

12 And as Bob just alluded to, and well go into more
13 detail here in the post-conference brief, American
14 Intermodal is actually turning to Stoughton to be the
15 contractor to manufacturer domestic containers.

16 MS. ALVES: Thank you.

17 I think those were all the questions I had for
18 this panel. Thank you. Your testimony has been extremely
19 helpful this morning.

20 And if I havent already said it, let me let both
21 panels know that any question that I ask of either of you is
22 open game for the post-conference briefs. The whole point
23 here is to gather as much information as we can. So, if I
24 havent asked you the question directly, or one of us hasnt
25 asked you the question please answer it in the

1 post-conference brief because were just trying to get as
2 much information as we can at this point, so thank you.

3 MS. DEFILIPPO: Thank you, Ms. Alves. Well turn
4 to Ms. Klir, although its probably hard to ask questions of
5 a one-company industry on a financial nature, at least.

6 MS. KLIR: For the record, this is Mary Klir in
7 the Office of Investigations. And Ms. DeFilippo is correct.
8 I actually sent some questions yesterday, which Mr. Levin
9 was cc'd on to Robert Bascom at Stoughton. So, I look
10 forward to those answers, and I just want to follow up with
11 Mary Jane and everyone else here. Your testimony has been
12 very helpful, so I appreciate your answers, and I look
13 forward to the post-conference brief and my specific
14 questions to Mr. Bascom. Thank you.

15 MR. LEVIN: yeah, the questions were indeed
16 received. Theyve been passed on to the relevant people.
17 Were ready to respond.

18 MS. DEFILIPPO: Thank you, Ms. Klir. Well turn
19 to Mr. Corkran for questions of this panel.

20 MR. CORKRAN: Thank you very much, and thank you
21 very much to the panel as well.

22 Doug Corkran. Im the supervisory investigator on
23 the case, and coming near the end of the questioning order
24 these will bounce around as well, and in some cases, Im just
25 seeking a little bit of clarification on testimony youve

1 already provided.

2 Weve talked a little bit today about a standard
3 for 53-foot dry domestic containers. For my own
4 clarification, is that specification M930, is that the
5 standard that were talking about?

6 MR. FENTON: That is the standard by which the
7 American Association of Railroads has imposed upon, and the
8 railroads have agreed to use as an interchange notification.
9 So, if a piece of equipment has the label on it of
10 compliance, they know that they can pass from one railroad
11 to the next in service without any other considerations.

12 As we discussed, there are some pieces of
13 equipment out there that do not carry the compliant label,
14 but they have contracted with the various carriers to allow
15 their equipment to be utilized in their system.

16 MR. CORKRAN: So, unlike some industries that we
17 may be familiar with, I get the impression that this is not
18 so much a specification that directs the manner of
19 production as it does the physical characteristics of the
20 finished product, is that a correct characterization?

21 MR. FENTON: Absolutely, thats correct.

22 MR. CORKRAN: So, drilling down into that a
23 little bit, I believe this was stated earlier, but let me
24 clear. Specification M930 then does that specification
25 prescribe an assembly method, or is it silent on the

1 assembly method?

2 MR. FENTON: It is silent on the method.

3 MR. CORKRAN: Thank you.

4 And again, apologies where Im covering ground
5 thats already been covered, but I wanted to be very clear on
6 some of these. One thing I was wondering about was weve
7 talked about a potential new domestic entrant, but in the
8 team in doing the research for the way this industry looked
9 prior to 2011, came across Wabash as a producer of
10 containers, although I dont believe theyve produced in
11 years.

12 From your knowledge, though, were they using a
13 welded or a mechanical assembly process, and do they even
14 still exist, to your knowledge as a producer?

15 MR. WAHLIN: A mechanical assembly process, and
16 to our knowledge, they are not involved in intermodal -- the
17 manufacturing of intermodal equipment and containers.

18 MR. COCKRAN: So, to summarize, the welded
19 assembly process -- Im sorry -- the mechanical assembly
20 process endured into the mid-2000s or so, but at this time
21 and since about the mid-2000s theres been no mechanical
22 assembly of this product, is that correct?

23 MR. WAHLIN: That is correct.

24 MR. COCKRAN: I was doing some
25 back-of-the-envelope calculating and came up with some

1 numbers pretty much in line with Mr. Levins. If were
2 talking about some 200,000 units in service in the North
3 American market and a service life of 15 years, then the
4 estimate earlier this morning of turnover of around 13, 14,
5 15,000 units a year seems to be in line.

6 If were talking about that many units and were
7 talking about an industry where there are only two main
8 producers in China of this product, the production levels
9 must be fairly high, so what struck me was what is the
10 importance of economies of scale in this industry? You
11 mentioned this morning that price was driving a lot of the
12 decisions and attributed it to unfair trade practices, but
13 again, how much does economies of scale come into play here?

14 MR. WAHLIN: For us, weve been pretty much at
15 developmental levels since weve started this process. We
16 have estimates on the equipment we need, what we need to
17 change, and the processes and procedures that would allow us
18 to produce this at a high level of manufacturing output.

19 For us to get there, we have to be at well over
20 the amount of units that weve been able to produce the last
21 few years. So, its absolutely critical for us to be able to
22 remain competitive, that we are doing more than a handful of
23 units a week.

24 MR. DOUGAN: This is Jim Dougan.

25 If I can add to this without getting into

1 anything confidential, but I think we can answer in the
2 post-conference brief, my understanding, and the Stoughton
3 people can elaborate on this to the degree that they want
4 to, in the most recent period, in the most recent times when
5 they were asked to put out bids in response to RFQs or
6 Requests for Quotes, the bid that on their understanding of
7 what the market price was for them to participate in the
8 market, not a price at which they could even recover their
9 cost or earn a profit, but just as an opportunity to get
10 into the market what do we need to do.

11 And they did so and found out, well, that may
12 have been good enough the last time we talked to you, but
13 its not good enough any more. So, I dont know that they
14 want to get into this any more, but the idea that even
15 bidding at prices that would not reflect economies of scale
16 that they havent yet earned where theyre willing to sort of
17 get into the marketplace they cant do it.

18 MR. LEVIN: And if I may add something to it, of
19 course, well let CIMC and Singamas answer for themselves the
20 importance of economies of scale on their operations.

21 That being said, these are long-term, established
22 companies with experience in production, et cetera, et
23 cetera, et cetera. They presumably have a pretty good
24 capacity and capacity utilization. I dont know what it is
25 at this point, but Im sure CIMC, at least, has a very large

1 capacity.

2 My point is the differences in price that
3 Stoughton has heard about and which -- well, well see how
4 the questionnaire responses come out -- that much of a
5 variance in the Chinese price is not going to be explained
6 by economies of scale at this point in time. There's
7 something more purposeful that's going on.

8 MR. DOUGAN: And if I may add -- this is Jim
9 Dougan again -- what Mr. Levin said is exactly correct, that
10 this is established production in those companies. But
11 somehow, suddenly over the last few years, there has been
12 precipitous decline in the price at which they've been
13 offering the products. And unless they've suddenly
14 discovered economies of scale which were not available to
15 them before, that wouldn't explain certainly not the degree
16 of price decline that we've seen.

17 MR. COCKRAN: Thank you very much for all your
18 responses to that question. I very much appreciate it.

19 I'd like to turn away a little bit from sort of
20 the production process to the actual employees that are
21 involved in producing this product.

22 How have you transitioned your workforce, in
23 think in a way, first from your former production process of
24 mechanically assembling the product after you stopped
25 producing in that manner what happened to your workforce?

1 And then as your orders for welded product have sort of
2 ebbed and flowed over time, flowed in the sense it sounds
3 like zero over the last 12 months, how do you keep your
4 workforce occupied? How do they transition to other
5 operations within your facility?

6 MR. WAHLIN: When we transitioned from the
7 mechanically fastened process, that workforce some we were
8 able to blend into our trailer operations. We have a
9 trailer assembly plant in Brodhead as well as Stoughton.
10 Brodhead is about 20 miles away from our Evansville
11 facility, Stoughton about 15. Some were able to transfer,
12 but many of those jobs were just purely lost. We couldnt
13 absorb that many at that time.

14 Fast forward to today in the welded process, as
15 weve kind of gone in and out of production, we have been
16 able to move employees over to the other facilities. Now,
17 when we do that its not a one-for-one swap, if you will. We
18 have to do additional training, and even for those that are
19 doing similar skill sets, its a different animal to weld on
20 the thickness of materials and a lot of the container
21 welding than it is for welding some of the components for
22 the trailers. So, we go through a different training
23 process, whether thats welding, assembly, or industrial
24 painting, or any of the other skills. But weve been able to
25 move those people to the other facilities, and then that has

1 also allowed us to have a foundation of employment for when
2 we start back up again.

3 And thats a key part of our strategy is to be
4 able to start back up again and to move quickly to higher
5 production rates, if given the opportunity, is to be able to
6 bring an foundation of skilled employees to the Evansville
7 facility in which we would add additional employees around
8 that foundation.

9 MR. COCKRAN: And I believe there was testimony
10 to this this morning, but can you reiterate the trailers
11 that you manufacture is that using a welded operations, or
12 is that using a mechanical assembly operation?

13 MR. FENTON: The trailers are substantially a
14 mechanically connected assembled product. They do have two
15 or three subcomponents that are welded. Theres a coupler
16 which connects to the tractor, and thats a welded
17 subassembly. The rear frame is similar to the rear frame of
18 a container, minus the under ride guard, but its a welded
19 assembly. And then those two components are installed into
20 the balance of the structure through mechanical means. So,
21 theres welding, but its minimal comparative to the amount of
22 welding that is necessary for the assembly process in a
23 container.

24 MR. COCKRAN: I believe this is probably my last
25 question. It is related to the very large volumes that are

1 being pursued by a fairly small number of purchasers and
2 supplied by a very small number of companies.

3 Can you explain a little bit more how the bid
4 process works, and roughly, what order of magnitude of
5 volume is included in the bids that are going out? Are we
6 talking hundreds of units, are we talking a thousand units,
7 are we talking multi-thousands of units in the bid process?

8 MR. WAHLIN: As far as scale, its primary in the
9 order of thousands, although we do have bids for around a
10 hundred and occasionally lower than that. Typically, we
11 have a single shot at that bid. We put our best foot
12 forward, and if we get it wonderful. If we dont, were
13 typically out of the running with that customer until their
14 next bid process, which is usually a year later.

15 MR. COCKRAN: And this follow up really will be
16 my last question, okay?

17 So, when youre dealing with bid packages that
18 enter into the thousands of units, are you bidding for that
19 entire package, or are you bidding for a piece of it? We
20 can make x number of units. We can supply x number of units
21 in the period of time, but not the entire thousand, thousand
22 plus units. So, are you bidding for the whole package or a
23 part of it?

24 MR. WAHLIN: We have done both.

25 MR. COCKRAN: Thank you very much for your

1 testimony. It was very helpful. I have no further
2 questions.

3 MS. DEFILIPPO: Thank you, Mr. Corkran.

4 I actually was going down the path that Ms. Alves
5 went in terms of circling back to the opening statement this
6 morning, so she did ask that question. So, I only had a
7 couple quick little follow-ups on that.

8 There was a comment made that the containers need
9 to be field tested, and I didn't know if you agreed with
10 that comment. And if so, what does field testing mean?

11 MR. FENTON: The AAR specification does have a
12 section in it that provides for multiple tests. Its 12 to
13 14 different tests, and it basically is to prove the
14 structural capability of the equipment within service.

15 As far as the comment with regard to field
16 testing, it is not an uncommon practice for us to look and
17 say, okay, show me the proof and how long have they been in
18 service and under what conditions have they experienced in
19 order to give yourself that extra step of assurance. But as
20 far as performance requirements, the AAR tests must be met,
21 passed, and compliant in order to be able to label the
22 equipment for interchange between the rail systems.

23 MS. DEFILIPPO: Thank you.

24 Are there warranties on these products at all, or
25 performance over a period of time or no?

1 MR. WAHLIN: Yes, we do have a warranty program
2 that we can provide in the post-conference brief.

3 MS. DEFILIPPO: To your knowledge, do the Chinese
4 products have similar warranties or field testing processes
5 and procedures?

6 MR. WAHLIN: To my knowledge, yes.

7 MS. DEFILIPPO: Thank you.

8 Those are actually the only questions that I had
9 left after staff did such a good job of working through all
10 the questions and material.

11 I would echo Ms. Alves comment that, you know, we
12 are trying to get as much information as possible, so if
13 weve missed something or if we asked the other side please
14 feel free to provide that.

15 Im going to look up and down the table and see if
16 anyone has any additional questions. And Im seeing/hearing
17 none. So, with that, I will again thank you very much for
18 both the testimony that you provided and for all of your
19 responses to our questions. It has been very, very helpful.

20 Well take a break until 12:30, get a snack, and
21 power up for the afternoon session.

22 Mr. Levin, question?

23 MR. LEVIN: Just one thing, these are for you
24 guys, all right, because we like you and we wanted to give
25 you a gifts.

1 MS. DEFILIPPO: No gifts, I think, are allowed,
2 but well take them as a sample and use them. My ethics
3 advisor is cringing upstairs, but well take them as an
4 example.

5 MR. LEVIN: Let me be a little less flippant.
6 With the Chairs leave, we would like to formally submit
7 these as evidence.

8 MS. DEFILIPPO: Thank you. That would be
9 helpful, and to the extent we have briefings for the
10 commissioners that will be helpful to show the commissioners
11 and their aides, so I appreciate that.

12 MR. LEVIN: And we renew the invitation any time
13 to come out to Evansville. Its beautiful this time of the
14 year. But seriously, visualizing, actually seeing the plant
15 is rather impactful.

16 MS. DEFILIPPO: I appreciate that. Thank you
17 very much. Well see everyone at 12:30.

18 (Whereupon, a recess was taken.)

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1 especially those of a design, technical nature. Mr. Green
2 served as a technical consultant to the intermodal industry,
3 and was previously the Director of Engineering for American
4 President Lines. Mr. Green developed the first 48 foot and
5 53 foot steel containers in the United States domestic
6 market.

7 I hope you'll take this opportunity to resolve
8 any questions you may have about design issues and as I
9 mentioned this morning, these are the fundamental cause of
10 the issues Stoughton has experienced in bringing a domestic
11 steel container to market.

12 Mr. Buzz Hagen from CIMC Intermodal and Mr. John
13 Yeung from Singamas are also here to answer any questions
14 you may have of the foreign producers; and we're joined by a
15 number of in-house counsel who won't be testifying or
16 answering questions, but they're just here to attend and
17 witness the proceedings.

18 So with that, Mr. DeLozier, I turn it over to
19 you.

20 MR. DeLOZIER: Hello and good afternoon. My name
21 is Kent DeLozier, I'm a Director of Maintenance for J.B.
22 Hunt in Lowell, Arkansas. I've been with J.B. Hunt since
23 1983; I've been a Director of Maintenance since 2011.
24 Thank you for providing J.B. Hunt the opportunity to explain
25 why we purchase our containers from China.

1 J.B. Hunt began early in transportation by
2 running trailers on a train. The industry refers to this
3 method of intermodal transportation as trailer-on-flat-car,
4 or TOFC for short. At a later point, J.B. Hunt shifted most
5 of its intermodal transportation to a container-on-flat-car,
6 or COFC for short. Unlike a TOFC, a COFC does not have the
7 wheels attached to the body. In addition, COFC typically
8 has twist locks on the top, which allows it to be double-
9 stacked on a train; whereas a TOFC cannot be double-stacked.

10 Today J.B. Hunt is one of the largest U.S.
11 purchasers of 53-foot COFC containers. While we source
12 TOFCs from many sources, including several US producers, we
13 purchase COFC containers only from Chinese producers CIMC
14 and Singamas. To understand why, I want to give you a
15 little background on J.B. Hunt's experience in the
16 intermodal transportation.

17 From about 1993 to 1998, J.B. Hunt purchased
18 containers that were made of aluminum plate. At that time
19 there were several domestic producers of aluminum
20 containers, and we purchased all of our requirements from
21 domestic producers. Which all included Stoughton, Pines,
22 Monon, Great Dane and Hyundai-Translead.

23 The Aluminum containers offered the advantages of
24 a lightweight and large interior space, but also had
25 significant drawbacks. First, the aluminum containers used

1 many mechanical fasteners that allowed water leaks into the
2 containers. Second, Aluminum containers could not be
3 double-stacked on a train, but rather they could only ride
4 as top containers.

5 During 2000 to 2004, J.B. Hunt shifted from
6 aluminum containers to a Duraplate container made by the
7 Wabash Company. The Duraplate containers were made of two
8 thin layers of steel plate bonded to a middle plastic core.
9 The Duraplate containers were heavy and smaller than the
10 aluminum containers, but at least they could ride as a
11 double-stack on the train.

12 In 2005, we began purchasing containers from
13 Chinese producer CIMC, Singamas and Jindo. Jindo has since
14 gone out of the container manufacturing business. The
15 Chinese containers are fully welded, which means that
16 mechanical fasteners such as rivets and bolts were no longer
17 needed. These new steel containers also featured reduced
18 box weight and a wider interior than our Duraplates. The
19 Chinese containers also could be double-stacked on the
20 trains.

21 Slide 1 shows an illustration of what a
22 mechanical fastener looks like to a welded seam. So
23 hopefully that will help your team and panel to see what the
24 differences could be.

25 This is a picture of a Stoughton container, where

1 the sides and the top of the container contain welded seams,
2 the bottom of the container is attached to the rest of the
3 body by mechanical fasteners rather than welding. Holes
4 are drilled in the steel to allow the rivets or bolts to
5 attach to the bottom of the container to the sides. This
6 type of construction is generally used for all trailers.

7 In fact, a trailer or an aluminum container
8 typically contains three to six thousand rivets. Each of
9 these three to six thousand holes are potential entry points
10 for water to seep in. In fact, when water does seep in,
11 it's often difficult to even find and determine where the
12 leak is coming from, because there are so many potential
13 leaking points to be inspected.

14 Generally water seepage from mechanical fasteners
15 is a much bigger concern with containers than with trailers
16 because containers are getting picked up from the top for
17 loading and unloading on the trains. With the container
18 constantly being picked up and set down, the mechanical
19 fasteners on a container tend to become loose over time,
20 which is when tiny holes open up for the water to seep in.

21 I understand that Stoughton designed its
22 containers this way because it builds the floor of the
23 container first, just like it does its trailers; Stoughton
24 welds the sides and tops of the container then fastens the
25 welded sides and top to the bottom using mechanical

1 fasteners, rather than by welding the bottom rail. Again,
2 this method of connection allows for moisture to seep into
3 the interior of the container.

4 The Chinese producers design their containers
5 differently. They start with a complete, fully welded body,
6 paint it -- most of the flooring is actually American made,
7 and it's exported into China for this installation. Chinese
8 producers then carry the floor into the container manually,
9 as you can see in Slides 2 and 3, it's a very manual
10 process.

11 Because they're fully welded, they offer J.B.
12 Hunt significant advantages over domestic containers. They
13 use mechanical fasteners at the bottom. Since we began
14 buying fully welded containers from China, the number of
15 claims filed for wet damage to cargo has decreased
16 dramatically, even as our total container fleet has
17 continued to increase. This means big cost savings for us
18 and happier customers.

19 Furthermore, the additional width of the Chinese
20 container also makes a big difference to us. Our Duraplate
21 containers as well as the prototype container we've seen
22 from Stoughton, is 99 inches in width compared to what we
23 run at 100 and 3/8ths from the Chinese containers. This may
24 not seem like much of a difference, but it is a huge
25 difference to our customers.

1 Slide 4 shows the pinwheeling configuration of
2 how, what that really means when you're getting the two
3 different size pallets and staggering them down the length
4 of the container, when half the pallets are 52 inches wide
5 and half the pallets are 48 inches wide. To maximize use of
6 space, we pack the pallets in what's called a pinwheeling
7 arrangement. As you can see from the top part of the
8 diagram, the pallets alternate between 48 and 52. We can
9 load a container that's 100 and 3/8ths in this pinwheel
10 arrangement, but we can't do it in a 99 inch. The ability
11 to pinwheel the pallets translates into significant cost
12 savings to us and to our customers.

13 J.B. Hunt would surely welcome a U.S. producer of
14 53 foot containers, COFC containers. Indeed, we already buy
15 domestic for most of all of our trailers, but we have
16 certain basic requirements for our containers, including a
17 fully welded construction and a width of 100 and 3/8th
18 inches.

19 To date, Stoughton simply has not been able or
20 willing to meet these basic requirements. In 2011, we tried
21 working with Stoughton to get a prototype container that
22 would meet our needs. J.B. Hunt was prepared to contribute
23 a significant amount of money to the project, including
24 substantial tooling costs, because we thought it would be in
25 our best interest, J.B. Hunt's interest, to have a domestic

1 source of supply. But we had to reassess the situation
2 after we had been experiencing serious quality problems with
3 some of our chassis that we were already buying from them in
4 commercial quantities, from the Stoughton Group, many of
5 which had to be returned for repairs.

6 We also saw a Stoughton prototype container on
7 display at the trade show in November 2011. This prototype
8 had some serious quality issues; it was only 99 inch
9 interior width, and still use mechanical fasteners for the
10 bottom part of the container. We decided then it just
11 didn't make sense to pursue development efforts with
12 Stoughton; at least until they could redesign its product
13 and give us the quality and interior dimensions that we
14 need.

15 Regarding price, I'd like to add a few brief
16 points; first, contrary to Stoughton's argument, the Chinese
17 producers did drop their prices, did not drop their prices
18 to keep Stoughton out of the market. As I said before, Hunt
19 did not even get to a point with Stoughton to talk about
20 pricing for commercial quantities of the containers because
21 they had so many problems at that stage, discussing needs
22 for our prototype.

23 But while the prices from the Chinese producers
24 fluctuated over the last several years, based on a variety
25 of demand and cost factors, one thing I did not see was an

1 effort by the Chinese to drop their prices to keep out
2 Stoughton. Stoughton simply did not figure in the picture.

3 The second point regarding pricing is that prices
4 from our Chinese suppliers have actually increased in the
5 2014 quotes.

6 So again, we do not see any signs that Chinese
7 producers are dropping their prices to shut out Stoughton.

8 Again, we'd be very interested in supporting
9 development of any new U.S. supply sources for 53 foot
10 domestic dry containers. In fact, J.B. Hunt currently is
11 working with another potential domestic container producer,
12 the American Intermodal Container Manufacturing. We're
13 negotiating to obtain a prototype of a fully welded
14 container from this company. Once we obtain a prototype,
15 everything looks good. We'd expect AICM containers to go
16 through extensive tests and a long trial period before we
17 consider purchasing AICM containers on a commercial scale.

18 This is the same thing that we would have done
19 with Stoughton if they had gotten that far in the process.
20 These containers are supposed to have a 20-year lifespan,
21 and so it's considerable time testing before we would expect
22 to uncover any possible or latent defects or problems that
23 would require adjustment of the manufacturing plan.

24 Once the testing and trial periods are finished,
25 assuming no problems, we would begin purchasing relatively

1 small commercial quantities at first, and then larger
2 quantities later as we get more experience with the new
3 container manufacturer.

4 Again, this process is the same for a totally new
5 producer such as AICM as it would be for Stoughton, which is
6 already established with a trailer business, but has had
7 quality problems in the past. But the bottom line is this:
8 Unless and until Stoughton can show us he can make a product
9 with the quality and the features that we and our customers
10 want, we have no choice but to continue to buy from the
11 Chinese suppliers. Thank you.

12 MR. MORGAN: Thank you, Mr. Delozier.

13 The next witness is Mr. Jakub Cerny.

14 MR. CERNY: Good afternoon, my name is Jakub
15 Cerny, and I'm the Vice President, Fleet Services of Hub
16 Group, Inc., based in Oak Brook, Illinois.

17 I thank the Commission for the opportunity to
18 share Hub Group's experience as an importer and end user of
19 53 foot domestic steel containers. Hub owns and operates
20 the second largest non-rail fleet of 53 foot domestic steel
21 containers in the United States. I've been involved at Hub
22 Group's container fleet for 12 years, and served in various
23 roles related to our container fleet program; essentially
24 since the program's inception.

25 Starting in 2008, I took over responsibility for

1 container specification optimization, the maintenance and
2 repair program, and container procurement. Hub Group is
3 currently one of the top purchasers of domestic steel
4 containers in the country. Just for clarification, the term
5 'domestic container' refers to a 53 foot shipping container
6 with the primary purpose of transporting goods within North
7 American regardless of where the container was produced.

8 Before getting into Hub's history in the domestic
9 container market, and our current needs for domestic steel
10 containers, I would like to say that Hub would welcome a
11 U.S. manufacturer of reliable, high quality domestic steel
12 containers. Unfortunately, neither Stoughton trailers nor
13 any other U.S. manufacturer has shown us that it is able to
14 produce a container that meets the same quality, design and
15 other requirements as the containers we purchase from China.

16 To put the current market in context, I'd like to
17 provide a short history of the domestic container industry.
18 Before 2005, Hub's container fleet was comprised of mostly
19 domestic aluminum containers. In the early 2000s, we are
20 closely monitoring the efforts of Baser Stag Train
21 to develop a domestic light weight steel container. In
22 2005, Hub was among the first adopters of the new domestic
23 steel container design, as we saw clear advantages of the
24 steel design; namely, durability and structural integrity,
25 longer useful life, better acceptance by our customers, and

1 significantly lower maintenance cost.

2 By the late 2000s, as an industry consensus
3 emerged and domestic steel containers became the gold
4 standard, Stoughton and other U.S. manufacturers who were at
5 the time the leading suppliers of domestic aluminum
6 containers chose not to develop a competitive steel
7 container. Currently, Hub owns over 19,000 domestic steel
8 containers produced in China, with some reaching nine years
9 of age without any signs of material, structural wear and
10 tear. In contrast, Hub has virtually ceased using aluminum
11 containers due to persistent problems with leaking, and high
12 maintenance and repair or MNR cost.

13 Hub is an importer and end user of domestic
14 containers. We generally purchase domestic containers
15 rather than lease them, and therefore we expect to use the
16 containers for the entire useful life. Therefore, the
17 following factors play a key role in our decision-making
18 process when purchasing domestic steel containers.

19 The number one factor is overall product quality,
20 safety and security. Hub sees the best quality containers
21 to guarantee a long, useful life and low MNR cost by safely
22 standing above all of our requirements, all of Hub's
23 domestic steel containers; not just meet but exceed the
24 Association of American Railroads' or AAR container
25 standard.

1 The next key factor is quality of raw materials
2 and components. Hub purchases containers made from higher
3 grade raw materials and components such as steel, floor
4 boards and paint to achieve the required durability of the
5 container, and low MNR cost. Hub provides the container
6 manufacturers with our unique specifications and instructs
7 them on what material to use.

8 The price we pay for containers reflect a premium
9 for our requirements for high quality raw materials and
10 components such as steel made in Sweden and laminated
11 hardwood flooring made in the United States. Another key
12 purchasing factor is production capacity. We order several
13 thousand containers a year and need our orders to be
14 produced and delivered within a relatively short time frame.

15 Otherwise, we would miss the opportunity to have enough
16 equipment for our customers to load during the peak season,
17 from August through November. I do not believe Stoughton
18 has the ability to meet our quantity requirements. Based on
19 my past communication with Stoughton, I understood that they
20 did not intend to produce domestic steel containers in
21 quantity sufficient to meet the needs of Hub Group, and the
22 U.S. intermodal shippers.

23 Since a domestic container is not a commodity,
24 there are many factors other than price that go into our
25 purchasing decisions. Service levels, ease of doing

1 business, historical ability to adhere to our commitments,
2 and commercial terms are all very important to Hub. Both
3 the Chinese manufacturers have excelled with respect to
4 these qualities in our dealings with them.

5 When the domestic container market shifted from
6 aluminum to steel in the mid-2000s, Stoughton and other U.S.
7 manufacturers decided not to follow the industry trend, and
8 switched to making steel containers. As stated in
9 Stoughton's petition, it was not until 2011 that Stoughton
10 started producing a steel domestic container. In my
11 opinion, Stoughton is now essentially trying to play catch
12 up in an industry that has left it behind in recent years.
13 I believe it is Stoughton's decision not to make a timely
14 investment in the design of competitive steel container that
15 explains why Stoughton is not selling containers today.

16 When the Chinese manufacturers were approached by
17 a U.S. transportation company in the late 1990s to produce a
18 domestic steel container, they already had a lot of
19 experience and expertise in making marine steel containers.
20 A marine steel container is similar to a domestic steel
21 container except it is only 20, 40, or 45 feet in length.
22 The Chinese manufacturers already had the production lines
23 and tooling in place so they were able to easily adjust to
24 the domestic steel container production.

25 The Chinese manufacturers' significant experience

1 with marine steel containers had led them to design and
2 produce a high quality product that Stoughton, in our
3 opinion, has not been able to match. I'll start with the
4 design of the container. Generally speaking, it's not hard
5 to build a heavy, sturdy container. What's hard is to build
6 a light, sturdy container that can compete with an over-the-
7 road trailer, which can be built using much lighter
8 materials because of its level of abuse during transport is
9 minimal compared to the harsh intermodal environment.

10 Based on their years of experience with marine
11 containers, the Chinese manufacturers figured out some time
12 ago that the actual design of the side panel corrugation,
13 including the thickness of the panel and the corrugation
14 itself, the angles, the face and the welding technique is
15 the key for building a structurally sound but light steel
16 box. Unfortunately, Stoughton did not have any experience
17 with welded steel box design, as it had previously designed
18 and produced only aluminum containers.

19 In 2011, it attempted to enter an industry that
20 took other manufacturers perhaps a decade of trial and error
21 to develop and establish. Stoughton's approach in 2011 was
22 to use a single panel design, which uses the same panel for
23 the roof and for the sidewalls. While the design would
24 certainly decrease the cost of production and allow for some
25 easier welding of the panels, containers with this design

1 have experienced structural issues. Hub was not interested
2 in buying these first generation containers because of
3 problems that the Norfolk Southern Railroad experienced with
4 them.

5 Another significant issue with a Stoughton
6 container is that it is not fully welded together like the
7 Chinese containers. Stoughton does not paint the entire
8 assembled container, and therefore it assembles the
9 sidewalls, nose frame, door frame, and other components
10 separately, paints them separately, and then uses mechanical
11 fasteners to put the entire container together. Its bolted
12 as opposed to fully welded design is problematic because in
13 our opinion it shortens the useful life of the container,
14 allows water to leak in, and increases MNR cost.

15 The holes that are drilled for the fasteners
16 increase in diameter over time, as the container gets used,
17 or particularly when subject to vibration and rocking during
18 rail transport, and the entire structure becomes looser.

19 To help you get an idea of the issues with
20 mechanical fasteners, here's an example of a Stoughton
21 aluminum container that is nine years old, with typical
22 failure of the mechanical fastener connection.

23 This container had a standard loading pattern of
24 freight with no load shifts or unusual occurrence. We do
25 not see this type of failure with fully welded steel

1 containers. Stoughton alleges in its petition that the
2 Chinese in a sense forced steel containers on the industry,
3 but that is not true. We wanted steel containers for their
4 durability, lower MNR cost, better leak protection and to
5 avoid mechanical fastener issue such as shown here.

6 After Stoughton learned through the deficiencies
7 in its first generation model that a single panel design
8 would not work, it started to use more conventional panel
9 design and welding techniques, and came up with a second
10 container design; but still using mechanical fasteners.

11 It put the second generation container on display
12 at an important trade show in November 2012. I looked
13 closely at this container, and despite some apparent issues
14 with the welding quality, I express interest in purchasing
15 the particular container so Hub could test the bolt design.
16 However, after Stoughton submitted the test results,
17 according to the AAR M930 08 standard, we made the decision
18 not to purchase the container, particularly due to the
19 sidewall and door test results. Despite being complaint
20 with the AAR standard, the sidewall and door design of the
21 Stoughton container tested as significantly weaker and
22 therefore less safe and secure than our existing standard
23 containers.

24 In addition to design issues, there are other
25 reasons why Chinese containers best fit Hub's business

1 needs. The imports from China are advantages for us because
2 we place them into service in Southern California where much
3 of Hub's freight originates. This is especially important
4 during the peak season, in August through November, when Hub
5 has hundreds of new containers arriving from overseas each
6 week, and it becomes extremely beneficial to our business to
7 gain at no additional cost to us a supply of empty
8 containers for our customers whose demands for cargo
9 capacity in Los Angeles is surging.

10 Even if Stoughton would be able to produce high
11 volume of containers, the quantity of freight originating in
12 Wisconsin is not nearly high enough to support such supply.
13 We would need to incur extra trucking cost to pick up the
14 containers in Wisconsin while also repositioning empty
15 containers at Los Angeles from other locations at an initial
16 cost. This essentially means that even if a container from
17 Asia FOB L.A. would cost the same as a container from
18 Stoughton FOB Stoughton, Wisconsin, the Stoughton container
19 would still be at competitive disadvantage.

20 In short, I believe that it's Stoughton's
21 decision, not the design of a competitive quality steel
22 container and other factors unrelated to price rather than
23 Chinese imports that are the cause of Stoughton's loss of
24 market share in the domestic container industry.

25 In making its preliminary determination, I urge

1 the Commission to take into consideration the potential
2 consequences for the U.S. intermodal industry. Intermodal
3 transportation provides for reduced costs, reduced traffic
4 congestion, and improve the environment in this country. If
5 duties are indeed imposed, the higher cost of the container
6 as transportation equipment will hinder and perhaps even
7 roll back these achievements by making it harder for the
8 intermodal industry to compete with over-the-road trucks.
9 As a result, there will be fewer containers on the railroads
10 and more trucks on the highways leading to less safe and
11 more congested roads; and because over-the-road
12 transportation is so much less fuel efficient than
13 intermodal transportation, higher over-the-road miles will
14 increase U.S. dependency on oil, with negative consequences
15 for the environment.

16 Thank you for your attention. I'm happy to
17 answer any question that you may have. Before that, I would
18 like to make just a couple comments, if I may.

19 First, Kent from J.B. Hunt mentioned the pricing
20 trends from the Chinese manufacturers over the last several
21 years, and I would agree with what he said. There is a
22 fluctuation, but a trend line has been definitely upward in
23 the last, as many years as we've been buying containers.

24 The other comment, Mr. Felton mentioned that the
25 difference between the bolted or box put together with

1 mechanical fasteners versus a fully welded box, that the
2 only difference is perception. We disagree with that; we
3 think the pictures shown here shows some of the downside of
4 the mechanical fasteners; and even if it would be just a
5 perception, Hub has never bought a single box with
6 mechanical fasteners and Hub would never buy a box with
7 mechanical fasteners. Thank you.

8 MS. KLIR: Thank you, Mr. Cerny.

9 Now Mr. Paul Dean.

10 MR. DEAN: Good afternoon. My name is Paul Dean,
11 and I'm the Director of Intermodal Equipment and Maintenance
12 for Norfolk Southern.

13 Norfolk Southern is a leading transportation
14 company, operating 20,000 route miles in 22 states including
15 Washington. Norfolk Southern supports international trade
16 with service to every major Eastern Seaport, ten river ports
17 and nine lake ports. Which is the most extensive intermodal
18 network in the Eastern United States.

19 I have been with Norfolk Southern since 1974, and
20 I thank you for the opportunity to appear here today to
21 provide you with some background on why, in my view,
22 Stoughton efforts to sell domestic containers made with
23 steel have been a challenge. And allow me to preface my
24 remarks by saying the Norfolk Southern would prefer to have
25 a U.S. supplier of domestic containers, which is why we

1 approached Stoughton about that possibility.

2 Over the years, Norfolk Southern became
3 dissatisfied with the sheet and post design. Due to
4 climbing maintenance costs, that was common in containers
5 manufacturers with aluminum components. Domestic
6 corrugated steel containers have become the customer
7 preference, due to quality and design.

8 One of the disadvantages to aluminum sheet and
9 post containers is that the mechanical fasteners may become
10 loose over time, promoting component failure, water damage
11 to freight, and costly repairs in comparison to domestic
12 steel containers.

13 Now, Norfolk Southern has had a partnership with
14 Stoughton since 1999 in both 50 foot containers and chassis.
15 And in my view, it has been a partnership that has been
16 helpful on both sides.

17 Norfolk Southern sends requests for bids each
18 year, typically in November. In the fall of 2010, we
19 requested bids for purchase year 2011. Normally, Norfolk
20 Southern would only purchase containers for general
21 introduction in our service. However, in 2010 we had been
22 unable to purchase sufficient containers from other vendors.
23 And faced with increasing demand, we decided to place an
24 order for containers from a vendor N.S. had no prior
25 experience with for this type of container. And that was

1 not successful.

2 As a result, faced with our need and based upon
3 prior experience with Stoughton with regard to aluminum
4 containers and chassis, in February 2011 we accordingly
5 awarded 15 25 steel containers to Stoughton, even though the
6 design was unproven.

7 Timely delivery is vital because if N.S. does not
8 receive containers, it loses business. For this reason, our
9 purchase agreements, including the one we had with
10 Stoughton, contain a delivery schedule. In early 2011, we
11 learned that Stoughton was unable to deliver the containers
12 as per the agreement in the required quantities.

13 For that reason, our sourcing group decided it
14 had to reduce the size of that order with Stoughton by 500
15 containers, taking it down to 1025.

16 In the spring of 2011 we also visited Stoughton
17 to inspect the containers and discovered a number of quality
18 and design issues. We noticed caulking on the side panels
19 and the irregularities due to forming or stamping, causing
20 the side panel to be distorted and difficult to fit and weld
21 panels.

22 Because of the quality issues and delay in
23 delivery, N.S. reduced the order with the agreement of
24 Stoughton; instead of purchasing 1625 containers, which was
25 the original order, we ultimately only purchased 199

1 containers of the Generation 1, and one of the container
2 Generation 2.

3 As the containers were placed in service, we
4 began to receive reports of side panel failures. We raised
5 the quality issue with Stoughton, and they provided detail
6 of the failure calls. Stoughton proposed a repair procedure
7 to repair these that was approved by N.S., and accepted.
8 The repair was accomplished by adding reinforcing material.
9 Unfortunately, the additional material added for
10 reinforcement purposes put Stoughton containers above the
11 weight limits for the program we had intended for them.

12 We included Stoughton in our request for bids for
13 purchase years 2012 through 2014. But did not award them
14 any purchase because we lacked confidence in Stoughton's
15 ability to produce and deliver per our requirements.

16 A most critical shortcoming in Stoughton's
17 container from an N.S.' perspective is their design; N.S.
18 wants a completely welded box with a corrugation depth of 30
19 millimeters; that N.S. requires and Stoughton's box does not
20 comply with these requirements.

21 Domestic containers are expected to last for
22 approximately 15 years per the AAR M930. Completely welded
23 boxes have proven to better seal over time than mechanically
24 fastened containers. Leaks in containers mean damaged
25 goods. And this is something that Norfolk Southern strives

1 to avoid for many reasons, not least of which is the
2 significant increase in cost.

3 Stoughton continues to make a container with
4 mechanical fasteners rather than making the one that is
5 fully welded. We examined Stoughton's second generation
6 domestic container in a 2013 Expo which kept the same
7 mechanically fastened design. I advised Stoughton
8 representatives at the show that we were not interested in
9 buying a mechanically-fastened box.

10 In response to our most recent request for bid,
11 Stoughton still has not offered a fully welded container.
12 In addition to the problems described above, again,
13 N.S.lacks confidence that Stoughton has the ability to
14 deliver containers meeting our requirements on a timely
15 basis in the quantities that we require.

16 American Intermodal Container Manufacturing, a
17 startup company, is currently developing a prototype steel
18 domestic container in the United States. AICM met with us
19 in the summer of 2013, and we've had several other
20 conversations with them. My understanding is a prototype
21 will be built by the end of June of 2014.

22 As I mentioned, Norfolk Southern has a long
23 partnership with Stoughton. And we welcome a U.S. source of
24 supply, but the quality, design and durability of the
25 containers which we purchase have to meet our requirements,

1 and deliveries must occur in accordance with time lines
2 specified in the agreement. In all frankness, the first
3 generation Stoughton containers did not. Thank you.

4 MR. MORGAN: Thank you, Mr. Dean.

5 Mr. Drella is up now.

6 MR. DRELLA: Good afternoon. My name is Dan
7 Drella, and I am the Director of Intermodal Safety at
8 Schneider National. However, for the last five years, I was
9 the Director of Intermodal Maintenance and Equipment for
10 Schneider National, and have been closely engaged in the
11 purchasing of procurement and maintenance process for
12 containers.

13 Schneider is a leading provider of truckload and
14 logistics and intermodal services headquartered in Green
15 Bay, Wisconsin. I've been with Schneider since 1999. Thank
16 you for the opportunity to appear here today, and to provide
17 you with information that I hope will be useful to your
18 inquiry.

19 Schneider has been purchasing domestic containers
20 since 2005. Prior to 2005, Schneider National used trailers
21 for intermodal service. Initially, containers were sourced
22 from North American builders. After a test of CIMC's fully
23 welded steel, domestic 53 foot equipment, which started in
24 2006 and ran through 2008, purchases since have shifted to
25 CIMC.

1 For Schneider, quality and design are critical
2 factors in purchasing decisions. The reason for this focus
3 on quality and design is that prices have been fairly well
4 established, and they've moved modestly upwards since a base
5 that we found in 2008. We have not experienced the decline
6 alleged by Stoughton in the 2011 time frame.

7 The containers Schneider purchases from CIMC are
8 fully welded, meaning that all of the container's panels and
9 structural components are joined together by a weld. Fully
10 welded containers are not available domestically, and as
11 explained before, the Stoughton container is not what we
12 would regard as a fully welded container.

13 This design feature is of great importance to us
14 because it prevents leakage. Prior to purchasing fully
15 welded steel containers, Schneider National had purchased
16 over 7,000 containers from Stoughton and others which use
17 mechanical fasteners. Our experience over the eight years
18 since has been that such mechanically fastened containers
19 have substantially higher maintenance cost and higher rates
20 of leaking equipment. As you can imagine, a leaky container
21 means that merchandise gets damaged, which we are in the
22 business of trying to prevent, because that damaged cargo
23 becomes a cost to Schneider, and it upsets our customers.

24 Another important feature of CIMC's containers,
25 which Schneider developed, is the 100 plus inch wide

1 interior. A 99 inch wide interior was the industry norm and
2 still is all that is domestically available. An inch in a
3 container that is 53 feet long and 99 inches wide may not
4 seem significant; however, it's actually very important.

5 That extra inch means that customers can pinwheel
6 their pallets in a container. Pinwheeling means that one
7 row of 11 pallets can go in the container straight and a
8 second row can be rotated or pinwheeled 90 degrees, allowing
9 for 14 pallets in the second row. With 14 in the second row
10 and 11 in the first, it allows for 25 pallets overall. In
11 the 99 inch wide container, it only allows for two rows of
12 11, or 22 total pallets.

13 Another way of thinking of this is with the
14 addition of three more pallets in the 100-inch wide box,
15 every seventh load is free for the customer. For this
16 reason, we've seen others in our industry such as J.B. Hunt
17 moving to the 100 inch plus wide container.

18 The quality and design features that make CIMC
19 containers so well accepted in the market are widely known.
20 I've seen the proposed Stoughton container in person. We
21 were excited at the prospect of a fellow Wisconsin company
22 introducing
23 domestic equipment to the marketplace. However, we were
24 disappointed when we saw the actual product at a trade show.

25 After seeing the product, I have discussed the

1 design and conveyed our points of concern with Stoughton
2 representatives. I've expressed that quality and design at
3 Schneider and the market more generally will accept. In my
4 view, Stoughton has not addressed those concerns in the
5 first or second generation containers that it has produced.
6 When Stoughton's container was announced, Stoughton had
7 contemplated a test of approximately 50- of the new
8 Stoughton containers, similar to the 2006-2008 test that we
9 had completed with CIMC.

10 However, due to the quality issues and the
11 inability to provide a fully welded 100 plus inch wide
12 container, the test was put on hold.

13 Another important consideration for Schneider is
14 knowing that the CIMC containers have been tested over time,
15 and have been continually improved as a result of the field
16 experience and customer feedback. Not only have they passed
17 the AAR specifications, but also have thousands of units in
18 the field which have experienced failures and have been
19 corrected over time.

20 Not only have we come to trust the container's
21 quality, but the experience gained by having 5,000 or so of
22 our own units in the field has meant CIMC has made revisions
23 to the design to accommodate any issues that we were
24 experiencing. Schneider has included Stoughton and other
25 potential producers in their request for proposal process.

1 However, to date, Stoughton has not been able to meet
2 Schneider's requirements for a fully-welded, 100 inch plus
3 wide container. Thank you.

4 MR. MORGAN: Thank you, Mr. Drella.

5 Given the hour and the unique opportunity you
6 have to speak to these witnesses who have far more expertise
7 or useful information than I have, I'm going to let the
8 facts speak for themselves; and we welcome your questions.
9 I know that we have some differences of opinion on many
10 things; one of which is just on the number of containers
11 that are purchased in the marketplace every year; so I hope
12 in your questions you explore that with our witnesses.
13 Thank you.

14 MR. LEVIN: Just a point of clarification.

15 Just to clarify: Is Norfolk Southern part of the
16 opposition panel? Are they a party to these investigations
17 or are they appearing as a nonparty?

18 MS. DeFILIPPO: Norfolk is appearing as a non-
19 party witness.

20 MR. LEVIN: Okay. Thank you.

21 MS. DeFILIPPO: Thank you, and thank you to the
22 panel. I appreciate all of you being here. It is always
23 really helpful in a preliminary when we're trying to learn a
24 new product and get up and running to have such a robust
25 respondent panel to help us round out the record. It's very

1 good.

2 So I will move first to Ms. Newell for questions
3 of this panel.

4 MR. NEWELL: Hi, thank you for appearing here
5 today.

6 In speaking with some firms, there appears to be
7 some discrepancy over who is the importer of record for some
8 of the imports. Please explain under what circumstances
9 your firm acts as the importer of record, and under what
10 circumstances it does not. And this question is for CIMC or
11 Singamas, or both.

12 MR. YEUNG: I think it depends on the
13 requirement --

14 MS. DeFILIPPO: If I could just, since it is a
15 really big panel, it would be very -- and I think it's going
16 to be hard for the court reporter to see some of you along
17 that line -- if you could state your name and affiliation it
18 would be very much appreciated. Thank you.

19 MR. YEUNG: This is Johnny Yeung from Singamas.

20 I think it depends on the requirement of the
21 customers. Some customers would like to be the importer of
22 record. Because we have a small office in San Francisco
23 handling the import or trucking of those boxes to customers.
24 So if the customers say -- because it is mainly the U.S.
25 domestic people. So sometimes they will think it is better

1 for you to create the custom for us, that kind of thing. So
2 sometimes we will use our branch in San Francisco to act as
3 the importer of record.

4 MS. NEWELL: Does it matter if the -- is it
5 different on the importer -- could one importer or customer,
6 want it one way one time and a different way another time?

7 MR. YEUNG: I think they are quite consistent.
8 Just want to handle it by themselves because they have a
9 very strong -- I mean infrastructure themselves. Some may
10 like, because -- it varies because the gentlemen here are
11 big guys. There are also small, smaller people for
12 industry; and they may like some like pick up in Florida.
13 And they may like 200 units. So they may, don't want to
14 handle it by themselves and like to have our support on
15 those aspect.

16 MS. NEWELL: Does whether the containers are
17 filled or empty, does that play a role in whether your firm
18 acts as the importer of record or not?

19 MR. YEUNG: Not really. Depends on the
20 requirement of the buyers.

21 MS. NEWELL: Okay. And for CIMC?

22 MR. HAGEN: My name is Buzz Hagen, I'm the CEO of
23 CIMC Intermodal Equipment in Los Angeles.

24 I would agree with what Mr. Yeung has said.
25 However, I think it is exactly as he's defined; that in some

1 cases, it depends on where they take possession, loaded and
2 unloaded containers bringing cargo from the East as well.
3 And also, the firms that you have represented here as he
4 mentioned, have their own departments that do customs
5 clearing and do a lot of the logistics. Some logistics are
6 done in Asia, some logistics are done in the United States,
7 as I understand it; so there's other determining factors as
8 to who is or isn't the importer of record. It isn't always
9 consistent even with all of the representatives that are
10 here.

11 MS. NEWELL: So you're saying for CIMC, depending
12 on the customer, it actually might vary.

13 MR. HAGEN: Yes.

14 MS. NEWELL: Just as an example, to throw out
15 J.B. Hunt. Sometimes they act as their own importer of
16 record and sometimes not?

17 MR. HAGEN: They would have to answer that
18 question; but yes, I believe that's correct.

19 MS. NEWELL: Okay. The petitioner estimated the
20 volume of domestic containers imported into the United
21 States using information from LoadMatch, because the tariff
22 heading under which the domestic containers are imported is
23 a basket category, which also covers other containers.

24 What data source should the Commission use to
25 measure imports of the domestic containers? From subject

1 and non-subject countries.

2 MR. MORGAN: This is Frank Morgan.

3 I think you have the complete coverage of what
4 subject imports are in the form of the foreign producer
5 questionnaires that exports are in those responses; the data
6 is awfully clear in terms of what the trend is. There is no
7 disputing what it looks like. So even if you had some time
8 on the water issues, it's still 2011 and 2013 you can see
9 what was happening with import volumes.

10 So that gets you 100 percent coverage in terms of
11 the imports from subject countries, and to my knowledge, and
12 I'll turn this over to the panel, there are no imports of 53
13 foot domestic containers from anywhere else; so there are no
14 non-subject imports.

15 MS. NEWELL: That was actually my next question.

16 Are there any other countries that import this
17 product?

18 MR. MORGAN: Mr. Delozier, do you know of any
19 imports from anywhere else in the world?

20 MR. DELOZIER: This is Kent Delozier. No, not at
21 this time. I'm not aware of any other importers.

22 MS. NEWELL: Okay.

23 MR. MORGAN: Mr. Cerny?

24 MR. CERNY: This is Jakub Cerny. No, not to my
25 knowledge.

1 MS. NEWELL: Okay.

2 MR. MORGAN: Mr. Drella?

3 MR. DRELLA: No -- Dan Drella, Schneider. Not
4 aware of any others.

5 MR. MORGAN: Mr. Dean?

6 MR. DEAN: Not to my knowledge.

7 MS. NEWELL: Thank you.

8 What is the average number of 53 foot domestic
9 dry containers in use in any given year? I asked this this
10 morning, but I would just like to hear what -- if you agree
11 with their estimate.

12 MR. DeLOZIER: Kent Delozier.

13 The estimates we're running right now is around
14 225,000 per year, is what's running in North America.

15 MS. NEWELL: Thank you.

16 So according to the petition and confirmed by
17 questionnaire export data, imports from China decreased from
18 2011 to 2013. Why?

19 MR. DRELLA: Dan Drella from Schneider. What I
20 think that you saw during that time frame was, you have to
21 look back just a little further, and go back to 2008, 2009,
22 2010 during the recession. Folks really constrained capital
23 expenditure in the transportation industry and whether that
24 was buying new tractors, trailers, containers, chassis,
25 people were holding onto that war chest, fearing the worst.

1 So what you had was quite a bit of pent-up
2 demand. In '10 we started to see some sparks of hope as the
3 economy is coming back, and 11 people released some of those
4 funds. So you had a bit of a catch-up, the pend-up demand.
5 We had old equipment that we should have replaced in 8, 9
6 and 10 and within the industry and didn't, and so you have a
7 bubble; if you look at tractor sales that year as some sort
8 of surrogate in the transportation industry, they ballooned
9 as well. So you had this blip for catch up, and then you
10 get maybe back into more normalized rate of sales; and so 11
11 was the blue year and now we're back in the steady state
12 with modest growth, but not that spike that you saw coming
13 off of the recession.

14 MS. NEWELL: Thank you. And that actually kind
15 of falls into my next question was, do you expect demand to
16 grow.

17 MR. DRELLA: I would expect it to continue
18 perhaps at the rate of GDP plus a bit of a factor. And an
19 additional factor may pertain to highway-to-rail conversion;
20 so in the trucking industry you hear a lot of buzz about
21 constrained truck capacity because of driver shortages, so
22 intermodal becomes a surrogate to that driver shortage. You
23 can transfer that freight from a highway moving to a
24 domestic intermodal move. So that gives us a little more,
25 where we're taking freight off the roads and putting it on

1 rail.

2 Fuel prices continue to be high relative to a few
3 years ago; that also drives freight toward intermodal at a
4 faster rate than GDP simply because of fuel surcharges that
5 are assessed at a higher rate for truck rather than
6 intermodal as well. And so if you take GDP plus some factor
7 of -- one and a half GDP or two GDP, you kind of put
8 brackets around it and say it should go at about that range.
9 That would be Schneider's view of things.

10 MS. NEWELL: Do you have any market studies or
11 anything that you would be able to submit post-conference?

12 MR. DRELLA: I think there's some data that we
13 can provide to Mr. Morgan.

14 MS. NEWELL: Okay, that would be great. Thank
15 you.

16 MR. DeLOZIER: Kent Delozier. Can I also go
17 along with Mr. Drella's comment about the difference in the
18 year's productions?

19 J.B. Hunt was also getting rid of some old
20 equipment. Some of the aluminum plate equipment at that
21 time. So I had growth plus I had replacement. So I was at
22 a peak of bringing the equipment in, whereas now I'm more on
23 a natural growth pattern.

24 And if we continue to see, if the economy stays
25 strong and people want to convert freight from over the

1 road, take it off the truck because of drivers and fuel,
2 we're continuing to hope for a strong, robust year, for the
3 coming years.

4 MS. NEWELL: So if you have any studies that your
5 firm has done, if you could provide them to Mr. Morgan.

6 MR. DeLOZIER: I think that can be released to
7 counsel, yes.

8 MS. NEWELL: Great, thank you.

9 This is for all U.S. purchasers: Are you aware
10 of any product in the market that can be substituted for 53
11 foot domestic dry containers?

12 MR. DEAN: Well, from Norfolk Southern's point of
13 view, there is not -- unless you go with the smaller sizes.
14 Or you go with a trailer. From the railroad, we need to
15 double-stack. So if you have a five wheel car that you can
16 put ten containers in versus five trailers, it absolutely
17 makes the point. We need to go higher, not longer.

18 MS. NEWELL: Okay, thank you.

19 MR. DeLOZIER: For J.B. Hunt, Kent DeLozier.

20 There is -- their product, according to Paul,
21 yes; trailers. It could be, but it's really not
22 competitive. Because our customer, as the comment was made,
23 we'd like to have 102 or (3) inch inside, but we can't
24 provide it because of the rules and regulations; but a
25 trailer does provide you with a lighter method to load.

1 They could get more product in, but it's not an efficient
2 manner to move to the end result, because we need to double-
3 stack it on the train so we can get reduced cost and move
4 more product on one fossil-fuel consuming piece of equipment
5 moving across the country instead of the truck.

6 MS. NEWELL: Okay, thank you.

7 MR. DRELLA: Dan Drella from Schneider.

8 I would agree that the trailer could be a
9 substitute, but highly undesirable for a number of reasons
10 as someone has discussed. If you go back to the time frame
11 of the early -- well, say the nineties and into early two
12 thousand, the railroads had some surplus capacity, and so
13 intermodal was just sort of a nice add-on to fill up space
14 on the railroad.

15 So trailers were additional revenue; I mean it's
16 great money and they take trailers all day long. Up to
17 about 2004, Schneider made up about 10 percent of the TOFC,
18 the trailer-on-flat-car 53 foot mark. We are a significant
19 player in that trailer space.

20 Around 2004, the roads began to get very full,
21 and so as Kent alluded to and Mr. Dean alluded to, they
22 needed to go up instead of longer; and so the way you go up
23 is you double-stack and you get rid of trailers, and the
24 railroads aggressively took commercial action to make that
25 happen, meaning significant price increases on trailers

1 which made a natural migration to containers. So
2 essentially a financial necessity, the customer wasn't going
3 to pay the rates that was required for trailer-on-flat-car,
4 and you essentially had no choice but to convert to a
5 container as model. And although you could argue that
6 trailer is a substitute, there's no freight at that address
7 at this point.

8 MS. NEWELL: Okay.

9 MR. CERNY: Jakub Cerny. We actually have an
10 experience with inserting trailers to our fleet as an add-on
11 capacity in 2010 when there was a shortage of containers or
12 the demand in volume spiked so much that we basically had to
13 lease extra trailers; and it was a failure. It really was
14 basically cost prohibitive for us; and a trailer is not
15 really a substitute for what we do.

16 So the answer is no, I'm not aware of a
17 substitute.

18 MS. NEWELL: Okay, thank you.

19 MR. DRELLA: If I could add one follow on point,
20 as you look at the Association of American Railroads data,
21 you'll see there are still trailers moving in the intermodal
22 marketplace, and it's a much smaller component than the
23 containerized freight; and even a 53 trailer, 53 container -
24 - what you tend to find is the remaining participants in
25 that trailer space are your parcel providers such as UPS,

1 FedEx, your LTL providers which are your Yellow Roadway,
2 those sorts of companies that, the product moving inside is
3 at a much higher ticket because you have 2,000 packages
4 inside that UPS trailer versus a lot of trailer paper, if you
5 will, that we may move of much lower product value.

6 So you have your parcel, you have your LTL, then
7 finally you have your refrigerated shippers where you're
8 moving a high value refrigerated produce product, meat
9 product, whatever the case may be, so that inventory value
10 of the products inside that trailer and the speed at which
11 they need to get to market because of a perishable product
12 or a time-definite parcel delivery justifies the additional
13 cost. Whereas for those of us moving the truckload space,
14 moving maybe a retail product on behalf of one of the large
15 retailers or moving consumer products for those types of
16 manufacturers, there simply isn't the urgency nor the
17 inventory value of the product to justify the additional
18 cost; so that's where folks like us, moving in a container
19 at the lower rate.

20 MS. NEWELL: Thank you.

21 MR. CERNY: This is Jakub, just to follow up on
22 Dan's remark. My understanding is that both the FedEx and
23 UPS are testing containers anyway, and they're considering
24 actually switching into container transportation as opposed
25 to trailer. So they maybe have data on it, but years ago

1 TOFC, trailer on a flat car was a fairly usual means of
2 transportation and it has since diminished. I don't even
3 believe the railroads own any trailers. That's basically an
4 obsolete -- except for the niche markets or for the LTL guys
5 or for the produce, reefer shippers.

6 MS. NEWELL: Thank you.

7 Also for all the purchasers: Do you require a
8 supplier to be certified prior to purchasing 53 foot
9 domestic dry containers? And if so, can you describe your
10 certification process?

11 MR. DeLOZIER: Kent DeLozier. The certification
12 process would be more, Does the box meet the M930
13 requirements that the railroad specifies so we can move it?
14 And then is there any history with the equipment that's
15 being produced?

16 MR. DRELLA: Dan Drella, Schneider. I would echo
17 that same comment, that initially it would have to meet the
18 M930 requirement or the railroad wouldn't accept it, so
19 that's an absolute gate. Then typically we'd want to do a
20 test of a small number of those units; field test them, run
21 them for a couple years to understand -- so sort of our
22 internal certification of the experience, functionality,
23 quality, maintenance, all those sorts of things. And if
24 they pass that, then we consider a more broad purchase.

25 MR. DEAN: And from my perspective, 930 is the

1 governing document. But during the process in acquiring the
2 materials, for example, this year's build we're doing is in
3 China, and we have a inspecting company that's verifying the
4 thicknesses, the forming of the material, every step of it.

5 So we kind of trust but verify going forward.
6 And we have had excellent thoughts with picking up on issues
7 before they become an issue by doing this. So it's not only
8 the M930 but it's during the manufacturing.

9 MS. NEWELL: Process that you --

10 MR. DEAN: Yes.

11 MS. NEWELL: -- net, okay. Thank you.

12 MR. CERNY: Jakub Cerny. We don't certify
13 manufacturers; we certify the box. It's certified by an
14 independent entity; usually American Shippers. And it has
15 to be certified according to the AAR M930 08 standard.

16 MR. DeLOZIER: Kent Delozier. I'll buy boxes
17 certified by the ABS inspectors in China.

18 MS. NEWELL: Okay.

19 MR. DeLOZIER: That company.

20 MS. NEWELL: Thank you.

21 Mr. Cerny, do you have the test results from the
22 stone container that you considered purchasing, I believe
23 when you testified on direct?

24 MR. CERNY: Yes, I do.

25 MS. NEWELL: I should say, could you also supply

1 that?

2 MR. CERNY: Yes.

3 MS. NEWELL: Thank you.

4 Mr. Dean, you referenced Generation 2, and that
5 you purchased one of them. What was your experience with
6 Generation 2?

7 MR. DEAN: Yes, and unfortunately -- anyway, we
8 took the delivery of the container and I found out Friday I
9 was coming here, so I didn't get an opportunity -- I did
10 trace it, I was trying to get some photographs; it's offline
11 for several months now, so I have not had any report of a
12 problem.

13 MS. NEWELL: You've not had any problems with,
14 reported problems with it?

15 MR. DEAN: Not with that.

16 MS. NEWELL: Okay. Thank you.

17 Mr. Drella, you referenced statistics, I think,
18 on about 7,000 -- I'm not sure if they were trailers or the
19 aluminum containers, but on damage that you saw. I just
20 wondered if you could provide some more information on that,
21 post-conference.

22 MR. DRELLA: Yes, certainly.

23 MS. NEWELL: Okay. And be clear about what the
24 product is, because it is out of scope, the product,
25 correct?

1 MR. DRELLA: Right. They were pre-welded steel
2 containers, but they were mechanically fastened; and they
3 give a delta between the two.

4 MS. NEWELL: Okay.

5 MR. MORGAN: And just so you understand that the
6 purpose of that testimony is the fact that the design of the
7 current Stoughton container has the same design. It's not
8 the aluminum that's causing the failures, it's the fact that
9 the mechanical fastening is the cause of the failures. The
10 design hasn't changed.

11 So I think that the perception -- and I'll just
12 leave it here and let anyone else chime in on the panel who
13 wants to; but the perception is if that part of the design
14 hasn't changed, whether it's aluminum or the steel isn't
15 really the fundamental issue and the cause of concern that
16 the purchasers have.

17 MS. NEWELL: Okay. Thank you. That's all my
18 questions for now.

19 MS. DeFILIPPO: Thank you, Ms. Newell.

20 We will now turn to Mr. Goetzl for questions of
21 this panel.

22

23 MR. GOETZL: Thank you, I'm Al Goetzl, I'm
24 actually in the Office of Industries here but serving on
25 detail to the Office of Economics for this investigation.

1 Thank you very much for your testimony, it's been
2 very enlightening; I think all of us are learning quite a
3 bit about this particular industry. I guess I'd like to
4 start off by asking the 50,000 foot question, contextual
5 question, on how the intermodal market actually works.

6 So let's say I'm making a product in Texas, some
7 white goods, and my customer is in Boston. What happens?
8 Who calls whom, who takes control of the shipment and what
9 happens to the container during the process, and once it
10 gets to Boston after it's unloaded by the customer there?

11 MR. DeLOZIER: I'll take a shot at it. Kent
12 Delozier.

13 The customer has a product that needs to be
14 moved, a white box; for instance, refrigerators, washer,
15 dryer, Maytag. They want to move it from Texas up to the
16 Wisconsin. They'll contact our marketing department, we'll
17 give them a freight rate to move it. We will give them
18 options: Do you want to move it by truck? Do you want to
19 move it by our intermodal solution? The intermodal solution
20 is going to have a different price.

21 Depending on what the customer elects, we'll
22 provide the box to their dock, on time arrival, their
23 schedule; we'll move it as a set schedule, move it from the
24 customer to the train yard. Train yard take possession of
25 it; they'll pick up the box, put it on the train, move it to

1 the nearest rail depot. We will pick it up at the rail
2 depot, take it to the customer in Wisconsin.

3 MR. GOETZL: And then what happens to the
4 container?

5 MR. DeLOZIER: The container then is available
6 for another market for another customer to reload.

7 MR. GOETZL: From that location?

8 MR. DeLOZIER: From that location.

9 MR. GOETZL: Now are the prices for intermodal
10 transport typically higher than over the road?

11 MR. DeLOZIER: No.

12 MR. GOETZL: Let me ask some specific data sort
13 of questions. As I mentioned this morning, it appears from
14 the data that we're gathering so far -- we ask for data for
15 two types of products; the normal or standard 53 foot
16 domestic dry container and then a high cube domestic dry
17 container. And it seems like we haven't gotten any
18 responses where there's a mix of the two in terms of the
19 imports of the product.

20 Is there an explanation for that? Do you never
21 kind of mix the products or you specialize in one or the
22 other? What might be the explanation?

23 MR. DRELLA: The high cube domestic container was
24 unveiled in about 1999, 2000, that time frame; and that was
25 as a sheet post aluminum container. I think, as the

1 customers, the beneficial cargo owners saw that box, whether
2 it was Walmart or it was Maytag or whomever the case may be,
3 they said "Hey, that's a taller box, I can fit more in
4 there. I want that box, I want nothing but that box."

5 And there was a similar conversion when we went
6 from 45 to 48 -- "I don't want your 45s anymore, I want just
7 48s." When we went from 48 to 53, "I don't want those
8 little boxes anymore; I want the bigger box, allow us to fit
9 more." And a lot of customers are very cube capacity
10 sensitive. So as that high cube box became available in the
11 '99-2000 time frame, in my opinion it became the new
12 industry standard and so the standard height boxes out
13 there, from the perspective of my company, it's a dead
14 commodity. The customer, the beneficial cargo owner, in
15 large part doesn't want it anymore, and we don't have any in
16 our fleet and don't intend to.

17 MR. GOETZL: Anyone else who would like to
18 comment on that? The question?

19 MR. CERNY: This is Jakub Cerny. I agree with
20 Dan, I think it's an obsolete product. From this
21 perspective, the standard would be more the high cube
22 nowadays; but terminology-wise, the high cube is what we
23 ever bought, and that's what we intended to purchase.

24 MR. GOETZL: I guess in that case I'd like to ask
25 all of the importer respondents to go back and just double-

1 check what they submitted in their questionnaire to make
2 sure that when we asked for product 2, we got product 2. Or
3 if we asked for product 1 we got product 1. Because there
4 seems to be a little bit of a disconnect in what we're
5 seeing from different respondents in the questionnaires.

6 MR. CERNY: Sure, we're happy to do that.

7 MR. GOETZL: Thank you.

8 MR. CERNY: Maybe a quick question to Singamus
9 and CIMC, are you guys building any standard 107 containers?

10 MR. GOETZL: The question is posed to those two
11 companies as well.

12 MR. YEUNG: This is Johnny Yeung of Singamus.

13 I think it is just the regular specification all
14 the buyers are now buying. So when you say high cubes, I
15 scratch my head, "and what is that?"

16 MR. GOETZL: Okay. If you wouldn't mind, go back
17 and please check your responses to our questionnaire and let
18 us know where we should be filling in those sales.

19 MR. HAGEN: Buzz Hagen with CIMC. I think part
20 of the perspective, it isn't necessarily the manufacturer
21 that determines the size of the container, particularly now
22 they've established the parameter for what we call domestic
23 containers, or what we've been referring to as it. And it
24 isn't necessarily the end users here that establish that, as
25 they've testified today.

1 It's the consumers and the product manufacturers
2 that are looking for expedited freight delivery, and more
3 product in the trailer.

4 MR. GOETZL: And you can fit more in the high
5 cube. I understand all that; I'm just pointing out that
6 there seems to be a little bit of a data discrepancy here
7 that I need to get to the bottom of.

8 MR. HAGEN: We'd be happy to provide, if you're
9 looking for percentages of either/or --

10 MR. GOETZL: That will be fine, or if you would
11 just verify the information that you've already provided,
12 that might just do the trick. Thank you.

13 So again I'm trying to understand the market for
14 containers. Mr. Drella, you mentioned that it's linked to
15 GDP and some additional factor, which I understood to be a
16 transition from over-the-road, let's say, to intermodal.

17 Are there any other factors that you can identify
18 that drives the demand for these particular containers? Now
19 you've got a little bit, as we talked about earlier some of
20 the -- there was a, as I understand it, some pent-up demand,
21 so it drove up the ordering for these products in the early
22 part of the period of investigation, and you've come down a
23 little bit.

24 Looking at data from the associations, it looks
25 like intermodal shipments have gone up during that period,

1 so we've got ordering going down and demand for intermodal
2 shipments going up a little bit, but it could be explained
3 by the pent-up demand description you provided.

4 MR. DRELLA: And I think, as Mr. Delozier alluded
5 to, replacement and so forth, if you had a period of non-
6 investment and then the need to replace, that spike will
7 occur.

8 Another factor I touched on briefly earlier was
9 fuel, and as the price of fuel goes up, we've seen the
10 demand for intermodal transportation go up; that being the
11 slope of the line, if you will, in terms of how much fuel
12 surcharge increases for intermodal; is that a more gradual
13 pace than it would for over-the-road transportation.

14 So if fuel goes up by 50 cents -- which is
15 hypothetically -- you'll see a modest increase in the
16 intermodal fuel surcharge added on to the cost of shipping,
17 and a more significant amount added on to an over-the-road
18 shipment; and so customers will run for cover of intermodal
19 during times of high fuel prices as well. We'll see that
20 cyclically, also. I think that's another significant
21 factor.

22 MR. GOETZL: About what percentage of annual
23 purchases are for the replacement of containers that are no
24 longer in service?

25 MR. DeLOZIER: Kent Delozier. Some of that will

1 depend on where we're at in our replacement cycle. For me,
2 it may be anywhere of 8 to 9 percent replacement, but in the
3 next two years I don't have any replacement planned, due to
4 my differences of purchasing ten years ago.

5 MR. GOETZL: Are there any measures of how well
6 existing container capacity is being utilized? In other
7 words, there's 225,000 containers out there. I imagine,
8 depending on the economy, there's higher or lower
9 utilization of these containers that may in fact affect also
10 new orders, right.

11 Is there any way to look at that, to analyze
12 that? Are there any data sources that would assist us with
13 that aspect of the market or the demand? You can think
14 about the question if you have anything. You can submit in
15 post-conference; that's fine. I'm just trying to uncover as
16 many data sources as I possibly can to help explain and
17 describe the market for these products.

18 MR. WHITEHEAD: Mark Whitehead with J.B. Hunt.

19 I think one of the things you need to look at
20 J.B. Hunt's intermodal division. Historically you will see
21 that our revenue has grown from 8 to 12 percent annually,
22 and we project in the future our revenue in intermodal is
23 going to grow 8 to 10 percent annually. That also means
24 somewhere between a 7 and 11 percent increase in container
25 loadings on the train.

1 So while that may not necessarily be driving the
2 overall intermodal market, we see out in the future for the
3 next several years a lot of growth in this industry due to
4 the conversion of highway freight, people wanting to be
5 greener, people wanting a lower cost of transportation; and
6 as the railroads have gotten more efficient and their
7 schedules have gotten better and better, you know -- I'm not
8 being negative towards the railroad, but 20 years ago people
9 wondered when they were going to get there. Today the
10 railroads set a schedule and they stick to it, and they have
11 a high dependability on their schedules to meet delivery for
12 a customer.

13 So customers are now depending on that intermodal
14 move. In some cases, that intermodal move may be more on
15 time than moving the load by truck, because there are less
16 factors that may interfere with the rail line route moving
17 across the country.

18 MR. GOETZL: Is there any kind of rule of thumb
19 for the percentage of containers that are not in use at any
20 given time, that are available? Does it vary a lot.

21 MR. WHITEHEAD: I think it varies a lot. We take
22 containers out of service during certain parts of the year
23 and stack them in different yards; because we know after the
24 holiday season volumes are going to drop. I don't know if
25 other customers such as Hub or Schneider stacks containers,

1 but we will stack containers say from December 1st to the
2 end of February, because there's not the volume of loads
3 during that what I'll call 'slow period.' Then as you get
4 to the end of February and March, those containers come
5 down, and 100 percent of our containers go back into use.

6 MR. GOETZL: Okay, thank you.

7 MR. DEAN: And Paul Dean here, winging in on
8 that.

9 We certainly have a certain percentage of out-of-
10 service containers due to damage or loss. Unfortunately,
11 some freight is not balanced. And when that imbalance
12 occurs, you've got an empty box in a location where it's not
13 in the right place. And we spend a lot of time making sure
14 our demand points are supplied with boxes.

15 So there is some downtime just in getting the box
16 to the right place.

17 MR. GOETZL: Someone alluded to the fact that the
18 railroads are doing much better than 20 years ago. Would it
19 be fair to say that logistics, improvements in IT and all
20 that kind of stuff has greatly added to the feasibility of
21 intermodal shipping?

22 MR. DEAN: I think customers demand it, and
23 there's three in here that demand it from us. And you've
24 hit all the points.

25 MR. GOETZL: Turning for a moment to shipping of

1 these containers from overseas to the United States, some of
2 them apparently come loaded with merchandise, third party
3 unrelated, I presume -- and that helps defray or completely
4 offset the cost of transport from China. Is that correct?

5 MR. YEUNG: I think it is trying to improve the
6 economy of the box, and it is very costly if you ship air.
7 So it will help on the customer side, I think, to reduce
8 certain shipping costs, yes.

9 MR. HAGEN: Buzz Hagen with CIMC.

10 I agree with his statement on reducing shipping
11 costs; however, it also produces revenue for the end user.
12 And I'll use an example of J.B. Hunt, just pick one. If
13 they load a container from China and it's ported into Long
14 Beach, and it's going to New York City, that's revenue for
15 their operations, it's revenue for the railroad to get that
16 product from Los Angeles port onto final destination.

17 MR. DeLOZIER: Kent Delozier. That's a correct
18 statement.

19 MR. GOETZL: Thank you.

20 MR. DRELLA: There are also some other advantages
21 in that. For instance, the steamship line may move that box
22 to a given point, let's say Memphis. And Schneider will
23 then do the delivery, the truck delivery from the rail yard
24 in Memphis.

25 So it came over with cargo from China, landed at

1 the port of L.A., was railed by the steamship line to
2 Memphis, and then needs to go out to a regional delivery.
3 So Schneider will truck that container out to its delivery,
4 and what that helps do is it helps spread the containers
5 into our network. So as Mr. Cerny testified to, there are
6 times we want a lot of containers in Los Angeles; the fall,
7 during the peak season, the retail rush. It's a wonderful
8 thing to have empty boxes in L.A. But in March or April or
9 May, it's not such a great thing; and so the cargo program
10 helps distribute boxes throughout the network, and delivery
11 is going to different points.

12 It also helps our economies in that if I meet
13 that delivery in Memphis, I now have that box somewhere near
14 another customer so I can put it immediately into service;
15 it's empty with the inbound import load, I can take it a few
16 miles away to one of my shippers, load it back out of there;
17 so it helps me sell my empty ones, that I don't have to haul
18 air with my truck as well.

19 MR. GOETZL: Thank you. Are there any sectors of
20 the economy or types of products that are more likely to
21 take advantage and utilize intermodal shipping, utilizing
22 these containers and others? You mention the fact that it's
23 somewhat seasonal, the demand because of I guess the retail
24 market, around the holidays, whether there are certain kinds
25 of products particularly that are transported this way?

1 MR. DRELLA: The big box retailers certainly are
2 large customers, I believe, for all of the respondents in
3 the room. That would be a significant chunk. Consumer
4 products is another large sector, companies like Johnson &
5 Johnson, perhaps Procter & Gamble, Kimberly-Clarke making
6 consumer paper products and the like. We also see the home
7 improvement industry; Home Depot, Lowes, companies of that
8 nature are our big customers. The auto manufacturers will
9 move parts with intermodal. White goods, as was mentioned
10 earlier; Maytags, Whirlpool, companies like that, will do
11 quite a bit of business. And then really a smattering of
12 all sorts of other industries as well.

13 MR. CERNY: This is Jakub Cerny.

14 Generally speaking, if it's light and you can
15 load it in a container and slide enough so you don't --
16 you're not illegal on the roads, it's a type of freight
17 nowadays generally moved in a container.

18 MR. DeLOZIER: Kent Delozier. Let me take a
19 different side of that, to help answer your question.

20 MR. GOETZL: Okay.

21 MR. DeLOZIER: What we don't move --

22 MR. GOETZL: Good way to look at it.

23 MR. DeLOZIER: -- it's heavy, rolled steel; it's
24 not a good intermodal product. Because our combination is
25 too heavy to compete against a lightweight flatbed. Because

1 I can bring in an aluminum flatbed that's really light, and
2 they can haul more product to the end. So we're not near as
3 competitive at anything that's a high density, very
4 specialized product; that's where we're not competitive.

5 MR. GOETZL: Thank you. All right, one final
6 last question: What in your estimation drives prices for
7 these containers, and particularly during the period of
8 investigation? If you might comment.

9 MR. DRELLA: As I mentioned before, we have seen
10 -- since my involvement in 2008, we've seen a generally
11 steady increase in trend with small variability within that.
12 Really, the instances where we've seen differences in
13 price, it depends on what time of year I need the box; so if
14 I say I want them delivered into Los Angeles in September,
15 sort of right in the teeth of peak season when the ships are
16 full of 20s, 40s and 45s, I'm trying to cram my 53s in there
17 as well, that that's problematic. Just a supply and demand
18 issue. The lines are full at the plant and I'm asking for
19 capacity, so that certainly has been a factor.

20 If we see boxes in the off season; "Hey, CIMC
21 would like you to build in December-January." When the
22 plant may be a little slow, you may see a beneficial price
23 there. And then conversely, if we need boxes on short
24 notice, and I think others have had the experience of --
25 when you think about the timing of the purchases, most folks

1 will complete their budget probably starting fairly soon and
2 wrapping up maybe in an August-September time frame. Your
3 Board of Directors has approved the capitol, you can now go
4 out to bid for the equipment, and what you'll find is,
5 you'll start taking deliveries sometime into next year.

6 If you find that the market has exceeded your
7 expectations and you want more containers, do you want them
8 now? There again, now it's a rush order, right? It's like
9 paying UPS overnight service; you're paying a higher price.
10 But if I say I need boxes in two months rather than on a
11 longer planning horizon, you'll see variability there. So
12 all those things can factor in, in terms of an
13 understandable supply and demand economics; the plant is
14 busy, the shipping is busy or short notice, and so there are
15 a lot of factors at work there.

16 MR. GOETZL: Anyone else want to comment on what
17 factors affect the prices for these containers?

18 MR. DeLOZIER: Kent Delozier. I will weigh in
19 with what Dan says, that it's market-driven. When I need
20 boxes and I'm competing against ISO boxes from the ocean
21 steamship lines, from Europe, from Australia, I'm competing
22 in the same manufacturing space as they are. So if we're
23 both running at the manufacturers at the same time, they
24 have the ability to raise rates or change the rates.

25 MR. HAGEN: Buzz Hagen with CIMC. I've been in

1 the transportation business and all different facets for 51
2 years. I certainly in my lifetime would like to sit on the
3 other side of the table and be the person doing the ordering
4 and demanding the prices rather than me sitting here with
5 the product asking for a price.

6 The products are market-driven. The gentlemen
7 that are testifying here today are the ones that determine
8 pricing.

9 We are presented with RFQs for X number of
10 containers or chassis or whatever it might be, trailers. We
11 then go back with a proposal. There's not a manufacturer
12 that I know of that wouldn't like to increase prices.
13 Prices are only sustained by what you can achieve in
14 successful words with these customers I'm looking at here to
15 date. And every one of these have or are our customers
16 today.

17 MR. GOETZL: Okay, thank you very much. That's
18 all I have, Cathy.

19 MS. DeFILIPPO: Thank you. We'll now turn to Mr.
20 Stanton-Geddes for questions.

21 MR. STANTON-GEDDES: Good afternoon. I'm again
22 Michael Stanton-Geddes, an industries analyst.

23 A question for Singamas and CIMC: Does the M930
24 manual specify the material from which the intermodal
25 container must be made?

1 MR. YEUNG: Yes, definitely. And I think every
2 customer will have their preference on the use of materials,
3 and they will put it into their requirement, and we can only
4 follow that instruction.

5 MR. HAGEN: I believe those requirements
6 establish a minimum base, customers may require something
7 exceeding.

8 MR. STANTON-GEDDES: Okay. The --

9 MR. DRELLA: Just a point of clarification on
10 that.

11 MR. STANTON-GEDDES: Sure.

12 MR. DRELLA: And I'd appreciate -- Mr. Dean is
13 certainly more familiar, but I believe that the M930
14 specifies the outcomes that have to result. For instance,
15 the floor has to have a strength of X thousand pounds at
16 this point, or it has to be subject to this many cycles of
17 twisting or bending and so forth. So it doesn't per se
18 specify the material must be a steel of so many kilopascals
19 of strength, but rather the outcome that results from the
20 construction overall.

21 MR. STANTON-GEDDES: Thank you.

22 The panels with which the container is
23 constructed. Are the panels used for the 53 foot domestic
24 container the same as with a 20 foot and 40 foot container?

25 MR. YEUNG: I think we use a similar design (off

1 microphone). This is Johnny from Sangamas.

2 I think we use a similar design, and in fact
3 that's why we -- we always argue there's no such thing as a
4 53 domestic container industry. There's only a steel
5 container industry. Which includes every single shipping
6 containers which run around all over the world.

7 So I think we just derived that design from the
8 shipping containers.

9 MR. STANTON-GEDDES: Do you use multiple sheets
10 of steel of varying lengths that are welded together to
11 create the full length, or is that a single sheet of steel
12 that's 53 feet long?

13 MR. YEUNG: Can you repeat?

14 MR. STANTON-GEDDES: Do you use multiple sheets
15 of steel for the panels in the side, or is that a single
16 sheet of steel that is welded together to form the length
17 that --

18 MR. YEUNG: Yes. I think we don't have that bit
19 sheet of steel to produce the whole side panel. So it is a
20 pieces of steel welded together to produce the whole side
21 panel.

22 MR. STANTON-GEDDES: What is the time length in
23 the factory for producing a container from start to finish,
24 for one container? And it's not the time in actual
25 construction hours, but the time in process.v

1 MR. MORGAN: We've got competitors in the room --

2

3 MR. STANTON-GEDDES: Okay.

4 MR. MORGAN: -- and I don't know if that's
5 something that maybe is best dealt with in a post-conference
6 brief under the protective order.

7 MR. STANTON-GEDDES: Okay.

8 MR. MORGAN: We'll be happy to answer it, though.

9 MR. STANTON-GEDDES: Okay. Thank you.

10 A question about the welding. Is there any sort
11 of treatment as far as waterproofing barrier materials used
12 along with welding to weatherproof containers that is asked
13 for by the customers or done by the manufacturers?

14 And again, if that's confidential, please just
15 deal with that in the brief.

16 MR. DRELLA: Sure. I can answer.

17 We have an engineer on our staff within our
18 equipment area who specifies a particular primer coating,
19 zinc-rich primer coating which is weather-resistant,
20 corrosion-resistant, so forth that's applied before the box
21 is painted, so within our specification, in our contract, it
22 calls out exactly how the box has to be prepared.

23 MR. DeLOZIER: Kent Delozier. We do the same
24 with our spec as far as we specify how much primer we want
25 on what paint spec we want used; so we have a protective

1 coating so it will make the life.

2 MR. STANTON-GEDDES: Okay.

3 MR. DEAN: From a railroad perspective, we do the
4 same. We have our paint spec and specific paint zinc-rich
5 primer polyurethane topcoat; but the weld, the quality of
6 the weld -- just because it's welded doesn't mean it won't
7 leak if the quality is not there.

8 MR. DeLOZIER: Kent Delozier again. On the paint
9 and the primer, why we're so specific on this? The big
10 killer to a steel box is rust. So that's what we're all
11 very passionate about. The primers and paint we put on
12 these boxes, so they will make that 15 to 20 year span.

13 MR. STANTON-GEDDES: All right, that leads to my
14 next question. Mr. Cerny had mentioned that these domestic
15 containers are not a commodity. And again, this may be
16 confidential; but does each customer specify different types
17 of paints or primers for a box or is there essentially now
18 one standard which comes from the producer and you take off
19 the shelf.

20 MR. CERNY: From my perspective, I believe that
21 each customer specifies, it's got its own unique spec.

22 MR. STANTON-GEDDES: Okay.

23 MR. DRELLA: And I think it goes deeper than the
24 paint, if you will. But whether it's external markings,
25 whether it's external appliances, the method of door locks,

1 security devices, load securement devices, Jakub may use one
2 brand of flooring, I use a different brand of flooring; so
3 there's quite a bit of specification detail that goes into
4 it. And so the box, you could line up the Hub box and the
5 Hunt box and the Schneider box side-by-side and we each can
6 point out significant differences to say 'this is how I
7 spec, and I include this' and we all think we're smarter
8 than the next guy, and so we're all trying to innovate,
9 provide more value to the customer, provide better security,
10 longer life and all those sorts of things, and so we're
11 always innovating; and the specifications, pages and pages
12 long of detail that has to be specifically met.

13 MR. STANTON-GEDDES: Again, a specific question.
14 You've mentioned a nose panel or nose frame. I hadn't heard
15 that term before; is that -- which part of the container is
16 that?

17 MR. CERNY: It's the front part; you can actually
18 see it if you ride behind the truck.

19 MR. STANTON-GEDDES: Okay. Is it also called
20 just the front panel? Okay, the nose of the panel.

21 Final question: Do you have any procedure,
22 mechanism to track individual containers? Is there a
23 centralized record of your containers; which documents,
24 where the container came from, any repairs or issues?

25 MR. DRELLA: Sure. We have a centralized

1 maintenance system as well as a fixed asset management
2 system; so the fixed asset is for more of an accounting
3 standpoint; Where was it purchased? Where was it sourced
4 from? What did we pay for it? And those sorts of things.
5 And then from a maintenance perspective, more of a
6 centralized maintenance system that will track the lifespan
7 and the damages of the equipment and so forth at the box
8 level.

9 MR. DeLOZIER: Kent Delozier. We as well have a
10 centralized maintenance, computerized tracking; we know who
11 bought it, when they bought it, how much maintenance cost,
12 what the repairs were for its whole life.

13 And also, along with that -- so we know where
14 it's at. That was part of your question; where is it
15 geographically? Where's this box? Every time it enters the
16 gate to go on the train, there's a record. And it gets
17 exchanged between the companies, whether it's the Norfolk
18 Southern or the UP or the BNSF, we know back to our
19 logistics team that this box come in their gate to go on
20 this train so it can make the schedule.

21 MR. CERNY: This is Jakub Cerny. Exactly as Kent
22 described, not only all the history of purchasing and who
23 produced it, what year, and what's the spec. In that
24 particular year that we had also, all the maintenance
25 records. Also where the box is, at a given moment; and also

1 what status it's in; Is it available, is it loaded, is it
2 on the rail? I mean, that's been tracked, it's all
3 electronic, fairly sophisticated system of tracking our
4 assets.

5 MR. DRELLA: One of the outcomes, one of the
6 things we do with that data is, for instance, when we
7 prepare a maintenance budget for the coming year, we
8 actually will stratify by the manufacturer, by the method of
9 construction and understand, we have a thousand of this kind
10 of box in the fleet; let's look at the prior year and see
11 what our cost per box per month for maintenance is. We've
12 got 2000 of this type of box in the fleet, and that one is a
13 little more; so you can extrapolate out and you can look at
14 the trend and say this was getting worse at this rate, or
15 that one is getting more expensive at that rate. And in
16 doing that what we found is such a significant divide
17 between the former mechanically fastened boxes and the
18 welded steel.

19 And even if I look at the boxes of a similar
20 vintage, so the 2006 welded steel boxes versus the 2006
21 mechanically fastened boxes, you're seeing a difference of
22 2X and 3X on the maintenance costs, which also then
23 translates, from a utilization standpoint, the box is in the
24 shop where it moves less freight, so we track also as the
25 others do, I'm sure, utilization: how many loads per months

1 does the box move, and the boxes that spend all their time
2 in the shop getting fixed have a significant lower
3 utilization.

4 The drivers also start to recognize -- and in the
5 picture, the wave box that Mr. Morgan had up earlier, we
6 have some of those vintage. The drivers will drive out of
7 that BPX because they know it's most likely to leak or 'I'm
8 not going to waste my time looking at it' and so you see
9 just a depressed utilization, which becomes an initial cost
10 for us.

11 MR. DeLOZIER: Kent Delozier. To follow along
12 with that, there was a comment earlier made about warranty.
13 When this box is being repaired for these water leaks,
14 called 'leakers' as our drivers call them -- nobody pays us
15 for this time when that box is not being utilized. And we
16 can't -- in our maintenance budgets, when we're looking at
17 who made the best box or who has the lowest cost of
18 ownership by the manufacturing plant and the manufacturing
19 plant location, wet claims doesn't even get figured in as
20 far as the down time. We get the claims -- because if your
21 cornflakes are soggy, you're not going to buy them. So we
22 get the claim on that. But the down time is not measurable.

23 MR. STANTON-GEDDES: And actually, I apologize, I
24 have just two questions. They're both fairly technical but
25 I am the industry analyst, and need to describe in detail

1 this product. It may be better addressed in post conference
2 briefs. What about the importance of the wood flooring?
3 We've heard a lot about that. Why does that matter so much?
4 I'm sure it's clear to you, but it's not to us.

5 And the second, Mr. Dean, you talked about
6 corrugation depth, and if you could also maybe point us to
7 the -- I'm sure it's in the M930 manual, but --

8 MR. DEAN: No.

9 MR. STANTON-GEDDES: -- why that matters. And if
10 you want to address them now, I don't want to hold us up,
11 but those are two questions.

12 MR. DEAN: Well, let's talk about the floor
13 first. In the aluminum boxes we were using an inch and a
14 quarter floor to get the 24,000 per lineal feet. We now,
15 with more cross members closer together, we're able to get
16 the 24,000 pound rating with an inch and an eighth oak, is
17 what we typically spec on ours.

18 Now we know now there's other products out there
19 that are composite floor materials that protect the
20 underneath, and we met with the supplier, and they are
21 looking at the possibility of providing some samples for us
22 to actually install in this year's container or next year's
23 container for testing purposes.

24 As far as the corrugation, you've heard a lot of
25 talk about the 100 and 3/8ths inch. We have containers in

1 the equipment management program which is the EMP fleet that
2 we share with UP as our other partner, and a few other
3 railroads use the boxes. It's a free running box, it's for
4 the customers other than the Schneider, Hub and Hunt that
5 don't have containers that want to lease a container on a
6 daily basis. So they can sign up for the program, take the
7 box from point A to B, drop it and they're done, versus
8 repositioning it.

9 So when I look at the corrugation -- and again,
10 30 millimeters sounds -- it's only like 1.1 eighth of an
11 inch. It's the strength. So we're at the 99 inch between
12 the stack posts. Again, general purpose box. We wanted the
13 strength and the thinner you go -- and of course the
14 engineer on the end down there, Mr. Green, can better answer
15 this -- in my opinion the thinner you go, you have to beef
16 up somewhere because of the lifting that you see with the
17 reef stacker there? Our boxes are lifted probably as much
18 as nine times a month. So we're lifting it, putting it in
19 compression tension continuously; and additionally, other
20 equipment is sitting on it, rolling down the track and the
21 track dynamics.

22 So again, we very much want a robust unit that
23 will last in rail service for 15 years.

24 MR. STANTON-GEDDES: And I do think it's an
25 important enough point that if Mr. Green is still with us

1 and hasn't nodded off --

2 PANEL: I think he had to leave.

3 MR. MORGAN: He had to leave? Oh, okay. Well,
4 we'll maybe talk to him and get you some more information
5 then, in the post-conference brief.

6 MR. DeLOZIER: Kent Delozier. On the flooring,
7 we've had some past experience with our flooring, so with
8 our past experience, knowledge and what we learned back when
9 we first started getting into the intermodal business, we
10 run some inch and eighth flooring in aluminum plate
11 containers; and unfortunately we did not have good success
12 with it. So today I partner with my American supplier and I
13 have it shipped overseas. I feel like I have a more
14 consistent flooring, I have a partner that I can depend on
15 if I have a failure like I did 15 years ago. I don't get
16 all the flooring from America, but I try -- a large portion
17 of it is.

18 MR. CERNY: Jacob Cerny. We purchase 100 percent
19 of our flooring from the United States; it's exported to
20 China, assembled into our containers, and then they're re-
21 exported back. And the reason we're doing that is because
22 we believe the consistency of the lamination process is
23 better here, in the U.S.-based manufacturers, and because if
24 there would be a delamination problem, it's an extremely
25 costly repair to be done here in the U.S. So we'd rather

1 buy up front the best quality product, that we believe that
2 it's all there and then it usually lasts for the entire
3 useful life of the container.

4 MR. DRELLA: If I can offer, the corrugation I
5 think is a very important factor in the structural strength
6 of the box; and we've seen -- I think some of the other
7 railroad owners have seen in some of the early welded steel
8 boxes, when you lift it, you're setting it down -- as Mr.
9 Dean mentioned, there's compression, there's torquing and so
10 forth. You've got a 10,000 pound tare weighed box with
11 40,000 pounds of cargo on top of it, so your bottom box is
12 essentially supporting as much as 50 to 53,000 pounds. It's
13 moving down the railroad, it's swaying side-to-side or
14 front-to-back, you're accelerating, you're braking. So
15 there's a lot of different forces acting primarily on that
16 bottom box. We've seen some diagonal buckling of panels and
17 things like that; and so as we talked earlier, essentially
18 the field testing, it's when you put it out on the road and
19 you find out where it bends and where it breaks and so
20 forth; then you go back in a successive iteration and say
21 'Hey, that first panel has to be 7 tenths of a millimeter
22 thicker than the one adjacent to it.' And it's that kind of
23 successive redesign that has resulted in a very robust box
24 that's just gotten better with each generation; and so where
25 CIMC may be at generation 10 or whatever the case may be,

1 some of the others are at generation 1 and 2 and they're
2 just simply getting out of the box.

3 If I could follow up, too, you'd mentioned a
4 question about the front panel. We may call that whole area
5 the front bulkhead, and if, Mr. Morgan, if you could change
6 to the third photo (slide), one of the things that we're
7 particularly concerned about with that front bulkhead;
8 you'll notice you've got essentially the front wall, the
9 panels there, and you've got the corner post, you can see at
10 the very edge there. That's the component that's stowed and
11 bolts on.

12 Likewise, at the back of the container, you've
13 got a door frame that's welded, steel rectangle that's
14 bolted on. That door is subject to stresses when the doors
15 are open; wind and so forth. But also both of those are
16 subject to stresses on the highway; so how does the box stay
17 on the chassis on the highway? It's a little difficult to
18 see, but on the front at the bottom of the front bulkhead,
19 the chassis has a bolster, a black component that goes
20 across. There are two pins that insert into the container.
21 Both of those are attached to that front bulkhead. So that
22 front bulkhead essentially holds the box out of the
23 container while it's on the highway.

24 At the rear there are two twist locks that insert
25 up into the door frame, and that rear door frame holds it

1 down on the chassis on the highway as well. So imagine that
2 box empty or loaded traveling down the highway, and we've
3 all hit the potholes and road bumps and all those sorts of
4 things. It's that front bulkhead and that rear door frame
5 that old it onto the chassis on the highway, so whether it's
6 laden with cargo or empty, you know all chassis in America
7 of which I'm aware, 53 are all spring ride chassis which are
8 a little more bouncy than an air ride trailer which is a
9 very smooth ride.

10 So we're bouncing on the highway. If you've
11 driven next to one, you'll see there's a bit of travel
12 there, particularly when they're empty they tend to hop a
13 little bit, and so when you have the pins in the front, the
14 twist locks in the back pulling -- that front bulkhead
15 pulling on that rear door frame, one of the concerns that
16 I've had with the design is that front bulkhead and rear
17 door frame are held on with bolts; it's bolted in as the
18 folks from Stoughton testified, every two inches there's a
19 bolt all the way around. So you can imagine that with it
20 bouncing and pulling and pulling and pulling repetitively
21 over a period of time that becomes an opportunity for those
22 holes to get larger, the connection to weaken, and another
23 point for water to leak in, so that forward bulkhead you
24 asked about is a critical component of the box as well; and
25 that's really sort of the genesis of some of our design

1 concerns.

2 MR. STANTON-GEDDES: Let me just follow up with a
3 question about the flooring, real quick. Mr. Delozier is
4 here. You said that you actually supply the flooring to the
5 manufacturer. Is that reflected somehow in the prices, the
6 price that you pay for the container? In other words, is
7 that in addition to whatever you have to end up paying for
8 the container. And secondly, is that a common practice? Is
9 the flooring material provided by the importer here, shipped
10 to China to the manufacturer? I understand it's mostly
11 American oak or American material, but this speaks to what
12 you actually end up paying for the container when it gets
13 here.

14 MR. DeLOZIER: The manufacturer buys it from the
15 supplier that I recommend. So it is added in to the
16 purchase.

17 MR. STANTON-GEDDES: It's reflected in the price.

18 MR. DeLOZIER: Due to the movement of it, there's
19 always an upcharge to it.

20 MR. STANTON-GEDDES: Thank you.

21 MR. CERNY: Jakub Cerny, just to follow up. I
22 don't know if it's common practice or not, but we do the
23 same thing and -- versus buying a somewhat smaller quantity,
24 but definitely in the thousands; so I would say it's
25 definitely not uncommon practice. As Kent mentioned, we

1 direct the manufacturer which particular flooring we want to
2 be imported, put it in, and re-export it back.

3 In our case, same applies to steel; a substantial
4 portion of the steel that we use is imported from Sweden,
5 and also that's reflected in the price.

6 MS. DeFILIPPO: Thank you. I'll now turn to our
7 attorney, Mary Jane Alves, for questions.

8 MS. ALVES: Good afternoon. Thank you for all of
9 your patience; I know it's been a long day for everyone. At
10 the risk of losing some of our industry witnesses, I'm going
11 to give you a break for a minute and give the lawyers a
12 chance to warm back up again. This will help make the
13 questioning easier afterwards, I promise.

14 So Mr. Morgan, Mr. Heffner, Mr. Ferrin, can you
15 give me a sense now of whether or not you intend to make any
16 domestic-like product arguments? Do you agree with the
17 proposed domestic-like product definition?

18 MR. MORGAN: Ms. Alves, my job is to make your
19 job as easy as possible. For the preliminary stage, we will
20 not be making any like product arguments. So we will take
21 the petition on its face; we are going to do that. So no
22 like product arguments at this stage.

23 MS. ALVES: And are you speaking for all of your
24 colleagues?

25 MR. MORGAN: Well, unless any of them are

1 planning on putting in a brief -- and I don't think they
2 are: Yes.

3 MS. ALVES: Okay, that answers another question.
4 So we'll be expecting one set of briefs, then from the
5 Respondents.

6 MR. MORGAN: That's my current understanding,
7 yes.

8 MR. HEFFNER: Not necessarily, but we agree with
9 the domestic-like product that he is raising.

10 MS. ALVES: Okay. But you are going to raise a
11 domestic-like product argument?

12 MR. HEFFNER: No. We have --

13 MS. ALVES: -- the final?

14 Okay, yes. You had me a little bit worried, Mr.
15 Heffner. You said that you agree with the like product
16 issue --

17 MR. HEFFNER: Sorry.

18 MS. ALVES: -- that he's raising. I just want
19 to make sure you're not raising one, so. Okay, that helps.

20 Okay, next question: We'll start with the
21 lawyers, but then I'd like to move to some of the industry
22 witnesses to feel free and chime in.

23 And for the industry witnesses, I understand this
24 is not something that you're that familiar with in terms of
25 what legal standards we look at. It's not something the

1 Commission looks at that often, so feel free to weigh in
2 anyhow.

3 Do you think that the domestic industry is
4 established? Is the domestic container industry
5 established, if that's the industry that we're looking at.

6 MR. MORGAN: I think the important point, you
7 heard testimony about this from the industry witnesses, that
8 you don't just come in and start manufacturing domestic
9 steel containers and expect your first generation container
10 is going to enter the market at commercial levels, at
11 commercial prices.

12 So at least in my view, on behalf of CIMC and
13 Singamas, our position is that the industry is not
14 established, and that means that the Commission's analysis
15 has to account for the fact that the prices you're looking
16 at on all sides really aren't indicative of pricing in a
17 market where you've got A) competitors offering a product
18 that is, the competitor being Stoughton -- those prices
19 aren't at commercial levels. I mean, there's really not a
20 commercial competition taking place in CIMC and Singamas's
21 view.

22 So we're going to agree, for purposes of the
23 preliminary, with the material retardation standard and make
24 our arguments on that basis; and I will also of course give
25 you arguments if the Commission decides to find that the

1 industry is established as well.

2 In our view, you've heard the testimony; it's not
3 going to be any surprise to see our brief arguing that
4 there's no causation.

5 MS. ALVES: Mr. Heffner?

6 MR. HEFFNER: Yes. Heffner here for J.B. Hunt.
7 We agree with Mr. Morgan in that regard.

8 MS. ALVES: Mr. McConkey, I don't want to leave
9 you out.

10 MR. MCCONKEY: Yes. I won't be left out. On
11 behalf of Hub, the same.

12 MS. ALVES: Okay. Could we talk a little bit
13 more about the production that Stoughton had in 1993 through
14 2007 and the difference between that production and the
15 current production?

16 I was hearing a couple of different messages, so
17 I just want to make sure, in the minds of the industry
18 witnesses, is the big difference the change towards at least
19 some of the welding? Or it is more important than the
20 change from the aluminum to the steel product?

21 MR. DEAN: Let me start. Paul Dean.

22 The Aluminum exterior post container that we
23 started buying in 1999, has been very expensive to maintain.
24 In real applications where the containers are closely
25 parked, we continually see damage to that exterior post; and

1 you can overlay a post on it and rivet it, or you can
2 replace the entire one. In certain locations there's no
3 question, you replace the entire post.

4 Other issues, when the bottom rail, which is
5 aluminum, gets damaged, it's not friendly to weld. So if
6 it's in an area where you can actually section it, we do
7 that. Otherwise, you're replacing the entire bottom rail.

8 As far as the aluminum itself, you see a lot of
9 patches that go on the side. If you see containers running
10 down the street, compare to the steel where we could
11 actually weld it.

12 So from our standpoint, the transition to steel
13 corrugated eliminates -- the exterior post is a container
14 that we can weld, and there is another point that needs to
15 be made here; and it just escaped me.

16 MS. ALVES: That's okay. I'll let your
17 colleagues have a chance at answering this; and if it occurs
18 to you, feel free to let me know and we can put you back on
19 mic again.

20 MR. CERNY: I think in the container industry,
21 like so many other industries, things -- you have successive
22 waves of innovation and improvement and so forth; you build
23 on them. The history, the past and then you improve. So if
24 you go back to, as Mr. Dean mentioned, back to the late '90s
25 or the 2000s, the aluminum exterior post box, and it was the

1 best thing at the time, and folks bought them en masse. But
2 they were a 99 inch wide box.

3 Then in about '04-'05, we worked with Stoughton
4 and Wabash was referenced earlier, and developed 100 plus
5 wide interior, and that was the next thing; and we purchased
6 over 7,000 of those. Those were all mechanically fastened,
7 and so although they had certain attributes which were
8 favorable, they also had certain attributes that were highly
9 unfavorable in terms of the leakage and maintenance costs
10 and so forth. And for us, over 2000 of those came from the
11 Stoughton plant.

12 And then the can be welded box, in about '05 '06,
13 and it was a light year step forward in terms of
14 construction quality, maintenance costs and so forth. And
15 so the domestic production of the sheet and post boxes wound
16 down, as folks said 'Hey, there's a vastly better box,' and
17 Stoughton didn't immediately innovate to move to that
18 market; rather they waited in about a five year span and now
19 are trying to enter into it. But it's a very different
20 product, and there's no one ordering the old box anymore.

21 MR. DEAN: Just to finish, Paul Dean again.

22 On the aluminum box, to protect the inside as
23 they're loading it with the pallets, you have plywood that
24 is protected from damage in the sign panel, where you don't
25 with the steel; and plywood typically becomes damaged and

1 holes develop. So that has been a maintenance nightmare for
2 us as well.

3 MS. ALVES: Okay. Thank you.

4 I'd asked a question this morning, and if any of
5 you could help me answer this this afternoon, it would be
6 helpful: What portion of U.S. rail traffic can accommodate
7 the double-stacking? And/or is it a regional issue still at
8 this point?

9 MR. DRELLA: I would venture to say it's 90
10 percent or greater. If you look at the major result, the
11 intermodal corridor
12 follows, it's very similar to the interstate highway system,
13 so look at major city to major city. So for instance, Los
14 Angeles is a very large intermodal hub, and Los Angeles to
15 Texas, Los Angeles to Chicago probably the heaviest
16 corridor. Continue on to Memphis, to Atlanta, through
17 Chicago to the Northeast, or locally from Chicago to Boston,
18 to New Jersey, there are very few corridors remaining that
19 are not double-stack cleared. There's a location in
20 Baltimore and one in Southern Pennsylvania. I believe the
21 I-5 corridors are not double-stack cleared, at least not for
22 53s. But virtually all of the other major corridors.

23 So I would guess in terms of volume and units
24 moved, I would estimate it takes 90 percent of those that
25 would handle double-stacked 53 foot containers.

1 MS. ALVES: So in about two decades, then, that
2 many of the tunnels have been retrofitted or resized.

3 MR. DRELLA: Many were already existing because
4 of high cube box cars, auto racks, and all three layers of
5 automobiles. There are other cars that were of a similar --
6 what the railroads refer to as a plate clearance or height
7 clearance. Many of them were close; others more recently,
8 Union Pacific did a recent large project through the Sierra
9 Nevada, Reno to San Francisco, which opened a major route
10 for them. CSX did one out in the Boston area, which opened
11 the road into Boston as double-stack cleared.

12 But again, the I-5 has a number of small tunnels
13 that they have been working on; this Baltimore low clearance
14 tunnel I think on CSX, but it's more the minority, more the
15 exception now that their roads are not double-stack cleared
16 than those that are.

17 MS. ALVES: Okay, thank you.

18 MR. CERNY: Maybe to add to that -- this is Jakub
19 -- I agree with Dan, exactly what he said. I think the I-5
20 was the last major corridor that has been recently, for
21 double-stack. And if one railroad doesn't maybe have
22 double-stacking clearance, they can go around it or they,
23 the competing railroads may be, usually have clearance for
24 double-stacked trains.

25 An example would be Chicago to Toronto; I believe

1 CP does not have double-stack. There's a tunnel between
2 Detroit and Canada that's not double-stack, but CN does,
3 which is exactly competing on the same route. So I don't
4 know what the percentage is, but I would say it's definitely
5 90 plus-plus.

6 MS. ALVES: Okay. And that leads me to -- oh, go
7 ahead, Mr. Dean.

8 MR. DEAN: On Norfolk Southern we completed a
9 project called the Heartland Corridor, and this had to do
10 with some 38 tunnels through the coal fields that we had to
11 increase the height so we could accommodate high cube
12 double-stack.

13 What that did, from the Norfolk, the ports of
14 Norfolk to Chicago, we took off a couple hundred miles. So
15 it made the -- it was a big project, took a long time to
16 complete, but it was all about the double-stacking.

17 MS. ALVES: Okay. Thank you.

18 That leads me to a related question: What
19 portion of the North American intermodal traffic is within
20 the United States?

21 MR. DRELLA: There's a document that the
22 Association of
23 American Railroads publishes weekly that shows the
24 distribution of intermodal traffic within the U.S., Canada
25 and Mexico; it will show you car loadings and so forth.

1 That may be a document you want to refer to. You can find
2 it publicly available on the Internet.

3 MS. ALVES: That's good.

4 MR. DRELLA: AAR intermodal car loadings.

5 MS. ALVES: Okay, thank you. Sometimes it's just
6 a matter of helping us understand where these publications
7 are.

8 On a related note, are there publications that
9 all of you look at, or industry sources that you use for
10 inventories or of what might be available, or sort of a
11 proxy for the total market?

12 MR. DRELLA: Is that inventories of equipment or
13 --

14 MS. ALVES: Inventories of the domestic
15 containers. What's out there what's -- you know, what
16 portion of it -- at nine years, what portions of it at 15
17 years.

18 MR. MORGAN: I think everything in the inventory
19 is something that's not sold or is in -- you're talking
20 about empty containers that have already been purchased?

21 MS. ALVES: I'm trying to -- we've had a number
22 of questions going towards this issue through the day, and
23 I'm trying to -- and trade lawyers will get where I'm coming
24 from here. I'm thinking in terms of, we look at for example
25 rig counts in another industry.

1 How do you know what the rig activity is, how do
2 you know what the rig counts are? How do you know what is
3 out there, how do you know that you're having a down year?
4 How do you know how many other containers are out there, how
5 many of them are at nine years, fifteen years, two years?
6 Is there some common source? And perhaps there isn't.

7 MR. DRELLA: One source that we can investigate
8 for you, and I believe Paul would have access to this --
9 there's a holding company called TTX, TTX is owned by the
10 railroads; they're a rail car pooling company. And so the
11 intermodal cars that we ride on are owned by TTX which again
12 is a holding company owned by about 11 railroads. They will
13 go out to the market, they visit us, I suspect they visit
14 Hunt and Hub and others to understand our trends, where are
15 we going, what are we buying. Therefore how do they need to
16 respond with car capacity to handle the freight. They would
17 have an inventory available that we may be able to access
18 for you in a brief.

19 MR. DEAN: Well, again, I don't know that they
20 would have an inventory of a container so much as what do
21 the customers expect. Do we want to grow the 53 fleet, or
22 do we want to grow the 40? So Dan hit it on the head; it's
23 -- we're entitled to a certain portion of the fleet, and we
24 share it with the other carriers that participate with TTX,
25 and it's -- they do have a total count, if that's what you

1 want, but I thought the question was more related -- what's
2 available if you needed to acquire it?

3 MS. ALVES: It's both. It's interrelated.
4 We're just trying to get a sense of how big is this market,
5 how much is it growing, how much is their pent-up demand;
6 how much has already been satisfied in this recent burst of
7 buying activity? We need to both look at the period of
8 investigation but we also need to project forward as well.

9 MR. DEAN: Well, I'll be glad to talk to TTX and
10 get you something.

11 MS. ALVES: Okay, that would be great. Thank
12 you.

13 MR. MORGAN: I think we do have some information.
14 I mean, each one of the companies does forecasts based on
15 their purchasing for the following year. So I think they do
16 track this information internally and have a sense of -- I'm
17 going to stop talking and just -- you know, Dan, if you
18 could speak to that.

19 MR. DRELLA: I think in a brief, in a
20 confidential fashion, we could give you some history as well
21 as, you know, future projections as best we know them today.

22 MR. DeLOZIER: Kent Delozier. Just to make sure
23 we're clear on -- we own all of our -- J.B. Hunt owns all of
24 its equipment. So we're not looking to pools or what's
25 available; it's what we forecast, what our customers

1 forecast, what our freight trends are; we'll make a
2 determination of how much capacity we need for the next
3 year.

4 MS. ALVES: Okay, and you've already referred us
5 to your website, information that's available on your
6 website as well. Which is helpful for you.

7 Sort of a related question: You've said this
8 morning and this afternoon that we have a lot of the largest
9 purchasers here, that you represent about 75 percent of the
10 purchases. Who are we missing? Who is not in the room?
11 And how many are there of them?

12 MR. MORGAN: This is Frank Morgan. The Union
13 Pacific and CSX, who are also big guys; if you had them in
14 the room, you have probably 90 percent more than that. So
15 they operate the same ways we're talking about with you
16 today, then you have the small folks who account for the
17 rest.

18 If any of the witnesses want to chime in and add
19 more detail, or please feel free to correct me if I'm
20 mistaken; but we discussed that yesterday.

21 MR. CERNY: This is Jakub. I think that if you
22 add the CSX and Pacific and Swift, then we probably will get
23 to 95 percent plus. Then C.H. Robinson, CRC Logistics.
24 That's pretty much it.

25 MR. DRELLA: UPS bought some boxes.

1 MR. CERNY: Yes.

2 MS. ALVES: Mr. Young or Mr. Hagen, anybody else?

3 MR. MORGAN: I think that might -- I don't want
4 you to disclose any confidential information, but if you can
5 say it publicly.

6 MS. ALVES: And I don't want to go there, either.

7 But in your post-conference brief, again you were
8 talking about coverage. Obviously it's a preliminary phase
9 case, we're up against American Land constraints; we need to
10 know what we have, what we're missing; it gives us a better
11 sense of what we could find in a final as well.

12 MR. MORGAN: We'll definitely -- coverage, along
13 with pointing out who -- I think as far as response
14 coverage, it's different than the witnesses you have in the
15 room. I think your response coverage is even better than
16 what you've got in the room.

17 MS. ALVES: That could very well be the case. I
18 don't know, haven't seen the questionnaire since -- it's
19 much easier for me to ask that question than anybody else.

20 Can we talk a little bit about other types of
21 containers? The smaller containers, the 20 foot, 40 foot,
22 48 foot containers? Are they even anywhere in the same
23 playing field as the 53 foot containers at this point?

24 MR. DRELLA: From Schneider National's
25 perspective, no. Essentially those international boxes are

1 ISO boxes, as they've been referred to. Essentially,
2 they'll come into the country, to one of the ports, they'll
3 go to a destination, they'll empty out; and as I understand
4 the tax regulation, they may do a repositioning move back to
5 the port; but then they're back on the ship and gone.

6 And given the trend of exports of things like
7 scrap paper, scrap metal, grain products and so forth,
8 really a lot of them will come in with an import load from,
9 whether it's from China or another Southeast country, or
10 elsewhere -- they'll come in, they'll empty out, they get
11 reloaded with some raw material product, taking the scrap,
12 grain and so forth, and head back.

13 And they're essentially in sort of a dedicated
14 configuration whereas what typically Schneider's, and I
15 believe our competitors' move is more a domestic move; pick
16 it up in Chicago, take it to California, pick up something
17 else in California, take it to Atlanta, pick up something in
18 Atlanta, take it back to New Jersey -- whatever the case may
19 be. So ping-ponging within the U.S. or potentially Canada
20 and Mexico. And so we sort of move in different circles,
21 and we don't really overlap for freight.

22 The only point of connectivity is that you may
23 find those international boxes coming to say Port of Los
24 Angeles, they may get unloaded at a warehouse; we'll pick it
25 up from the other side of the warehouse and then take it on

1 to a U.S. point. So you'll have de-consolidation. You have
2 containers with all sorts of commodities coming into this
3 warehouse on one side, they're mixing it within the facility
4 and then re-stuffing our boxes on the other side, the big
5 boxes. So you four of the small ones, you fit in three of
6 the big ones, we take it for the domestic move, they put
7 that little box back on the ship and it heads back overseas.

8 That's the only point where we kind of touch, but
9 they really, they kind of transit in different circles,
10 doing different things.

11 MS. ALVES: And is that the experience of others
12 as well?

13 MR. DeLOZIER: Kent Delozier. Yes, yes. They
14 cross dock, the bulk freight type things where they hit the
15 dock, and then we're at the other side of it. The 20s and
16 40s dump out in the cross docks, and the inland, Empire, San
17 Berdino, Los Angeles area; we pick it up and then we take it
18 further inland.

19 MS. ALVES: Okay, so we're not going to see the
20 20s, the 48s, the 40s on the highways or on the rails.

21 MR. DeLOZIER: You'll see them, but they're not
22 our competition with what we're bumping the docks with for
23 our customers, for the Proctor & Gambles and the big box
24 customers.

25 MS. ALVES: So they're primarily for the short

1 haul, then?

2 MR. DEAN: I think the way to say it would be
3 that you see fewer of them the further you get away from the
4 water. Going into Baltimore you might see a lot of them on
5 a local delivery in Baltimore through the Port of Baltimore,
6 but you're not going to see that 20 footer going a lot
7 further inland to make that delivery; because why would you
8 do that when you can put two and a half 20s in a 53 and cut
9 your transportation costs by 120 percent.

10 So you don't get the economy of scale they want.

11 MS. ALVES: And you mentioned another distinction
12 is that the 20s and 40s and 48s could go back across the
13 ocean. Do you ever send the 53s back?

14 MR. DEAN: We have not at this time.

15 MR. DRELLA: Schneider has not.

16 MR. CERNY: No. No, once it gets here, it stays
17 here.

18 MS. ALVES: When they're shipped across the
19 ocean, are they put on the surface of the ships or can they
20 be double-stacked?

21 MR. DeLOZIER: I think when you see them in the
22 container ships that come over, you will see them stacked
23 five high on the deck of the ship and not in the well of the
24 ship.

25 MR. DRELLA: From a shy perspective, you'll see -

1 -

2 you may see them five high up on the top. They also ride up
3 on top. Because they're wider so the steamship box is
4 typically 98 inches wide, our boxes are 102 inches wide,
5 that creates a bit of a mismatch, and so there's adapter
6 systems that mix, that cause them to fit, but they have to
7 be on the top. And so if they're empty you may see them
8 five high on top. If they're loaded you may see them only
9 one or two high because they're only made to that strength
10 of being stacked one or two high loaded coming across.

11 But essentially they're not made to the same
12 standard as an ISO box, the wall strength and so forth.
13 They're designed for that crush resistance; we don't want
14 them to be, because once they get here they're just going to
15 run domestically in North American, and we want that box to
16 be as light as it possibly can, but yet meet the strength
17 requirements of the M930.

18 So I don't want a 53 foot ISO box, because it's
19 just going to be too heavy. And so it makes one trip over
20 and it stays.

21 MS. ALVES: Okay. It just occurred to me, one
22 question that is sort of out of sequence, for Mr. Morgan and
23 the other attorneys.

24 Mr. Morgan, you mentioned this afternoon in terms
25 of coverage on the farm producer side that we ought to have

1 complete coverage on the farm producer questionnaire
2 responses. Can you take a look at the importer
3 questionnaire side? We don't normally look at imports in
4 terms of farm producer questionnaires; we can use that as a
5 check, but if you can tell us in your post-conference brief
6 what the import or questionnaire coverage looks like, and if
7 we're okay relying on this.

8 MR. MORGAN: Sure, yes. We'll definitely do
9 that.

10 MS. ALVES: In terms of trying to understand
11 changes over time in demand for this product relative to
12 demand for trailers, is anyone purchasing the 53 foot
13 trailers, the longer trailers at this point? Is everyone
14 really starting to transition over towards using domestic
15 containers? Should we be looking at current demand for
16 trailers as a proxy for additional demand that might be
17 available to domestic containers?

18 MR. DeLOZIER: Kent Delozier. J.B. Hunt is
19 currently in a process replacing some of our old current
20 trailers with new trailers. It's a replacement program.
21 And they're 53 foot.

22 MR. DRELLA: Dan Drella from Schneider.

23 Schneider National is purchasing 53 foot
24 trailers; however, we would regard them as exclusive lines
25 of business. So for instance our highway division, our

1 over-the-road trucking division has its fleet of trailers,
2 and it replaces its trailers for highway use, whereas the
3 intermodal division has its fleet of containers, and the two
4 essentially don't mix; there's this firewall between the
5 two, and they're exclusive fleets, although we would report
6 purchases. The purchases are entirely for non-intermodal
7 use, so I would not regard them as a proxy.

8 MR. DeLOZIER: Kent Delozier again. Dan's
9 correct, the trailers that we're replacing, there's no
10 competition in the intermodal; it's strictly over-the-road,
11 they're not designed -- they've got skirts on them for wind
12 deflection and different things for fuel economies. There's
13 no competition against the intermodal side, it's all over
14 the road.

15 MS. ALVES: Thank you.

16 MR. CERNY: This is Jakub. Our group owns only,
17 very few amount of trailers, and we do not purchase
18 currently new trailers. So I can't really speak to the
19 trends of trailers, but maybe for clarification there is
20 always going to be some freight that's not really so-called
21 intermodable; meaning like if you go from Iowa to Kentucky,
22 it's a short haul, or there are no good rail lines. So
23 there's going to be demand for trailers, but how indicative
24 for this it is of the intermodal industry, I would doubt
25 that it's -- I don't know, it's hard to tell.

1 MS. ALVES: And I know it's always a scary
2 question, but we like to ask it. If there were an order
3 placed on these goods, what would happen? What would you
4 do? Would you continue buying imports from China if there
5 are no non-subject sources at this point?

6 MR. MORGAN: I think, we'll take a crack at it in
7 the post-conference brief, but one thing to consider is
8 you've got -- these guys are all competitors against each
9 other in terms of what other options they might pursue, and
10 I guess it's a little bit -- not knowing what the duties
11 might be.

12 So with that said, I think that the answer is
13 right now, there really is no known alternate source of
14 supply; and maybe some of the folks in the industry can talk
15 about at least your understanding -- I mean, there aren't a
16 lot of secrets in this industry, and these guys all have a
17 pretty good understanding of what Stoughton's capacity is.
18 So I'll let them talk about what they think in terms of, if
19 there is an order, could they go to Stoughton and have that
20 demand met.

21 So, Mr. Dean, could you --

22 MR. DEAN: I don't think I --

23 MR. MORGAN: Not say anything. Okay.

24 All right, we'll deal with it in the post-
25 conference then.

1 MS. ALVES: Understand. It's actually been a
2 very productive day from both sides; I realize there are a
3 limited number of players in this industry, but I still
4 think we've had some very helpful discussions throughout the
5 day. So I appreciate everyone's candor.

6 But I have high expectations for the post-
7 conference briefs, too. So don't disappoint us.

8 I think that's all I have for now. Thank you,
9 you've been extremely helpful.

10 MS. DeFILIPPO: Thank you, Ms. Alves.

11 I'll turn to my right to Mr. Corkran for any
12 questions of this panel.

13 MR. CORKRAN: Thank you very much, and thank you
14 to the panel, which is one of the largest I've seen for a
15 Staff conference.

16 I only have -- I think the questions and the
17 responses today have been extremely helpful, so I really
18 only have a couple of follow up requests. One is for Mr.
19 Hagen and Mr. Young.

20 We've talked a little bit today about the
21 possibility of examining export data from China as a proxy
22 for U.S. import data. For us to do that, we need one other
23 component. Can you please provide the value of your
24 company's exports to the United States? You've already
25 provided us with the quantity, but we'll need the value as

1 well, please.

2 MR. MORGAN: Sure. We'll handle that for you in
3 the post-conference.

4 MR. CORKRAN: The other question I have is, we
5 had very useful questions in the questionnaire dealing with
6 bid data, so I'm not going to go much over the specifics of
7 it; but I do sense a little bit of a disconnect between the
8 coverage estimates that we have here in front of us and the
9 actual bid data that we may have to analyze.

10 So if you can please review your questionnaire
11 responses to see if you have fully provided us with the bid
12 data that we'll need to analyze prices in this industry, I
13 would really appreciate that.

14 And with that, I have no further questions, but
15 would like to take the opportunity to express once again my
16 appreciation for your attendance today and your very helpful
17 information.

18 MS. DeFILIPPO: Thank you, Mr. Corkran.

19 I have no additional questions, as everything was
20 dealt with in other questions and answers, but I would like
21 to echo the other members of the staff that mentioned that
22 this has been a very useful conference. Sometimes it is
23 challenging when you've got a relatively small number of
24 players; but I felt like we really got a lot of very, very
25 useful information; and so I thank you for that.

1 I'm going to take one last look at my colleagues
2 and see if anyone has any additional questions.

3 So I don't see or hear any, and so with that I
4 will gain thank you all very much for taking the time to be
5 here with us today to present testimony and to answer our
6 questions.

7 I look around to counsel. We have closing
8 statements. A five minute break to sort of collect your
9 thoughts? Or are you ready to move in to closing statements
10 now?

11 MR. LEVIN: I'm ready.

12 MS. DeFILIPPO: All right. Well, then let's just
13 power on and everyone can get on their way sooner.

14 I'll dismiss this panel and then I would welcome
15 back Mr. Levin for his closing statement.

16 (Pause)

17 MS. DeFILIPPO: Welcome back, Mr. Levin and Mr.
18 Hodes and Mr. Dougan. It's been a long time since you were
19 sitting here, but as I mentioned, it's been a very useful
20 day. So I welcome you back to start your closing statement
21 when you're ready.

22 Closing Statements

23 MR. LEVIN: Thank you. It feels like only
24 yesterday since I've been here.

25 First of all, just so the investigation team

1 knows, we received notification from Commerce that they've
2 initiated on dumping and CVD, and the initiated rate on the
3 dumping side is 84.07 percent.

4 Second, I'm going to go through a few quick
5 points, and it's going to be in a little bit of a random
6 order, but in the interest of having everybody go home.

7 Glad to hear that there's no like product issue;
8 boy, we had about like 30 pages reserved in our brief, but
9 we'll pass on that. It seems like we will be, that there is
10 some agreement that the material retardation standard is the
11 applicable mode of analysis for the preliminary
12 determination. That being said, as I indicated earlier on,
13 based on the Commission's prior determinations, should you
14 not find that the industry is established, the analysis
15 should by course revert to material injury or threat of
16 material injury. We feel that the facts equally support
17 whichever basis of analysis the Commission does in fact use.

18 There seems to be a fairly widespread agreement
19 between the two panels, this morning's and this afternoon's,
20 that there is no true substitute for 53 foot domestic dry
21 containers, at least amongst the vast majority of end uses.
22 There was, there's been a fair amount of conflation that's
23 been going on in a lot of the Respondent panel discussion
24 this afternoon between design issues or engineering issues
25 that were relevant to the mechanically assembled containers

1 that were in yesteryear and the steel-welded containers that
2 are now in the market. And we will do what we can to
3 properly segregate out those issues and try to identify for
4 you as clearly as possible what design issues or what other
5 engineering issues that arose in the mechanical assembly
6 containers and are no longer relevant to the steel welded
7 containers.

8 That being said, although I'm still a little
9 confused about where Norfolk Southern is in this
10 investigation, and quite frankly, I wasn't expecting them to
11 be sitting up at the witness panel and answering questions
12 as a nonparty. That aside, I was happy to hear that they
13 have received no reports of any problems with the prototype
14 of the generation 2 53-foot domestic container that's been
15 manufactured by Stoughton.

16 Let's zero in on what the real issues were here.
17 Norfolk Southern did have some difficulties with Stoughton's
18 production run. I think that it was acknowledged by the
19 Respondent panel that yes, some engineering work-throughs
20 are a natural part of a startup process, especially when
21 you're considering an engineered product. We also heard a
22 lot of talk about the benefit that the Chinese manufactures,
23 CIMC and Singamas were able to receive from getting
24 continuous feedback from the field. They have thousands of
25 containers out there; they get feedback from the field and

1 they're able to further perfect their manufacturing process.
2 Stoughton doesn't have that opportunity.

3 As the story was painted here this morning, at
4 least from J.B. Hunt's perspective, 'Guys, you had a problem
5 in 2011 and therefore we don't want to touch your stuff
6 anymore.' And a lot of the scuttlebutt, to use the Latin
7 term, that was in the market about problems with the
8 Stoughton containers, was as I'm getting it from the
9 testimony today, 'We heard that Norfolk Southern had a
10 problem. And therefore, we're scared off from your
11 product.' Or, 'We saw this one prototype at a trade show,
12 we didn't like the look of it so we're not going to give you
13 the opportunity.'

14 It's the opportunity to be able to put a product
15 out into the field and be able to perfect the product,
16 especially at the start-up point of operations, that is
17 being prevented here.

18 You have also heard testimony from Mr. Wahlin and
19 from Mr. Fenton this morning. The issues regarding the
20 interior length that was apparently a major issue for a
21 purchaser. That can and has been handled by where the walls
22 are placed.

23 Let's talk about the rivets versus the welding
24 for the seams and the issue with water damage that that may
25 present.

1 First of all, in reality as far as I know,
2 Stoughton didn't have any problems with water damage; they
3 haven't had the opportunity to get that far.

4 Second of all, to the extent that there were
5 claims for water damage on containers in the market, those
6 were manufactured by a Chinese manufactures. So that
7 potential for damage is not unique to the mechanical system
8 that, the fastener system that Stoughton had initially
9 designed their container.

10 I think that's basically it. What we are talking
11 about is a market that is dominated by two Chinese
12 producers; Stoughton is not able to have the opportunity to
13 introduce and perfect their production process on anything
14 resembling a commercial scale. And we respectfully submit
15 that that is due in significant part to the price
16 differential.

17 I know Jim has one point to add. I'm done with
18 what I was going to say.

19 MR. DOUGAN: Okay, Jim Dougan from ECS.

20 I have just one point. Part of the discussion
21 this afternoon also had to do with the volume of imports of
22 containers, and what that trend was over time; and I'm being
23 cagey about how to discuss this. But it seems like the
24 response from the Respondents was, 'well, there was a lot of
25 pent up demand in 2008 and 2009 and 2010 because of general

1 economic conditions. And in 2011 we saw a spike in
2 container purchases and imports, because the fleets weren't
3 being replaced in those prior years.

4 So what that essentially means is, if there is an
5 observed decline over the POI and imports of containers from
6 China to 11/12/13, it's kind of an illusion to the degree
7 that 11 was an anomalous year, and what the remainder of the
8 Respondent seemed to be saying was, the signs are pointing
9 upwards in terms of further demand for this; and we've now
10 achieved what they call a normalized rate of sales that's
11 expected to increase.

12 But really, and that's a helpful illustration for
13 helping staff and the Commission to understand the size of
14 the market, the conditions of competition and all of that.
15 But the bottom line is, whether the apparent consumption of
16 container is 10,000 units or 20,000 units, the fact is the
17 domestic industry share of that is effectively zero. And
18 we believe that that is, as Jeff has said in large part due
19 to unfairly traded pricing behavior.

20 MR. LEVIN: Thank you, Jim.

21 On behalf of Mike and Jim and our wonderful
22 witnesses from Stoughton, we appreciate the team's work,
23 their time, and we look forward to submitting our post-
24 conference brief, and I have to go through the formality of:
25 We respectfully submit that the facts in evidence will

1 support an affirmative determination in these preliminary
2 investigations. Thank you.

3 MS. DeFILIPPO: Thank you, Mr. Levin.

4 We will now have closing statements by
5 Respondent.

6 So it looks like I'm welcoming back Mr. Morgan
7 and Mr. Heffner.

8 MR. MORGAN: The beauty of having an iPad is you
9 have no idea how long my closing statement is. It could be
10 ten minutes, it could be two seconds.

11 MS. DeFILIPPO: We have those little lights over
12 there.

13 MR. MORGAN: Isn't the customer always right?
14 I'm sorry, but I heard that perception in a marketplace was
15 that the container that Stoughton is building was incorrect,
16 the customer's wrong. You have 70 percent of the market
17 here. We're not talking about one customer who came in and
18 said "Oh, you know, I have a quality issue, and then
19 Respondents come in: "Oh there's a quality problem, you've
20 got to throw this case out, it's' -- and the customer
21 accounts for less than one percent.

22 Not saying we haven't done that before, but
23 sometimes we have the facts. And as I learn like I think
24 the first day in law school, when you have the facts, you
25 argue the facts. You present your facts and you make your

1 case based on whatever legal standard. Because we win under
2 any legal standard, or we should win under any legal
3 standard.

4 The fact is that 70 percent of the market at
5 least testified today, they want a fully welded container.
6 Stoughton doesn't do a fully welded container; they
7 testified to that. They weld parts of the container, but it
8 is not fully welded.

9 Full stop. End of story. They can't dispute it
10 or they would be contradicting their own testimony.

11 The industry who purchases this said we want a
12 fully welded container. They've told Stoughton this; this
13 is not the first time of a meeting of the minds; this
14 discussion has happened when Stoughton came in for bids --
15 and you heard the testimony. They don't offer a fully
16 welded container. We want a fully welded container --
17 sorry, customer perception. I always thought the customer
18 is always right.

19 Now whether or not the customer is right, if 70
20 percent of the market is saying they want it, I'll take this
21 iPad and paint it pink. I mean, if 70 percent of the market
22 wants to buy a pink iPad and it makes no difference in terms
23 of the functionality, if I'm Apple I'd better start painting
24 this pink, because you can be darn sure somebody else is
25 going to do it.

1 Now Apple has the advantage of already being in
2 the market. These guys are trying to enter a market, where
3 there's a prevailing container that's fully welded, and
4 they're telling customers "Well, you don't really want that"
5 or "It doesn't really matter, you know, that we don't do
6 that. It's just your perception."

7 I'm sorry, the customer is always right. Now in
8 this case I know there's -- you know the other issue going
9 on of course is coverage. And you've got two foreign
10 producer questionnaires, 100 percent of foreign producers
11 accounted for. Rather small kind of case. You know, rather
12 easy to manage on the foreign producer side, and we'll get
13 you the value data; we're going to get you everything you've
14 asked for. anything you follow up with. We're going to make
15 sure you have coverage. We're going to evaluate it in the
16 post-conference the importer coverage that you have, we
17 think it's pretty complete, but we're going to make sure we
18 figure out exactly what you do have and do our darned best
19 to get anything else that you're missing.

20 You know the question here, I think ultimately is
21 going to be causation. Was it the fact that there were
22 Chinese imports in the market that prevented Stoughton from
23 being able to sell commercial quantities? Did Stoughton
24 even get to a point where it was at commercial quantities is
25 another issue, I think we're going to be discussing. I

1 don't think they did. I don't think one unit sold to
2 Norfolk Southern is a commercial quantity; I don't think
3 that's a commercial sale.

4 And the rest of the market wasn't -- they told
5 you today, they weren't buying anything. So the fact that
6 one product hasn't gotten complaints would not be my
7 marketing slogan if I was out trying to sell, you know,
8 pieces of equipment as expensive, and 15 to 20 year life
9 spans. Not when they're being loaded onto rail cars, not
10 when there are safety concerns, not when there's a lot of
11 medicine in those containers that costs companies -- and as
12 you heard, which we hadn't actually discussed when we were
13 talking with the witnesses, they don't get -- there may be a
14 warranty for the damage to the container, but they don't
15 reimbursed for the time that that container is out of
16 service; that's a loss.

17 You know, whether they have to move it somewhere
18 to get it fixed or whatever, that's all time lost that that
19 container is not in service. So that's a problem, and a
20 warranty doesn't cover it.

21 So the question in this case is what stopped
22 future purchases? Well, I mean, Norfolk Southern went out,
23 they made a big order, 1500, I think it was referred to
24 earlier as a substantial order, and they ended up only being
25 able to take 200 of those. One of them was because of

1 delivery problems. You know, if you look at it, Stoughton
2 just didn't have the capacity to actually produce the
3 quantities required.

4 But the other thing is, the 200 containers, even
5 though they remedied the problem, they couldn't use them for
6 the program that they were intended to be used for; they
7 were too heavy, so they had to go into a different program.
8 So yes, they were reusable, but they certainly weren't what
9 the customer had intended. And this is a small group of
10 folks; they hear about these things at trade shows, they
11 know what's going on in the marketplace.

12 I just want to make a couple points, because
13 gosh, I am a lawyer, and to not mention a couple cases under
14 the material retardation standard. There are a couple cases
15 I think you should take a look at, Codfish being one of
16 them, yet another amazing-like product that we get at the
17 Commission. But in that case, the Commission evaluated the
18 viability of the domestic industry, based on the industry
19 being able to produce a marketable product, and is
20 qualitatively acceptable to purchasers.

21 Gosh, under that factor I'm going to tell you
22 that under that factor, this case is over. And another case
23 on the quality issue is Thin Sheet Glass, at 1516. Quality
24 is a paramount issue in this case, and in my view it rises
25 and falls on whether - not only the quality issues we've

1 discussed, but even if all of these purchases are wrong,
2 it's their perception. And if it's their perception and
3 they account for 70 percent of the market, you're telling
4 that 70 percent we're not going to give you the product you
5 want, that's not imports from China. Thank you.

6 MR. HEFFNER: Doug Heffner for J.B. Hunt.

7 I just want to clarify one thing; J.B. Hunt did
8 not testify to the fact that because Stoughton had a
9 problem, they were going to take a 'wait and see' attitude.
10 They testified to the fact that they want a U.S. producer,
11 number one, but they want it to produce a product that they
12 want. They had a history of yes, aluminum containers that
13 previously had problems with mechanical fasteners, and they
14 learned that by having a fully welded body, that it solves
15 that problem.

16 So yes, it is our perception that a fully welded
17 body is better. But you know what? We're the customer and
18 we're right on that, and we want a fully welded body, and
19 they have not come to us and offered us that, number one.
20 Number two, they have not offered us the diameter that --
21 the inside diameter, the width that we want,

22 And that's the other thing: If they're not going
23 to do that yes, they may have it in the drawer -- you know,
24 they may have designed something like that. Had they come
25 to us and shown us that they can actually do it, if they

1 made a product, brought it to us and said 'here it is'? No.

2 Look, we're willing to work with them, but they
3 have to build a product that J.B. Hunt wants. Thank you.

4 MS. DeFILIPPO: Thank you very much, Mr. Morgan
5 and Mr. Heffner.

6 On behalf of the Commission and the Staff, I
7 would like to thank the witnesses who came here today as
8 well as counsel, for helping us gain a better understanding
9 of the products and the conditions of competition in the
10 domestic container industry.

11 Before concluding, please let me mention a few
12 dates to keep in mind. The deadline for submission of
13 corrections to the transcript and for submission of post-
14 conference briefs is Monday, May 19th. If briefs contain
15 business proprietary information, a public version is due on
16 Tuesday, May 20th.

17 The Commission has tentatively scheduled its vote
18 on these investigations for Friday, June 6th, and it will
19 report its determination to the Secretary of the Department
20 of Commerce on Monday, June 9th. Commissioners opinions
21 will be issued on Monday, June 16th.

22 Again, thank you all for coming. This conference
23 is adjourned.

24 (Whereupon, at 3:15 p.m., the conference
25 concluded.)

