

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation No.:
1,1,1,2-TETRAFLUOROETHANE (R-134a)) 731-TA-1313
FROM CHINA) (PRELIMINARY)

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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation No.:
1,1,1,2-TETRAFLUOROETHANE (R-134a)) 731-TA-1313
) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, March 24, 2016

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

1 APPEARANCES:

2 Staff:

3 Bill Bishop, Supervisory Hearings and Information
4 Officer

5 Sharon Bellamy, Program Support Specialist

6 Sonia Parveen, Intern

7

8 Michael Anderson, Director of Investigations

9 Elizabeth Haines, Supervisory Investigator

10 Amy Sherman, Investigator

11 Jeffrey Clark, International Trade Analyst

12 Lauren Gamache, Economist

13 David Boyland, Accountant/Auditor

14 Nataline Viray-Fung, Attorney/Advisor

15 Russell Duncan, Statistician

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1 APPEARANCES:

2 OPENING REMARKS:

3 Petitioners (James R. Cannon, Jr., Cassidy Levy Kent (USA)
4 LLP)

5 Respondents (Max F. Schutzman, Grunfeld, Desiderio,
6 Lebowitz, Silverman & Klestadt LLP)

7

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

10 Cassidy Levy Kent (USA) LLP

11 Washington, DC

12 on behalf of

13 The American HFC Coalition

14 Glenn Haun, Director of Sales, Arkema Inc.

15 Richard Hudock, Assistant General Counsel, Arkema, Inc.

16 Elizabeth Mary Sassano, Global Business and Market

17 Manager, Refrigerants, The Chemours Company, LLC

18 Magen L. Buterbaugh, Global Business Manager,

19 Fluorochemicals, The Chemours Company, LLC

20 Deirdre Maloney, Senior Trade Advisor, Cassidy Levy Kent

21 (USA) LLP

22 James R. Cannon, Jr., and Nazak Nikakhtar - Of Counsel

23

24

25

1 In Support of the Imposition of Antidumping and
2 Countervailing Duty Orders (Continued):

3 Schagrin Associates

4 Washington, DC

5 on behalf of

6 Mexichem Fluor, Inc.

7 Peter Geosits, Americas Commercial Director, Mexichem
8 Fluor, Inc.

9 John Pacillo, Americas Operations Director, Mexichem
10 Fluor, Inc.

11 Roger B. Schagrin and Paul W. Jameson - Of Counsel

12

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

15 Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP

16 Washington, DC

17 on behalf of

18 Zhejiang Quhua Fluor-Chemistry Co., Ltd. ("Quhua")

19 Sinochem Environmental Protection Chemicals (Taicang)Co.,

20 Ltd. ("Sinochem")

21 Zhejiang Sanmei Chemical Industry Co., Ltd. ("Sanmei")

22 Max F. Schutzman, Ned H. Marshak and Kavita Mohan - Of
23 Counsel

24

25

1 Rebuttal/Closing Remarks:

2 Petitioners (James R. Cannon, Jr., Cassidy Levy Kent (USA)

3 LLP)

4 Respondents (Max F. Schutzman) Grunfeld, Desiderio,

5 Lebowitz, Silverman & Klestadt LLP)

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P R O C E E D I N G S

9:30 a.m.

MS. BELLAMY: Will the room please come to order?

MR. ANDERSON: Good morning and welcome to the U.S. International Trade Commission's Conference in connection with preliminary phase Antidumping Duty Investigation No. 731-TA-1313 concerning 1,1,1,2-Tetrafluoroethane or R-134a from China.

My name is Michael Anderson and I am the Director of the office of Investigations and I will preside at this conference. Among those present from the Commission staff on my far right are Nataline Viray-Fung, our Attorney Advisor; Elizabeth Haines, our Supervisor Investigator and Amy Sherman our Investigator and starting to my left is Lauren Gamache, our Economist and David Boyland, our Accountant and Auditor; Jeffrey Clark, our Industry Analyst and I will note he's a chemist too. Also finally Russell Duncan our Statistician.

I understand the parties are aware of the time allocations and I would remind speakers not to refer to your remarks business proprietary information and to speak directly into the microphone and also please state your name and your affiliation each time you speak for the benefit of the court reporter. All witnesses must be sworn in before presenting their testimony. I understand from the Secretary

1 that all parties are aware of their time allocations. Any
2 questions regarding time allocations should be addressed to
3 the Secretary.

4 Are there any questions before we start? Madame
5 Secretary, are there any preliminary matters? MS.

6 BELLAMY: No Mr. Chairman.

7 MR. ANDERSON: Very well, Madam Secretary, let us
8 proceed with opening remarks.

9 MS. BELLAMY: Opening remarks on behalf of
10 Petitioners, James R. Cannon, Jr., Cassidy, Levy and Kent.

11 OPENING REMARKS OF JAMES R. CANNON JR.

12 MR. CANNON: Good morning. This is Jim Cannon
13 with Cassidy Levy Kent. First of all, I would like to
14 thank you all for being here on a beautiful spring day when
15 you might want to be on spring break but you took your time
16 out to help this industry. As we all know we are doing
17 something of a sequel. This is the second time down this
18 path for this industry and there are some similarities which
19 I hope at least makes the Staff Report somewhat easier to
20 handle.

21 We think we've got the same like-product. It's a
22 single like-product. We've got the exact same industry.
23 The identical Domestic Industry and the conditions of
24 competition are the same. It's still a seasonal market and
25 the Domestic and Subject Imports are good substitutes and we

1 think you are going to find in the tables in the data you've
2 collected essentially all the same answers to those type of
3 questions and the condition of competition.

4 Also, importantly, competition still takes place
5 on the basis of price. It was the most important thing
6 mentioned by purchasers in the last investigation and we
7 think it's still the most important factor in the market.
8 In other aspects though this is not at all a sequel. This
9 cast contrasts with the first case in many ways. First of
10 all, simply the trend in imports. Since 2013 and the last
11 full year the Commission looked at, imports are now higher
12 than ever. The import volume has increased and more
13 importantly the market share held by the imports has
14 increased.

15 Secondly, there has been a decline in the
16 Domestic Industry shipments. In the first investigation the
17 Commission found that U.S. Industry shipments fluctuated.
18 There is no fluctuation here. There has been a substantial
19 decline. The underselling is in the first case, the
20 Commission found mixed, they found more overselling than
21 underselling. That is not at all the case now.
22 Underselling is now prevalent. There is going to be
23 underselling in every quarter in 2015. We believe in every
24 product.

25 Next, if you look at the condition of the U.S.

1 Industry it has clearly deteriorated. Over the past two
2 years total U.S. Industry shipments have declined, market
3 share is falling, industry output has declined, net sales
4 revenues are down, gross profits are down. Operating
5 profits have turned into losses and net income on an
6 industry-wide basis is a negative. There are other
7 contrasting factors. A prominent feature of the first case
8 was the supposed supply-demand conditions which created
9 arguably a shortage in two years, 2010/2011.

10 There is no shortage in the market now. There is
11 excess capacity by the U.S. Producers. You can contrast
12 this case in terms of the prices. In the first case, in
13 2010/2011 the Commission found the prices were high because
14 of the shortage. There are no high prices now. In 2015,
15 we're seeing all time low prices. For this period of time
16 the Commission has looked at the case. In fact, there have
17 been repeated attempts. You will hear testimony of repeated
18 attempts by the petitioners to raise prices unsuccessfully.

19 There have even been requests by customers for
20 rebates on prices, so after the Commission's negative
21 decision in the first case customers came to the Domestic
22 Industry and demanded that we rebate prices already paid and
23 essentially give them credit, give them their money back.
24 That tells you something about the U.S. Market. That tells
25 you how fierce the competition is. That tells you there is

1 causation here.

2 Next, imports are no longer only in the
3 automotive market. In the first case the Commission focused
4 on the automotive aftermarket. You will see from the record
5 now that imports are now in every segment of the market.
6 You will see evidence we'll present on the price list
7 showing that imports are aggressively selling in a
8 stationary, HVAC aftermarket.

9 There are many complexities here but when the
10 Commission studies the statutory factors one by one the
11 evidence will show unquestionably the R-134a Industry is at
12 least now suffering material injury. Moreover, we think the
13 immense Chinese capacity, their export orientation and their
14 aggressive prices pose a serious threat to the U.S.
15 Industry. So for all those reasons we ask the Commission to
16 make an affirmative determination and we look forward to
17 your questions. Thank you.

18 MS. BELLAMY: Opening remarks on behalf of
19 respondents, Max F. Schutzman, Grunfeld, Desiderio,
20 Lebowitz, Klestadt.

21 OPENING REMARKS OF MAX F. SCHUTZMAN

22 MR. SCHUTZMAN: Good morning. For the record I
23 am Max Shutzman of Grunfeld Desiderio here today
24 representing three Chinese producers of R-134a; Zhejiang
25 Quhua Fluor-Chemistry, Sinochem Environmental Protection

1 Chemicals and Zhejiang Sanmei Chemical Industry. These are
2 three of the most prominent producers of this product in
3 China and they have filed foreign producer questionnaire
4 responses with the Commission.

5 Well, as one of my childhood heroes, the great
6 Yogi Berra used to say, "It feels like d j vu all over
7 again". Less than a year and a half ago in December of 2014
8 as you know, the Commission determined that the very same
9 U.S. Industry before you today producing R-134a had not been
10 materially injured or threatened with material injury by
11 reason of imports of R-134a from China at less than fair
12 value.

13 The POI in that investigation covered 2011, 2012,
14 2013 and for six months of 2014. A little more than one
15 year later, those same U.S. Producers who the Commission
16 determined had not suffered material injury or threat by
17 reason of Chinese Imports have returned and asked for a
18 do-over. Now they say over a POI of 2013, 2014 and 2015
19 that includes one and a half years of the previous POI as to
20 which the Commission concluded there was no injury and
21 threat, there is now both material injury and threat.

22 Although there is no expressed statutory
23 provision that prohibits the refilling of a previously
24 failed petition during a prescribed period following the
25 Commission's last determination, it is nevertheless unusual

1 to say the least to see a refilling so soon after the demise
2 of the 1st petition, and certainly in the absence of an
3 extraordinary change in the allegations made by Petitioners
4 or in the underlying data the Commission relied upon in its
5 final determination.

6 In that regard, contrary to Mr. Cannon's opening
7 statement, we only have to examine the allegations made in
8 the failed petition and the allegations advanced in the
9 instant petition to see that there are no extraordinary
10 differences between the two. In fact, there are actually
11 extraordinary similarities between them and the underlying
12 facts.

13 Thus as one example, both in the 2013 Petition
14 and in this Petition, Petitioners allege that import prices
15 for R-134a of Chinese origin are depressing and suppressing
16 overall market prices and thus adversely affecting
17 profitability. In December 2014 decision the Commission
18 disagreed with that allegation and based upon the
19 information in this record I suggest it should do so again.

20 In another example, we see that in the first
21 Petition and in this one Petitioners contend there is a
22 direct correlation between underselling by the imported
23 product and shifts in market share. In its December 2014
24 final, the Commission disagreed with that allegation as well
25 and I submit that it should do so here again.

1 Finally, we ask the Commission and the Staff to
2 be especially mindful of other significant factors at play
3 here. First, dependency of the prior investigation within
4 the 2nd year of the current POI which is 2014, and the
5 Commerce Department's affirmative preliminary countervailing
6 duty and antidumping determinations in May and April of 2014
7 imposing deposit requirements had a significant impact on
8 market forces in this industry that cannot be
9 underestimated. Given these events during the current POI,
10 it just cannot be said that a free market was at work during
11 that period. Accordingly, the Commission simply should not
12 and in our view cannot analyze the data and data trends over
13 the course of this POI in the same way it would normally do
14 so and in fact should not even consider the year 2014 in its
15 analysis.

16 Second, that R-134a is essentially a dying
17 product that is in the process of being phased out of the
18 market in favor of acceptable substitutes, most prominently
19 HFO-1234FY and equivalents is likewise an important aspect
20 of this investigation. Respondents suggest that U.S.
21 Producers' production, R&D and related business decisions
22 regarding R-134a are being affected by the current and
23 future replacement of that product in the market and that
24 they may not be fully supporting the product as a result.

25 Third, the Commission and Staff need to look very

1 closely at the financial performance of the three U.S.
2 Producers because their aggregate results contain some very
3 strange anomalies that are at the heart of this preliminary
4 inquiry and finally regarding threat, Petitioners are
5 incorrect about the presence of significant idle capacity in
6 China and I respectfully refer you to the responses of the
7 Foreign Producers' questionnaires for confirmation of that
8 fact. Thank you.

9 MR. ANDERSON: Please proceed when you are ready,
10 Mr. Cannon.

11 MR. CANNON: Thank you. Jim Cannon. We will
12 just proceed directly into testimony. We will begin with
13 the testimony of Glenn Haun.

14 STATEMENT OF GLENN HAUN

15 MR. HAUN: Good morning Mr. Anderson and members
16 of the Commission Staff. I am Glenn Haun. I am director of
17 fluorochemical sales for Arkema, Incorporated. I am the
18 Senior Manager for Arkema's sales force in North and South
19 America. I have been in the HVAC and fluorochemicals
20 business since 1984.

21 Arkema is one of three U.S. Manufacturers of
22 R-134a and a member of the American HfC Coalition. Arkema
23 joined with Chemours, Mexichem, and other members of the
24 coalition to combat the unfairly traded imports that are
25 destroying our industry. Our Antidumping Petition documents

1 the fact that imports of R-134a from China are being dumped
2 in the United States at margins over one hundred percent.
3 As a result, the entire U.S. Industry has suffered declining
4 sales, falling production, unused capacity and substantial
5 financial losses.

6 Without relief from a rising volume of Chinese
7 Imports prices will continue to fall, our market share
8 decline and U.S. Jobs and investment will be destroyed.
9 Arkema did not appear before the Commission in the first
10 investigation concerning R-134a from China however we did
11 submit questionnaire responses and answer all inquiries from
12 Staff. I am appearing today because the situation in the
13 market is substantially worse than it was in 2013 when the
14 first Petition was filed.

15 In the current market we cannot be neutral any
16 longer. Since 2013, Arkema's R-134a sales revenues have
17 fallen dramatically. Our U.S. Commercial shipments have
18 declined significantly by volume and even more by value.
19 Our loss of sales volume and the decline in our prices are
20 the direct result of competition with Chinese Imports.

21 Let me first address the conditions of
22 competition in the U.S. Market. Most importantly, R-134a is
23 essentially interchangeable. It is a chemical commodity.
24 For example, when we sell to OEM customers or to a major
25 re-packers and distributors we will ship R-134a in a tanker

1 truck or by rail. The bulk containers do not distinguish
2 Arkema's product from our competitors. When we ship R-134a,
3 the customer receives a Certificate of Assay, a testing that
4 the product meets AHRI700 specifications. That is the
5 industry standard.

6 However, our Chinese competitors also ship in
7 bulk and also provide a certificate stating that the R-134a
8 meets AHRI700 specifications. Even when we sold to
9 distributors for the automotive replacement market, R-134a
10 is typically packaged in a 30-pound cylinder as you can see
11 from the example that we've provided.

12 To distinguish R-134a from other refrigerants,
13 the cylinders are painted light blue. In my experiences,
14 customers are typically looking for a light blue cylinder
15 and not a brand name. As a result, we compete with Chinese
16 R-134a on the basis of price. Whether they are buying on
17 the spot market or on a contract basis our customers insist
18 on the lowest price.

19 Next, we generally sell into the market through
20 large distributors such as Airgas, National Refrigerants or
21 Technical Chemical. These customers typically buy R-134a in
22 bulk and repackage into smaller cylinders or cans for sale
23 in various market segments. We also sell to original
24 equipment manufacturers including manufacturers of air
25 conditioning or refrigeration equipment, chemical companies

1 that produce foam as well as companies producing aerosol
2 products. We now encounter Chinese Imports in all of these
3 channels.

4 At the large distributor accounts, I frequently
5 compete with Chinese producers that sell direct to
6 distributors and repackagers. In some cases, the Chinese
7 producers will ship R-134a in bulk in ISO containers. In
8 other cases, the Chinese producers will ship R-134a in
9 30-pound or disposable do-it-yourself cans, DIY. In fact,
10 the prices for Chinese R-134a in cylinders have fallen so
11 low that many repackagers are no longer buying in bulk.
12 They are instead buying Chinese R-134a already packaged for
13 resale and they are not running their packing lines.

14 Competitions with Chinese imports of R-134a is
15 particularly fierce in the automotive aftermarket. For many
16 years, this market segment was one of the largest segments
17 served by Arkema. For example, our producer questionnaire
18 shows that the automotive aftermarket was our top market
19 segment in terms of sales as recently as 2014. However,
20 after the negative antidumping determination in late 2014,
21 Chinese imports surged back into the automotive aftermarket.
22 Prices very quickly fell to low levels that we cannot match.
23 As a result, our 2015 sales to the automotive aftermarket
24 were only a fraction of our sales in 2014.

25 Chinese R-134a imports also aggressively compete

1 for sales to OEMs. We have identified lost sales to a major
2 air conditioning manufacturer in our questionnaire response.
3 We have also identified lost sales to major manufacturers of
4 foam and aerosol products. When we call on these accounts
5 to negotiate contracts or spot purchases, the customers are
6 always aware of the low prices offered by Chinese imports.
7 Even our longstanding customers force us to match those low
8 prices or lose the business.

9 In addition to the direct sales of Chinese R-134a
10 to end users, a more recent development has been the growth
11 of various distributors of Chinese refrigerants that sell at
12 uniform low prices to all market segments. These
13 distributors include Southcorp Sales, Jack McAdams, and BMP
14 International. Jack McAdams distributes R-134a identified
15 as the 'Sinochem Ningbo' brand. These imports are offered in
16 various market segments both to the automotive aftermarket
17 and the HVAC market. The pricelists will be circulated
18 weekly or monthly and will show prices for R-134a as well as
19 other refrigerants.

20 As shown by the exhibits to our testimony, the
21 iCool brand imported by Sinochem Ningbo is offered to
22 automotive and HAVAC distributors at the identical price, at
23 the identical low price.

24 MR. CANNON: Let me interrupt you. Jim Cannon.
25 In exhibits that we handed out, the first what four? Are

1 the price, not the pink sheets; the PowerPoint package. We
2 didn't want to show it on the screen because you would have
3 to turn around. The first four are the price lists that are
4 typical. There are literally hundreds of these attached to
5 the Petition and you see the brand names that he is talking
6 about; BMP, iCool, Sinochem Ningbo, etc. Sorry to
7 interrupt.

8 MR. HAUN: Glenn Haun again. So as shown by the
9 exhibits to our testimony, the iCool brand imported by Sonic
10 and Nembo is offered to automotive and HVAC distributors at
11 the identical low price and on the same price list, iCool
12 offers 30-pound cylinders intended for the aftermarket and
13 12-oz. cans intended for retail customers. Price lists are
14 also circulated by Southcorp and BMP International. BMP
15 also circulates offers for low-priced Chinese R-134a as well
16 as other refrigerants throughout the market.

17 BMP supplies both the automotive market and the
18 HVAC replacement market. Because these low prices are
19 circulated throughout the markets, the Chinese prices set
20 the market. It is difficult to find any customers that are
21 not aware of the Chinese prices. In fact, in many cases the
22 Chinese prices for R-134a in 30-pound cylinders have driven
23 down the prices for R-134a in bulk rail cars or tank trucks.

24

25 In many of our OEM accounts and our largest

1 distributor accounts we negotiate annual or longer term
2 contracts. Typically our long-term contracts will specify
3 the price and quantity to be supplied.

4 MR. HAUN: However, in almost every case we have
5 a meet-or-release clause. We therefore must renegotiate
6 even our contract sales in order to match the low prices
7 offered by Chinese imports. We cannot escape the downward
8 pressure on prices that is the result of increasing,
9 unfairly traded imports.

10 I understand that an important reason for the
11 Commission's 2014 decision was the supply shortage that
12 occurred in 2010 and 2011. Today, however, there is no
13 shortage in the U.S. market. Arkema's questionnaire
14 response shows that we have been operating at well below our
15 effective capacity since 2013. The loss of sales in the
16 automotive aftermarket in particular was a major blow to our
17 business. We did increase shipments for a few months in
18 2014 when preliminary antidumping duties were imposed on
19 Chinese imports. But following the Commission's negative
20 decision, our sales declined and market prices again fell.
21 As a result we have substantial excess capacity to supply
22 the market.

23 In short, our industry has been material injured
24 by Chinese imports of R134A over the past three years. For
25 these reasons we ask the Commission on behalf of our

1 employees to make an affirmative decision.

2 Thank you.

3 MR. CANNON: Jim Cannon. Thank you, Glenn. Next
4 we'll hear from John Pacillo.

5 STATEMENT OF JOHN PACILLO

6 MR. PACILLO: Good morning, Mr. Anderson and
7 members of the Commission staff. For the record, my name is
8 John Pacillo. I'm the operations director of Mexichem
9 Fluor, Inc. I've been in the chemical business for 39
10 years. I was part of the team from Imperial Chemical
11 Industries or ICI that built and started up the plant in
12 Saint Gabriel, Louisiana in 1991 and 1992. The cost of
13 installing that plant then was approximately \$140 million.
14 Much more has been reinvested in that plant in three major
15 and three minor expansions since that time. ICI sold the
16 refrigerants business to a company called Ineos in 2001 and
17 Mexichem bought the business in April of 2010.

18 We operate a high-hazard plant in strict
19 compliance with OSHA's Process Safety Management Program and
20 EPA's Risk Management Plan. We produce 1,1,1,2
21 Tetrafluoroethane or R-134a, a safe, nontoxic, nonflammable
22 and zero ozone depleting refrigerant. Our trade name is
23 Kleal34A.

24 In order to produce Kleal34A, we handle a very
25 hazardous chemical called Anhydrous Hydrogen Fluoride or HF. An

1 exposure to HF the size of the palm of your hand can be
2 fatal. We handle nine rail cars a week. We take the safe
3 operation of our plant and the containment of our chemicals
4 extremely seriously. It is our license to operate, it's
5 the most important thing that we do.

6 R134A is produced by combining trichloroethylene (TCE),
7 TCE with hydrogen fluoride (HF) in two stages. The first
8 stage TCE combines with HF to produce R133A and 2HCL. This
9 is an exothermic vapor phase reaction at high temperature and
10 high pressure over a chromia based catalyst. The HCl is
11 removed by distillation.

12 In the second stage the R133A is reactive with
13 additional hydrogen fluoride to produce R134A and 1HCL.
14 This is an endothermic, vapor phase reaction that again takes
15 place at high pressure and high temperature of a
16 chromia based catalyst. This chemical process was
17 explained very well in your 2014 staff report.

18 As you will hear from Mr. Peter Geosits, R134A is
19 used primarily as a refrigerant and also as a propellant.
20 From the inception -- from inception the plant and all the
21 equipment in the plant was and has been for the past 24
22 years dedicated to the production of R-134a. We do not and
23 cannot produce other refrigerant gasses in the plant and we
24 cannot retrofit the plant without great difficult and
25 expense to produce R-1234yf. Our process requires a

1 catalyst to transform our materials into R-134a. We've
2 become more efficient in using this catalyst since we
3 started the plant. At the inception of the plant we were
4 replacing the catalyst annually. We now replace the
5 catalyst only once every three years. This catalyst
6 replacement requires a plant shutdown of approximately one
7 month and during that time when we are shut down the plant
8 to replace the catalyst we undertake major maintenance of
9 the plant.

10 Given the fact that we are working with hazardous
11 and corrosive materials, the maintenance expense as well as
12 the major repairs and replacement of equipment costs on
13 average approximately \$15 million a year. So you can see
14 that these plants are both very expensive to build and very
15 expensive to operate in a safe and environmentally compliant
16 manner.

17 In fact, we are extremely proud of our safety
18 record. We've not had a lost time accident at the plant
19 since it started up.

20 In the two years since your negative
21 determination volumes and margins have suffered reduce
22 profitability and putting strain on the finances of the
23 business. Chinese imports are putting us between a rock and
24 a hard place. We need income to maintain the plant and
25 operate it in a manner conducive to the hazards. This

1 income is diminishing, but the economic needs of the plant
2 to maintain safe operation only get greater as the plant
3 grows older. The plant will have to close because cutting
4 corners in an attempt to stay viable only leads to
5 jeopardizing the safety of our employees and the health and
6 well-being of our community.

7 The plant should operate 24 hours a day, seven
8 days a week. In order to maintain production efficiencies,
9 we do our best to limit production interruptions. Therefore
10 we don't want to shut the plant down in order to reduce
11 production to control inventory.

12 You heard from us two years ago that Chinese
13 imports caused plant shutdowns in 2013 and 2014. Now, this
14 latest surge of Chinese import and high inventories will
15 force us into production curtailments this summer and fall.
16 At the plant in Saint Gabriel we have 78 full-time
17 employees. We conservatively estimate another 300 jobs
18 created in the community through maintenance, support,
19 transportation, other economic activity. Having operated in
20 East Iberville Parish for 24 years, our plant is a major
21 supporter of community activities. We are part of the East
22 Iberville Industry Neighbor Companies Organization which
23 supports a number of activities in the community including
24 Habitat for Humanity, The Food Bank, Reading Programs,
25 Health and Education Charitable Programs, and a two-year

1 scholarship program Process Technology for high school
2 graduates. This program provides the education necessary to
3 get an operators job at one of the participating companies
4 or any chemical company in the area.

5 The Mexichem Fluor plant in Saint Gabriel is part
6 of the multinational corporation that has to choose where to
7 invest capital. We have chosen not to invest capital beyond
8 required maintenance in our current plant. Your negative
9 determination 18 months ago also threw cold water on our
10 plans for a \$200 million investment in a new plant to
11 produce R-1234yf.

12 Our board wants to know, what is to stop the
13 Chinese from attacking R-1234yf in the same manner they've
14 attacked R-134a?

15 On behalf of the 78 full-time employees -- on
16 behalf of the 78 full-time people employed at Mexichem Fluor
17 in Saint Gabriel, Louisiana and the hundreds of additional
18 jobs dependent on our plant in East Iberville Parish, I ask
19 that you prevent unfairly traded imports from China from
20 destroying our business and allow us to do what we do best,
21 which is to produce R-134a in a safe, efficient and
22 environmentally compliant manner.

23 Thank you.

24 MR. CANNON: Thank you, John. Next we'll hear
25 from Peter Goesits.

1 STATEMENT OF PETER GOESITS

2 MR. GOESITS: Good morning, Mr. Anderson and
3 members of the Commission staff. My name is Peter Goesits,
4 I'm the American -- Americas Commercial Director for
5 Mexichem Fluor, Inc.

6 I've been in the chemical industry for over 30
7 years and I have 19 years of experience in the refrigerants
8 business. I would like to go into greater detail than Mr.
9 Haun regarding the various market segments for R134A.

10 The largest use for R134A is as a refrigerant in
11 vehicle air conditioning systems. Almost 99 percent of
12 motor vehicles in the replacement market at this time
13 operate with R134A as a refrigerant. The vehicle market is
14 composed of sales to OEM producers who generally have yearly or
15 multi-year contracts and who receive product in bulk tank
16 truck on a just-in-time delivery basis. We sell to all the
17 big three.

18 OEM buyers for the major auto companies are among
19 the most knowledgeable purchasers in the American industry
20 and they have utilized the pricing in the spot market to
21 reduce prices when negotiating these contracts.

22 They also buy from manufacturers foreign and
23 domestic to resell for the replacement market to their
24 dealerships. As a result of the U.S. automotive fleet size,
25 aftermarket sales of R134A for vehicle air conditioning are

1 approximately three times the size of the OEM market.

2 Sales in the aftermarket can typically be the
3 distributors who will purchase R134A in bulk in tank cars or
4 tank trucks and then repackage the gas into 30-pound
5 cylinders or 12-ounce cans for resale to auto dealerships,
6 service centers, service stations or to large auto parts
7 chains and big-box retailers.

8 Competition with the Chinese is severe in the
9 aftermarket, which is the largest market sector for R134A.
10 Sales for the aftermarket are generally done on a spot
11 basis, although some large customers may secure longer-price
12 guarantees for a specified volume or purchase.

13 Another segment of the market for R134A is in
14 stationary or commercial air conditioning. These are
15 typically large units that would provide cooling for office
16 buildings, stores, or airports. Sales are made to provide
17 cooling -- sales are made to large OEMs who produce and fill
18 the units. These are also sales through distribution to the
19 HVAC maintenance companies that service the refrigerants in
20 these building units.

21 There is an overlap in distributors who would
22 sell R134A to both vehicle aftermarket and HVAC aftermarket.
23 We believe that the largest national distributors for
24 aftermarket are now making significant direct purchases of
25 R134A from Chinese suppliers such as Sinochem in both bulk

1 and 30-pound cylinders and our sales have suffered as a
2 result.

3 R134A is also used as a propellant and a blowing
4 agent. Since R134A is nonflammable it is used as an aerosol
5 propellant in lubricant-free sprays and insecticides as well
6 as aerosol dusters that are used for electronic circuit
7 board cleaning.

8 R134A is used as a refrigerant in domestic
9 appliances like refrigerators, freezers and dehumidifiers
10 and is sold direct to large OEMs or through distribution.
11 The Chinese have definitely made more inroads in the
12 propellant market and we have lost the business of several
13 customers last year.

14 As the head of our marketing effort for the
15 Americas, I supervise our team of four sales people. Let me
16 focus on what has changed since your negative determination
17 two years ago. First, the market for R134A in new cars is
18 shrinking because more new car models are shifting to
19 R-1234yf.

20 The EPA snap rule requires that all new cars make
21 the shift by 2021. Through below-market pricing the Chinese
22 are quickly increasing their share of the auto market and I
23 have to fight back on price. Let me be as clear as I
24 possibly can. Chinese exporters undercutting my prices are
25 causing prices for R134A to fall in the market, not Chemours

1 or Arkema.

2 Second, as you heard from John Pacillo, I have to
3 sell the plant's production at some price to maintain
4 loading on the plant. Otherwise the cost of operation will
5 not be covered and ultimately, rather than sacrifice safety
6 the plant will close.

7 As I testified in your final investigation last
8 year, the imposition of duties helped pricing in the market.
9 However as soon as your negative determination was made,
10 distributors demanded rebates of price increases or
11 threatened they would take their business elsewhere. These
12 rebates cost us several million dollars. I cannot think of
13 any clear proof of causation of injury than the direct
14 impact of our prices of unfair Chinese prices in the market.

15 Exports represent a significant portion of the
16 sales from the Saint Gabriel, Louisiana plant. There are no
17 134A production plants in North or South America outside of
18 the United States. Therefore, these markets have long been
19 served by the plants located in the United States or Europe.
20 However, as you can see from our questionnaire the Chinese
21 are destroying our export markets.

22 We make a major effort to stay abreast of the
23 Chinese industry as a competitor. Over the past several
24 years a number of new plants or expansions have been built
25 in China for the production of R134A. In contrast the last

1 new U.S. plant to be constructed was built almost 20 years
2 ago. Even though China may have the fastest growing auto
3 market in the world. The growth in capacity to produce
4 R134A in China greatly exceeds the demand in China. In
5 fact, we believe the entire Chinese R134A industry is
6 operating at much lower utilization rates than we do and
7 that the excess capacity in China could serve the entire
8 demand for the U.S. for R-134a.

9 It's unfortunate that we have to return here to
10 the ITC again to seek relief. As you can see from the
11 import data the Chinese did not return to the market at just
12 the high levels they were at before, but exceeded them in a
13 market where demand is shrinking. Without the duties
14 against subsidized and dumped imports, I do not foresee
15 Mexichem Fluor being able to remain in the R134A business.

16 Therefore, on behalf of our company and our
17 valued employees, I ask that you make an affirmative
18 determination so that duties can be imposed.

19 Thank you.

20 MR. CANNON: Thank you, Peter.

21 And last we will hear from Beth Sassano.

22 STATEMENT OF ELIZABETH SASSANO

23 MS. SASSANO: Good morning. I am Beth Sassano,
24 the Global Business and Market Manager for the Fluoro
25 Chemical Refrigerants Business at Chemours Company.

1 First I would like to thank the Commission for
2 allowing me to appear today in support of the antidumping
3 petition on R134A from China.

4 I appeared at the Commission's hearing in the
5 2013 case and I appeared again at the staff conference
6 concerning the antidumping investigation of
7 hydrofluorocarbon blends.

8 I am accompanied today by Magen Buterbaugh who is
9 a Fluorochemicals Enterprise Global Business Manager for the
10 Chemours Company. Chemours was created in 2015 as a spinoff
11 of DuPont. Our refrigerants business therefore has a very
12 long history. We have been producing refrigerants,
13 chlorofluorocarbons or CFCs since they were
14 invented in the 1930s and we have the largest capacity R134A
15 plant in North America. In addition, we are the forefront
16 in the development and sale of the next generation of
17 refrigerants which will substantially reduce the global
18 warming potential of refrigerant gasses.

19 Following the presentations by Arkema and
20 Mexichem, let me first address a few issues from the
21 prospective of Chemours.

22 First Chemours produces R134A as well as all the
23 hydro fluorocarbon blends that are covered by a separate
24 antidumping petition filed last year. Unlike the HFC
25 blends, R134A has significantly different end uses. As I

1 testified before the Commission staff last July, the HFC
2 blends were a family of products developed to replace R22.
3 The HFC blends were developed to have the necessary physical
4 characteristics to replace R22. And HFC blends are now the
5 dominant refrigerant used in the residential air
6 conditioning market. In contrast to that, R134A was
7 developed to be a substitute for R12. Just as R22 was the
8 major refrigerant used in residential air conditioning, R12
9 was the major refrigerant used in the automotive air
10 conditioning.

11 Because R12 is ozone depleting, it was phased out
12 and eventually replaced by R134A. R134A is now also used in
13 large commercial and industrial air conditioners, called
14 chillers, residential refrigeration, foam manufacturing
15 and limited aerosol propellant applications. HFC blends are
16 typically not used in these applications.

17 Finally, U.S. manufacturers do not produce R134A
18 using the same equipment used to produce other HFC
19 components or HFC blends. In fact, R134A is unique because
20 the investment to produce R134A is primarily based on the
21 profitability of R134A as a stand-alone refrigerant.

22 In contrast, investment in a plant to manufacture
23 R32 or R125 depends entirely on the returns that can be
24 earned from the sale of HFC blends.

25 Next, I would like to address the sheer magnitude

1 of the Chinese imports and the increase in those imports.

2 At Chemours we extensively monitor the various
3 sources of import statistics, including U.S. Census
4 statistics, ships' manifest data published by Zepol, and
5 Chinese export statistics. We have analyzed these different
6 statistics for many years to identify more accurately both
7 the volume and value of imports of refrigerants as well as
8 the identity of the importers themselves.

9 Regarding the volume and value of imports, we
10 agree with the Commission's prior finding that a significant
11 volume of Chinese imports are misclassified. When the
12 Census data are compared with other statistics, the Census
13 statistics understate actual Chinese imports. It is
14 critical therefore that the Commission should collect import
15 data from all U.S. importers.

16 Please refer to slide 7 in the packet handout.
17 If I turn to the importers, you can see on this slide, our
18 analysis shows that there are several different types of
19 importers. First there are traditional importers such as
20 Sinochem Ningbo that simply import and resell.

21 Second, there are large national distributors
22 that will import bulk R134A directly from China and
23 repackage the R134A into primarily 30-pound cylinders.

24 And, third, there are large retailers such as
25 AutoZone and Advanced Auto that import directly without any

1 middleman serving as an importer.

2 Because imports flow through all these channels,
3 we compete with the Chinese R134A at several different
4 levels of trade. Our bulk sales, which are usually shipped
5 in tanker trucks or by rail, compete with bulk ISOs, bulk
6 imports in ISO containers. Customers purchasing in these
7 bulk quantities also include OEM manufacturers.

8 Our sales in 30-pound disposable cylinders, the
9 light-blue cylinder, compete for sales to distributors in the
10 automotive aftermarket and to the stationary HVAC market.
11 Our sales of 12-ounce cans compete with sales of direct
12 imports already packaged in 12-ounce cans and imported by
13 major retail outlets. And in addition to that, our 12-ounce
14 cans will also compete with cans filled by repackagers that
15 import bulk Chinese 134A and simply fill the cans in the
16 United States.

17 In every channel, the Chinese prices are
18 consistently lower than the prices offered by Chemours. The
19 rise in volume by Chinese imports therefore poses a serious
20 threat to the existence of the U.S. industry. A report by
21 IHS shows that China has sufficient capacity to supply the
22 entire U.S. market.

23 R134A will be completely phased out for new,
24 light-duty vehicles in Europe by year end 2016. It is being
25 replaced with new refrigerants such as R-1234yf. Faced with

1 declining demand on a global basis Chinese producers have
2 every incentive to increase their exports to the U.S.
3 market.

4 If I turn your attention to slide 8, we are
5 looking at the trends in imports from China on an annual
6 basis. This data is based on our analysis of the Census
7 statistics. If you allow me to elaborate on the details
8 from 2013 to 2015, imports from China surged in the fourth
9 quarter of 2013 and again in the first quarter of 2014 just
10 before the Commerce Department imposed preliminary
11 countervailing and antidumping duties in April of 2014.
12 After the Commission's negative determination in November of
13 2014, there was a short delay before imports from China
14 returned to prior levels. But by the second quarter of
15 2015, Chinese imports again reached record levels and
16 through March 20th of 2016, R-134a imports again are surging
17 to record levels.

18 These statistics show just how quickly Chinese
19 exports can fill inventories in the United States.
20 Following the imposition of preliminary countervailing and
21 antidumping duties in 2014, there was a period in which
22 domestic shipments increased and price levels stabilized as
23 a result. But because of huge inventories of Chinese R134A
24 hanging over the market, any increases in prices was both
25 modest and short lived.

1 In the petition we included several examples of
2 attempts by Chemours to increase prices. After the first
3 petition was filed, we attempted to raise prices in December
4 of 2013 by 30 cents per pound. That effort was
5 unsuccessful. Then in February of 2014 we again sent a
6 letter to all customers attempting to raise prices by 30
7 cents per pound. That again was unsuccessful. After the
8 preliminary Commerce decision in the countervailing duty
9 case on May 4th of 2014, we again tried to raise prices.
10 But, again, price levels did not change. It was not until
11 July 18th, 2014, following the Commerce antidumping decision
12 that we actually saw any increases in our prices. However,
13 before the end of the fourth quarter, after the negative ITC
14 vote, Chinese importers were back in the market once again
15 offering prices below our cost of production.

16 MS. SASSANO: These trends are unmistakable.
17 When Chinese imports resumed in 2015, prices again began
18 their downward march. In these circumstances, the
19 bottomless supply of Chinese imports threatens to destroy
20 our business. As things stand, Chemours suffered
21 substantial losses in 2015. We cannot earn an adequate
22 return on investment and return to profitable operations if
23 Chinese imports continue to capture market share and drive
24 market prices downward.

25 Chemours therefore joins Arkema, Mexichem and

1 the other members of the American HFC Coalition. Together
2 we ask the Commission to provide relief from dumped imports
3 of R134A from China. Thank you.

4 MR. CANNON: Thank you. Jim Cannon. So I'd
5 like to briefly go through the pink sheets. The first one
6 shows production capacity. The beginning of period
7 inventory's production and capacity utilization. What you
8 see is a dramatic buildup in inventories by the domestic
9 industry, reflecting the impact of imports.

10 You also see the decline in production, which is
11 substantial, and the unused capacity which is actually
12 growing in 2015 to the largest amount of unused capacity.
13 If you turn the page, you see a sort of standard apparent
14 domestic consumption. Looking first the top line, the trend
15 in apparent domestic consumption is somewhat up.

16 You've heard about the long term decline in the
17 industry and the replacement of R134A. But in the current
18 period, in the medium or even short future, the industry
19 actually demand is not expected to fall, and it should be
20 relatively stable. You also see subject imports. This is
21 an important issue. Subject imports in this line are taken
22 from the census data. The Zepol and Piers data indicate
23 that those numbers are actually low, that they should be
24 somewhat higher.

25 The problem in the original investigation that

1 was encountered by the staff was that the importer
2 questionnaires did not provide adequate coverage. So your
3 importer data were short of census. So there was in that
4 case an attempt to take the census and to sort of stack on
5 top of it data that was reported as being misclassified,
6 imports that were classified in the raw HTS number.

7 At least on the returns we have so far, we do
8 not believe that would be accurate to do it that way in this
9 case. We think that the coverage is so small and selected
10 and it wouldn't be distortive, and because it does not
11 produce the same trend as either Zepol or Piers or census.
12 So given census of the official data, I think at this point
13 anyway, unless we see more importer questionnaires come in,
14 that's what we'll recommend in our post-conference brief,
15 and we certainly ask you to look closely at that issue.

16 Then below that you see the market share.
17 Whatever import data you use, the subject import market
18 penetration has increased substantially. This is a big
19 difference from the prior case. And then finally, if you
20 look at the bottom line, the statute calls for the
21 Commission to assess imports in comparison to domestic
22 consumption and production, and what you see is that
23 importers that have essentially doubled in size versus U.S.
24 production, and that is a substantial factor here too and
25 quite different from what the commission saw in the past.

1 Next turning the page we have two pricing sets.
2 These are the U.S. domestic producer prices for Product 2
3 and the middle column, U.S. Producer Product 2. We think
4 based on our questionnaires these are the average prices
5 that should come out. Next to that though we're showing the
6 list price.

7 You saw that in the first package, those first
8 four pages, we had those list prices. We collected these
9 for every week, month, year. There's a large stock in the
10 petition. What's remarkable here is that the list price
11 offered by the Chinese is lower than the U.S. producers'
12 actual selling price.

13 So if you see questionnaire responses that have
14 prices above list, we submit those are not credible. But we
15 also think, at least looking at Product 2, the trend you're
16 going to see in the underselling is very similar to this,
17 that during the period in which duties were in place in
18 2014, there will be some quarters overselling.

19 But since that ended in 2015, there will be
20 uniform underselling, and this will also be a big difference
21 from the prior case. Now if we turn to the last price
22 sheet, the third one, it deals with prices of a very
23 specific importer. This company has submitted prices for
24 Product 2 which are in fact double the list price, and we
25 know that Ms. Preece has sent emails out to all the

1 questionnaire respondents asking us about our prices. We
2 hope she's or Ms. Gamache is going to follow up with this
3 quarter, because these prices are unbelievable.

4 If you compare these prices to this same
5 importer's Product 4, Product 4 is the little can sold at
6 retail. These prices for Product 3 are higher than this
7 importer's own prices for Product -- I think I'm thinking of
8 Product 5. Product 5 is the candidate, I'm sorry. These
9 prices for Product 3 are higher than their price for the
10 can. That is not rational. So we'd ask you to look at that
11 for the preliminary stage.

12 Nevertheless without these changes, we still
13 think we'll overwhelming underselling on this record. The
14 next table is sort of a standard unit cost to unit value
15 analysis. It shows one of the Commission's favorites, the
16 COGS to sale ratio, and what we see there is a very
17 substantial increase in the cost to sale ratio, and we think
18 that's indicative that indeed here there is price
19 suppression.

20 You heard testimony that the domestic industry
21 attempted to raise prices. They were not successful. As a
22 result, we have a cost-price squeeze contributing to the
23 losses in the 2015 period. The last page is the industry
24 income statement. Looking at the trends, in particular the
25 top line total net sales value, revenues by this industry

1 have fallen a tremendous amount. We are talking about more
2 than \$100 million.

3 Now if we look at the operating income, the net
4 income before tax, both of those lines are showing a steep
5 downward trend to deep losses in 2015, and the cash flow,
6 which is also called for as a statutory factor along with
7 net income in that new legislation, these are factors the
8 Commission is specifically directed to address. The cash
9 flow has disappeared in 2015.

10 Lastly, I'd like to just mention the very last
11 public slide. The very last public slide shows China's
12 total capacity compared to essentially the U.S. market. All
13 apparent consumption in the U.S. market. When the witnesses
14 state that China's capacity is a threat to the U.S.
15 industry, look at the size.

16 Now in his opening remarks, counsel for the
17 Chinese pointed out that they were utilizing their capacity
18 at a high level. The Chinese producers that have submitted
19 questionnaire responses are a few, three. There are
20 multiple Chinese producers in China. The IHS report shows
21 about ten or a dozen different companies. You do not have
22 data from those companies. The colors in these bars
23 represent the individual companies.

24 So you cannot extrapolate from the handful of
25 companies that self-selected and said well we're using our

1 capacity and make any assumption about Chinese overall
2 industry. Quite clearly, Chinese capacity dwarfs in the
3 U.S. market and they have shown a persistence and a
4 demonstrated willingness to push product into this market at
5 low prices. That is quite clearly a substantial threat, and
6 with that I think we are finished, and I would like to turn
7 it over to you for questions. Thank you.

8 MR. ANDERSON: Thank you, Mr. Cannon. I want to
9 thank the panelists for your testimony today and for being
10 here at the Commission and for your helpful information.
11 We'd like to start now with questions from the staff, and
12 we'll start with Ms. Sherman.

13 MS. SHERMAN: Thank you all for being here this
14 morning and the very helpful testimony. I'd like to start.
15 When I first started looking at this case, my first question
16 was what is the difference between the last case and now?
17 What has changed? Mr. Cannon, you explained a lot of that.

18 But the issue on the supply shortage, you say
19 that it's not a concern now. There's no supply shortage.
20 However, what would prevent that from happening in the
21 future and should customers be concerned that they're not
22 going -- that in the future the domestic producers would be
23 unable to provide all the product that they need?

24 MR. CANNON: Jim Cannon. So I think I need to
25 let the witnesses address this. I didn't bring them all

1 here so you could hear lawyers talk. I think the question
2 is about reliability of supply. Would you want to tackle
3 this Beth?

4 MS. SASSANO: Yes, sure. Beth Sassano from Chemours.
5 So to answer your question about how can we guarantee, you know,
6 supply in the future, you've heard John testify about how
7 difficult it is to run our plants and we want safe -- safe
8 plants, the best plants, ones that are environmentally
9 compliant.

10 So we do do scheduled turnarounds at least for
11 Chemours on an every two year annual basis. It's planned.
12 We build inventory as we gear up for those turnarounds to do
13 inspection, preventative maintenance, so that we can assure
14 that when we come up running, the plant will stay up and
15 running.

16 So the other thing I can point to is is there is
17 ample global capacity for R143A, and Jim showed you that
18 slide, how large the Chinese capacity is even compared to
19 the U.S. market. So I guess in my mind I think there's
20 enough 134A in the world, in a chance that we would not, you
21 know, have enough supply in the U.S. But we don't foresee
22 that happening.

23 There's ample supply between the domestic
24 producers of R134A to well cover the needs in the U.S.
25 market.

1 MR. HAUN: This is Glenn Haun with Arkema. Just
2 to compliment what Beth said, we certainly know what our
3 effective capacity is, what our utilization rates are. We
4 estimate what our competitors are here in the U.S. and it's
5 our estimation, from Arkema's perspective, that there's
6 ample capacity to meet U.S. demand today, tomorrow and well
7 into the future between all three manufacturers.

8 MR. CANNON: So this is Jim Cannon again. I
9 just want to, unless you were going to jump in here, I just
10 want to point out that this "supply shortage" in the last
11 case wasn't really a function of supply or reliability. It
12 was a function of the fact that there was a decline in
13 available raw materials, principally HF, hydrogen fluoride.
14 That was global. No refrigerant producers had sort of
15 better access to HF.

16 Secondly, there was a change in demand in
17 particularly the foam application. Demand grew, and so it
18 wasn't so much that the U.S. industry had problems and was
19 unable to supply during that period. During that extended
20 period, two years, the problem was as much demand as it was
21 supply and imbalance and then --

22 MS. SHERMAN: Can I just ask one question? So
23 if there was a global supply shortage of HF, was that also
24 happening with the Chinese producers, and why were they able
25 to continue importing into the U.S. market?

1 MR. HAUN: This is Glenn Haun. To our
2 knowledge, yes there was an HF, you know, tightening
3 shortage depending on which you want to look at it. But as
4 new demand came on, as Jim said in the foam market, it was a
5 question more of timing as opposed to being short. You
6 know, the foam industry switched from other fluorochemicals
7 to R134A just prior to that.

8 So, you know, in our opinion it was more a
9 timing issue than it really was a shortage issue, and
10 regionally where the product was available.

11 MS. SHERMAN: And currently in this period, 2013
12 to '15, there's no -- have you experienced any issues with
13 raw material shortages?

14 MS. SASSANO: Yes. Hi, this is Beth Sassano from Chemours.
15 No, we have not experienced any shortage in the Period of
16 Investigation currently.

17 STATEMENT OF PETER GEOSITS

18 MR. GEOSITS: This is Peter Geosits from
19 Mexichem. Equally, we have not experienced any shortage in
20 raw materials for production of 134A.

21 MR. SCHAGRIN: This is Roger Schagrin of
22 Schagrin Associates. Let me start, because I don't know if
23 you can ask questions later, Mr. Anderson, by congratulating
24 you on your new position. As we all know who practiced
25 before the Commission, Director of Investigations is an

1 extremely important position and you take on the shoes of
2 many predecessors who did an excellent job and I'm sure
3 you'll do an excellent job. I'm optimistic that I'll have
4 many conferences before you. It's a question of my age and
5 longevity and not yours.

6 MR. ANDERSON: Well, you'll give me warning when
7 you're going to be coming before us so we can --

8 (Simultaneous speaking.)

9 MR. SCHAGRIN: We're going to come quite often.
10 You may have noticed in this Presidential election, we are
11 in the midst of the trade crisis, and there's a lot of
12 frustration in America with things that partly relate to Ms.
13 Sherman's question, which is in the previous case, Auto Zone
14 argued to you, and the Commission unfortunately accepted it
15 and said yes, in 2010 we brought Chinese because we had a
16 problem obtaining all the domestic we wanted.

17 But we continued, not because their prices were
18 dumped, subsidized and cheaper than everyone else's, but
19 because as a huge big box retailer, we don't want to be
20 dependent on only three U.S. producers. Now in this case,
21 there is massive overcapacity in this industry. So that's
22 one big difference.

23 But secondly, I do think it's important for this
24 Commission to make clear that big box retailers can't just
25 come into this Commission and say wow, this Commission

1 should never make an affirmative final injury determination
2 if there's' less than five U.S. producers in the industry,
3 because we as big box retailers, we have to be assured of
4 supply, and that means Communist China.

5 So I mean I think the acceptance of there Auto
6 Zone argument by this Commission, first it was a travesty.
7 But secondly, the facts don't support it now. But unless
8 you're going to publish a regulation that says don't file
9 petitions unless the U.S. industry is at least five people,
10 the idea that when you have massive overcapacity among
11 three, that a big box retailer can come in and say hey look,
12 we're always going to buy from China if there's less than
13 four U.S. suppliers, you can't as the ITC stop subsidized
14 dumped imports that are materially injuring a small U.S.
15 industry, because that would disadvantage us as a big box
16 retailer.

17 So the arguments don't make sense. The economic
18 arguments don't make sense. You ought to focus on this
19 record, which is that this industry has no problems
20 obtaining raw materials, have massive excess capacity, and
21 the reason for that in a relatively flat market is increased
22 imports from China and decreased U.S. exports, because
23 they're losing out in their export markets in the Chinese,
24 and that means even with flat demand, their capacity
25 utilization is falling.

1 MS. SHERMAN: Okay, thank you all. I also had
2 some questions about end uses. A lot of you talked about it
3 this morning, so I think a lot of my questions are answered.
4 But is most of the competition with China concentrated in
5 the automotive air conditioning market that's changing? Is
6 that true? Can you comment more on that?

7 MR. GEOSITS: This is Peter Geosits from
8 Mexichem Fluor. We see competition from exports from China
9 in all the market segments that I discussed today. It
10 seemed like in the first case there was a notion that the
11 competition was relegated to mostly the mobile air
12 conditioning after-market. That is not the case. We have
13 experienced losses in multiple market segments as a result
14 of competition with exports from China.

15 MS. SASSANO: Yes. This is Beth Sassano from Chemours.
16 Can I build on that as well? To understand the market, in the OEM
17 space, the original equipment manufacturers, they often have
18 after-market arms as well to service that equipment. As you
19 can see in some of the exhibits around the price sheets that
20 are being circulated, so those buyers at the OEMs are also
21 having access to those price sheets because they also
22 entertain the after-market business.

23 So there's been huge price bleed low-price
24 imports of Chinese price bleed from the after-market into
25 the OEM bidding process. So it has, as he has said,

1 impacted all of our segments.

2 MR. HAUN: This is Glenn Haun with Arkema. You
3 know, in my five years in this role, you know, I've dealt
4 with and having been managing sales teams selling into all
5 of our market segments, and I can say in the five years
6 during that time we've seen the amount of customers in all
7 market segments quoting Chinese prices, you know, magnified
8 many, many, many fold.

9 And I'll put it in the words of one my customers
10 that I sat down and tried to negotiate with at the end of
11 last year, he likened his price request to the eBay Buy It
12 Now price. He said my eBay Buy It Now price from China is
13 X. Are you ready to go there, and this is a large OEM that
14 we have doing business with for many, many, many years, and
15 we were not successful in maintaining that business.

16 MR. CANNON: Jim Cannon. I'll go quickly. If
17 you look at the price sheets, the very first one, the tiny
18 print that's essentially too small for me, so maybe I should
19 look at the second one. But the first line, the red box,
20 R134A, 30 pounds cylinder with one quarter inch HVAC valve.
21 This is sold in the stationery HVAC after-market.

22 Right below it, same price sheet, 30 pounds
23 silver, one-half inch automotive valve. Right below that,
24 12 ounce can, automotive. If you turn the page, the next
25 company, Southcorp, these are the people selling the BMP

1 product. In the highlighted box, \$59 a cylinder HVAC. It's
2 a 30 pound cylinder that's less than \$2 a pound, underneath
3 that automotive.

4 This phenomenon of these particular
5 importer-distributors, we do not see these kind of price
6 lists in the record in the first case. We do not see the
7 extent to which they've now penetrated the market, and in
8 fact this is part of the problem that I'm worried about in
9 terms of the importer questionnaire responses.

10 It is these companies, L&M Supply and the
11 companies that supply to McAdams, who we see all over the
12 Peers data, they are not answering the importer
13 questionnaire, which concerns me deeply about the volume and
14 the trend in volume. Thank you.

15 MR. HAUN: This is Glenn Haun. Just to add to
16 what Jim just said, if you note, you know, whatever sheet
17 you're on, the ICool or the Southcorp document, both of them
18 have the same price quoted for an HVAC valve cylinder or an
19 auto valve cylinder, and in the past the HVAC valve cylinder
20 was typically sold at a much higher price.

21 So they brought any parity or any price
22 difference or any price margin protection we had for HVAC
23 products down to zero. So it's essentially the same
24 product, the same product offered in different applications
25 at the same price.

1 MS. MALONEY: Just one last thing here. Deidre
2 Maloney at Cassidy Levy. Along with what Jim has just said,
3 I think that if you look at your own data that you received
4 from the importer questionnaires, they show that imports
5 have come in and the various segments, and obviously because
6 we don't have a lot of key importers yet, we would expect
7 those to -- these data to be, to increase in the various
8 segments.

9 MS. SHERMAN: Thank you. I had a question
10 concerning the EPA phase-out of R134A in all new automobiles
11 after model year 2021. Are current automobiles still being
12 manufactured by using R134A in their AC systems?

13 STATEMENT OF ELIZABETH MARY SASSANO

14 MS. SASSANO: Hi. This is Beth Sassano from
15 Chemours. The majority of automobiles that are being
16 manufactured and what we call "first fill" of the air
17 conditioning systems today, and during the Period of
18 Investigation, were all using 134a, for the most part.

19 So the phase-out will be gradual in the United
20 States. And as you mentioned, it's the 2021 model year cars
21 that will have to begin using an alternative refrigerant.

22 But the other thing I wanted to emphasize is, for
23 all the cars that are on the road today, in addition to all
24 the ones that were built and filled during the Period of
25 Investigation and up until model year 2021, they are going

1 to be filled with 134a and they are going to need to be
2 serviced--so if your air conditioning, if you get in an
3 accident, or you have some leakage--so that we foresee that
4 aftermarket going on for at least 15 years for R-134a in the
5 United States industry, which is triple the size of the OEM
6 market.

7 MS. SHERMAN: So how have your companies begun
8 preparing for this? I know you mentioned that you are
9 looking at another coolant, R-1234yf, and you're already--
10 are you already producing that? And what about the other
11 companies here?

12 MS. SASSANO: Yes. So Chemours is one of the
13 producers of R-1234yf. So there's actually European
14 regulations that are moving the automotive first-fills even
15 faster than in the U.S. So the European model year
16 starting in 2017 have to have the new refrigerant in them.

17 MR. CANNON: So let me interject. I think we need
18 to take--maybe answer that question somewhat in
19 post-conference. There's a tension in the industry over
20 this new product, although I will say that you did hear
21 testimony from Mexichem that they've been looking at
22 investing, and in fact the poor returns in this business
23 make it very difficult for them to move into the new
24 generation unless they can earn an adequate return here.

25 Thank you.

1 MS. SHERMAN: So did I hear correctly that R-134a
2 will be banned for use in automobiles in the EU in 2017? Or
3 was it, I read somewhere it was 2013?

4 MS. SASSANO: This is Beth Sassano, Chemours.
5 2017.

6 MS. SHERMAN: Okay. Thank you.

7 MR. GEOSITS: This is Pete Geosits from Mexichem.
8 Just to clarify, it's not a ban on 134a. It is just a
9 specific application for 134a in automotive air conditioning
10 by 2017 in Europe.

11 MS. SHERMAN: Right. So are there still--do you
12 still see a market, an export market for other uses of
13 R-134a in the EU?

14 MR. GEOSITS: Certainly there are other
15 applications for 134a that are not going away. The EPA SNAP
16 regulation is very specific in terms of applications where
17 you can't use 134a anymore. It is not banning the use of
18 134a.

19 So 134a is not going away. 134a will be used in
20 a lot of other applications and continue to be used in
21 automotive applications for the automotive fleet that exists
22 in the United States.

23 There are 17 million cars that are made very
24 year. The great majority of them have 134a in them
25 currently. In the future, up until 2021, there will be a

1 significant amount that have R-134a in them. For 15 years
2 after that, the life of those cars, they will need 134a for
3 servicing.

4 So I don't want you to get the impression that
5 134a is going away. There are specific applications where
6 it will not be used, but 134a will continue to be required
7 in many applications.

8 MS. SHERMAN: Thank you. In the Respondents'
9 opening testimony we heard that we should not consider the
10 year 2014 in our analysis because of the previous--the
11 preliminary antidumping deposits that were in place in that
12 year.

13 How do you respond to this?

14 MR. CANNON: So I think the fact the duties went
15 on, preliminary duties, and went on for a period of time,
16 and then were lifted, is in effect for the Commission a
17 condition of competition. It's like looking at any other
18 condition of competition.

19 I don't think it means you throw out the data set
20 or the effects. In fact, in our view that particular
21 incident and condition really shows causation. It shows
22 that when the import prices were increased by the imposition
23 of duty, what happened? The domestic producers, at least
24 toward the end of the year, were able to raise their prices
25 for a period of time.

1 The domestic producers were able to sell volume.
2 The uptrend in the Chinese was stopped briefly. So I think
3 the Commission should consider it, but I'm happy to write
4 more about it.

5 MS. SHERMAN: Thank you. That may be all I have.
6 One moment.

7 (Pause.)

8 I have no further questions. Thank you.

9 MR. ANDERSON: Thank you, Ms. Sherman. And now we
10 will turn it over to Ms. Viray-Fung.

11 MS. VIRAY-FUNG: Good morning. Mr. Geosits, just
12 to clarify something, you said that 17 million cars are made
13 every year. Is that domestically, or globally?

14 MS. GEOSITS: (Inaudible, microphone off).

15 MS. VIRAY-FUNG: Thank you. Could you please
16 clarify for me whether your argument should be one domestic
17 like-product, or two? It sounds like you might be saying
18 there's one, but I'm also hearing talk of HFC blends, which
19 is confusing the issue a little bit.

20 MR. CANNON: Jim Cannon. We're arguing for one
21 like-product, R-134a. We're simply distinguishing that.
22 Because there's a separate case going on right now in
23 parallel on blends, we need to address some of the factors
24 that this product is not the same as the blends and should
25 not be merged in that like-product, or it should be

1 completely separate from the other case.

2 Thus, the like-product here should be
3 coterminous with the scope, which is the same as the
4 original case, R-134a.

5 MS. VIRAY-FUNG: Didn't the original case include
6 blends?

7 MR. CANNON: No, it did not.

8 MS. VIRAY-FUNG: Okay.

9 MR. CANNON: The blends is the second case. It
10 was filed last year. The old R-134a case was filed in 2013.

11 MS. VIRAY-FUNG: Yes. And in that one wasn't
12 there an amendment to the scope that came later on saying to
13 include blends?

14 MR. CANNON: No, I don't--

15 MS. VIRAY-FUNG: Okay.

16 MR. SCHAGRIN: This is Roger Schagrín. No. We
17 just clarified that where, only because of China
18 circumvention issues is how I spend most of my life.
19 Usually we do win against China, and then we spend the rest
20 of our time stopping the Chinese from cheating after we get
21 the orders in effect.

22 We just wanted to clarify that where R-134a was
23 the predominant gas, that it was still included, so that
24 people couldn't bring things in and then separate them out,
25 and then sell the R-134a separately.

1 So it wasn't any intent in that scope amendment
2 to include blends. It was just to get clarification that
3 where an import was not 100 percent R-134a, that where it
4 was predominantly 134a that it was still included in the
5 scope.

6 MS. VIRAY-FUNG: Okay. And with regards to
7 domestic like-industry, could you discuss how you wish us to
8 define this?

9 MR. CANNON: The producers that produce R-134a
10 are the domestic like industry, in exactly the same manner
11 in the 2013 case.

12 MS. VIRAY-FUNG: Okay. Are there any
13 related-party issues we should be aware of?

14 MR. CANNON: No.

15 MS. VIRAY-FUNG: Okay. Thank you.

16 MS. NIKAKHTAR: And this is Nazak Nikakhtar from
17 Cassidy Levy Kent. Would it be helpful to discuss why
18 R-134a and HFC blends are different products and different
19 uses? Or are you comfortable with what we've mentioned in
20 the Petition?

21 MS. VIRAY-FUNG: You've mentioned it sufficiently
22 in the Petition. I was just confused by your like-product.
23 You had said one was a like-product, and one was another
24 like-product. So I was confused by whether or not you meant
25 two, or a single like-product.

1 That's it for my questions. Thank you.

2 MR. ANDERSON: Okay, thank you. And now Ms.
3 Gamache.

4 MS. GAMACHE: Good morning. Lauren Gamache from
5 the Office of Economics. Thank you all for coming today.
6 Your testimony has been very helpful.

7 For the most part, a lot of my major questions
8 have been answered, so thank you for that. I would like to
9 follow up a little bit on the EPA regulations and its effect
10 on demand.

11 You had mentioned that previously there was a
12 transition from R-12 to R-134a, and I'm curious how that
13 demand transitioned. For example, was it sort of a stark
14 transition at the very end when implementation was--when
15 everything had switched over? Or was it gradual? Or was
16 there a mid-point?

17 So I guess my question is: Could we expect that
18 same sort of demand pattern in this case?

19 MS. SASSANO: This is Beth Sassano from Chemours.
20 I guess I just want to say in the Period of Investigation
21 that we are covering in this case, there are no regs that
22 are really applicable. So that's the first thing.

23 So I think what you're asking for is out into the
24 future. During the Period of Investigation--and we do a lot
25 of analysis on the U.S. market, as well as global--the U.S.

1 market used for R-134a has been staying pretty flat. And we
2 are anticipating, you know, very slight reductions. So it
3 will be over a period of time, depending on the nature of
4 the regulations. Sometimes it's a phase-down. So, you
5 know, different people in the industry can choose when
6 they're going to phase out. It's a hard-stop date; you can
7 no longer use. So it just depends on the nature of the
8 regulation, but by and large the R-134a industry and market
9 is going to be healthy and it's going to last, you know, as
10 I mentioned before, at least 15 years.

11 The huge part of the market is the after-market,
12 both in stationary and in automotive, and some of the things
13 that are under the SNAP, if you're referring to the EPA SNAP
14 delisting, that is I would say less than 10 percent of the
15 market today, those end uses. It's very small.

16 The majority is the after-market where the R-134a
17 will still be used for years to come.

18 MR. HAUN: This is Glenn Haun with Arkema. I'll
19 just add to that. I wasn't directly involved when 12
20 transitioned, R-12 transitioned to R-134, so I can't speak
21 to that, but again if you look at the Period of
22 Investigation, any impact of what the EPA has done or is
23 doing has had almost zero effect on, you know, the time
24 frame that we're talking about, so 2013 to 2015.

25 And in the immediate future, even what we already

1 know to be done by the EPA SNAP delisting process, what
2 they've delisted R-134a for in the short term, the next
3 three to five years, is very, very insignificant. And I
4 would say it's much less than 10 percent of the total U.S.
5 demand.

6 MS. GAMACHE: Thank you. Unrelated, raw
7 materials. What have we seen with prices there? Are there
8 some publicly available raw material price data that we can
9 take a look at?

10 MS. SASSANO: This is Beth Sassano from Chemours.
11 Could we put that in our post-hearing brief, because a part
12 of it is confidential?

13 MS. GAMACHE: Yes. Thank you.

14 In your opening statements you mentioned that
15 price is still the main factor in purchasing decisions.
16 Would you say that the factors important in purchasing
17 decisions for your customers have also remained the same
18 since the last investigation?

19 MR. HAUN: This is Glenn from Arkema. I believe
20 you were talking about my testimony, so can you just ask
21 that question again? I'm not sure I followed.

22 MS. GAMACHE: Sure. I'm wondering, aside from
23 price, what other factors customers take a look at when
24 they're making their purchasing decisions? What other
25 things are important for them?

1 MR. HAUN: Well what's important to them is
2 quality. This is Glenn Haun. What's important to them is
3 the quality, the reliability, the timeliness of getting the
4 product, the way it's delivered. And I will say, again,
5 during the Period of Investigation, if I go back to the very
6 early part of 2013, you know, I thought we were able to get
7 a small premium for what we used to do and how we used to
8 deliver, and what we sold our product for. But during the
9 Period of Investigation, you know, that delta has basically
10 been eroded.

11 As I mentioned earlier, in my, you know,
12 customer's buy-it-now price, you know, he wasn't offering to
13 pay, you know, one penny a pound more for our product over
14 what he believed he could get out of China. And that's even
15 given the fact that, you know, he's going to have extra cost
16 on him to deal with, you know, the lengthy time delays of
17 getting it from China as opposed to getting it from a U.S.
18 source. Our plant is in Kentucky.

19 MR. SCHAGRIN: Ms. Gamache, this is Roger Schagrin
20 of Schagrin Associates. So the question was in this product
21 it's a chemical. It's made. It has to conform to
22 requirements of the chemistry of the chemical.

23 My understanding is that the R-134a in that blue
24 canister is exactly the same, whether it's made in China,
25 shipped here in the canister, whether it's made in China and

1 shipped here in bulk and packaged here, or whether any of
2 these three companies put R-134a in that canister.
3 Everybody knows it. It's the exact same chemistry in that
4 gas in that canister.

5 That is about as close as an economist can come
6 to the definition of a "commodity product" that's sold on
7 price. The question is: For everybody buying that canister,
8 who's got the lowest price? In the opening statement of the
9 Respondent, they said, well, this case, just like the last
10 case, the Commission found that even if there's
11 under-selling by the Chinese, that the under-selling of a
12 commodity product of lower prices didn't correlate with an
13 increase in market share.

14 Now you've got a degree in economics. Can you
15 make that statement as an economist, that in a commodity
16 product sold on the basis of price, under-selling doesn't
17 correlate with an increase in market share?

18 So now we have the counter-factual. The
19 Commission went negative, and the Commission said as to
20 threat we don't see the likelihood of increased imports from
21 China. The Chinese say they're high capacity utilization.
22 They're not selling on the basis of under-selling.

23 The industry was doing very poorly in the last
24 year, and the Commission found they weren't doing poorly
25 because of the Chinese.

1 So the Chinese just come back to the level they
2 were before the case was filed in 2013? No, they came back
3 at levels about 40 percent increase in imports--40 percent--
4 in a stable market.

5 A huge increase in their market share. Why?
6 Because they have over-capacity which allowed them to
7 increase exports to the United States. They under-sell the
8 U.S. industry on price of a commodity product which causes
9 U.S. customers to buy more of it.

10 And you heard testimony this morning that not
11 only did that force prices down for the domestic industry,
12 showing it's a commodity product sold on price, but they
13 even had to give rebates to customers who had taken price
14 increases during the period the preliminary duties were in
15 effect. Customers actually came back to them and said:
16 Yeah, we know we paid you higher prices for four or five
17 months. We want that money back.

18 Wow! If that's not causation, then I haven't
19 been practicing before this Commission for 35 years. I
20 mean, let's look at it from the perspective of not only a an
21 economist, how about a normal person with common sense about
22 how markets work?

23 So I think on this record--we won't talk about
24 the previous case--there is so much information that just
25 shows this is a commodity product sold on price. The

1 Chinese have lower prices. They're gobbling market share.
2 And they're on the cusp. You know, maybe we could have
3 waited longer, but we don't want to see Auto Zone be able to
4 come in there for the final and say, oh, now you can't give
5 the domestic industry relief. There's only two U.S.
6 producers. We don't want to see one of these three
7 producers go out of business. It's your job to keep that
8 from happening.

9 We'll demonstrate the dumping at Commerce.
10 You're going to have to do your job at the ITC.

11 MR. HAUN: This is Glenn Haun. Just one other
12 point to note. Getting back to the commoditization of what
13 we're selling and how much we would like to try and sell on
14 value and, you know, preach to our customers that, you know,
15 what we do for them is better and our quality is better, the
16 canister on the table and the cylinder that you see on the
17 table, was purchased last night at Auto Zone.

18 The cylinder actually has a label on it, both on
19 the box, that shows ARI-700 Specifications. Well the
20 technical specification now is AHRI-700 specifications. So
21 Auto Zone being one of the big-box retailers out there that
22 certainly knows what they're doing, accepts product that is
23 technically mislabeled and resells it within the U.S. today,
24 and they have been for quite some time.

25 MS. BUTERBAUGH: This is Magen Buterbaugh,

1 Chemours. I just wanted to add, so I came into the--as the
2 Global Business Manager approximately two years ago for
3 flurochemicals. And I think, just building on what Glenn
4 said, is at that time people probably looked at other
5 criteria: the quality, reliability, tech service you
6 provided, brand in our case, right? You fast-forward two
7 years ago, it's 100 percent a price discussion.

8 And we see it consistently, because the price gap
9 between where domestic producers, particularly at Chemours,
10 and looking at where the Chinese pricing is that's fluid in
11 the market, and you can get that data anywhere you want it,
12 is so big, and in most cases is under our cost or
13 production, that it is completely a price discussion.

14 So any value-add that you could even remotely
15 bring even two years ago, which was a hard sell then I think
16 as Glenn commented, is completely out of the picture today.

17 So I think I just want to emphasize that today's
18 pricing--today's decisions are based on price. And we see
19 that across the segments, whether it's an OEM manufacturer,
20 whether it's an after-market, whether it's a distributor,
21 whether it's in propellants, whether it's in foam, it's
22 price.

23 MS. MALONEY: This is Deirdre Maloney from Cassidy
24 Levy Kent. Just to follow up on what they have said, our
25 clients obviously have not seen any of the proprietary data,

1 but you have. And I think that there's very little
2 discussion, or very little controversy in whether or not
3 price is important. You can see it throughout the importer
4 questionnaires.

5 We don't usually have, or at least in the past,
6 the benefit of hearing from purchasers at the prelim, but
7 now with your new lost-sales/lost-revenue surveys, we do
8 hear from some purchasers.

9 And to me it was rather, you know, interesting to
10 see that, like in first of all there are a number of
11 purchasers who have switched to--have admitted that they
12 switched to sourcing from China.

13 And then you've asked them was price a key
14 factor? And I invite--you know, I hope that you look at the
15 responses, because I think that they are quite enlightening.

16 Thank you.

17 MS. GAMACHE: Thank you.

18 Mr. Schagrin's comments about the rebates leads
19 me to my next question. I would like to hear from the
20 witnesses, if possible now, if not in post-conference, sort
21 of more detail how the rebates were approached; if there was
22 a rebate program that your company instituted? Just any
23 more detail that you can provide will be appreciated.

24 MR. HAUN: This is Glenn Haun with Arkema. I'll
25 take a first stab at that.

1 So I did not mention rebates in my testimony, but
2 I'll share with you some things that happened relative to
3 that in Arkema's case. So, you know, we were able to get,
4 you know, or maintain some of our volume with different
5 market segments during the 2013-2014 time frame.

6 And when the negative decision came out from the
7 ITC vote, within hours--and I mean within two hours--we had
8 three of our largest customers cancel orders with us for
9 some or most of their 2015 volume.

10 That dollar amount was in the \$7-, \$8-, \$9
11 million range, which is a significant amount of business for
12 us. In addition to that, you know, we then--and let me take
13 that back--and some of those customers told us the reason
14 they were cancelling orders was because their customers,
15 automotive retailers, they didn't tell me exactly which one,
16 but multiple auto retailers, called and cancelled their
17 orders within them within minutes.

18 So as soon as the ITC decision was out, people
19 cancelled orders, even though in their cases they had firm
20 contracts in place to supply product.

21 You know, we did have, you know, customers ask
22 and, you know, almost demand credits with us that in some
23 cases we granted, and in other cases we didn't. And as a
24 result of that, you know, we sacrificed and lost significant
25 volume in 2015 as, you know, I testified to.

1 MR. GEOSITS: Peter Geosits, Mexichem. I very
2 much like what Mr. Haun has said at the point of the
3 negative determination. We had customers call and cancel
4 firm purchase orders for significant quantities of volumes
5 through 2015. And the reasoning they gave us for cancelling
6 those purchase orders was that their customer, again an
7 automotive retailer, cancelled their purchase orders from
8 them, that were firm.

9 And in addition to that, they asked us to rebate
10 them the money that they paid us in excess of previous
11 prices, as compared to before the anti-dumping duties were
12 imposed. And as I testified before, that was several
13 million dollars and it happened within a day of the negative
14 determination.

15 MS. GAMACHE: Two more questions. This question
16 is about valve types, as producers are you able to produce
17 valve types for every type of end-use application or are
18 there certain end-use applications where you can't provide a
19 canister with a particular valve type?

20 MS. SASSANO: This is Beth Sassano from
21 Chemours. I think in one of the testimonies you heard about
22 the different valve for both the HVAC 30-pound cylinders and
23 the automotive and we're able to provide both.

24 MS. GAMACHE: Okay. So, basically there are
25 just two types of valves that are present?

1 MS. SASSANO: Beth Sassano from Chemours again.
2 On the 30-pound cylinders, yes.

3 MS. GAMACHE: Okay. What about the 12-ounce
4 canisters? Do they have a larger array of valves?

5 MS. SASSANO: This is Beth Sassano again for
6 Chemours. For that particular can that you're looking at
7 there, it's a pierced-top seal and we can provide those as
8 well. So, I think what you're asking -- is there anything
9 that would exclude us from participating in the market with
10 different valve types, and the answer to that is no.

11 MR. CANNON: Jim Cannon. You guys remind me --
12 when we talked about this, I think there's an adaptor, so if
13 the Chinese import, like, a half-inch adaptor, they can put on an
14 adaptor for less than a dollar and switch to the other. Is
15 this -- will someone confirm me here?

16 MR. HAUN: This is Glenn Haun with Arkema. Yes.
17 There are multiple adaptors available online and in auto
18 retailers that will convert an HVAC valve to an auto valve
19 or an auto valve to an HVAC valve. So the cost isn't
20 significant. It's not technically challenging to do it, so
21 it's very simple. As far as Arkema goes, we do offer both
22 valves as well.

23 MR. GEOSITS: Peter Geosits from Mexichem. We
24 offer both valve types, HVAC and mobile valve as well. In
25 regards to the question on the cans, we do not package in

1 cans and provide product to the market in cans, but we have
2 distributors who certainly can do that.

3 MS. GAMACHE: Thank you. This is my last
4 question and it involves the possibility of retro-fitting
5 air conditioning equipment or other equipment. But take
6 R134A now, but retro-fitting so that it can take another
7 refrigerant, how possible is that? How cost-intensive is
8 that? Any sort of information regarding that possibility
9 would also be helpful.

10 MR. PACILLO: John Pacillo of Mexichem. Okay,
11 so you're talking about replacing R134A refrigerant in an
12 automobile with, let's say, the next generation, R-1234yf?
13 That won't be legal. The refrigerants are different and you
14 can't make the replacement in that direction.

15 MR. GAMACHE: Thank you. So you can't for legal
16 reasons? Is that what you said?

17 MR. PACILLO: The equipment that's going to be
18 required in order to use R-1234yf as a refrigerant is
19 different than the equipment that's required to use R-134a.
20 So you could take R134A and put it in a R-1234yf system, but
21 you can't take R-1234yf and put it in a R134A system. In
22 either case, the valving on the automobiles themselves will
23 be different and will look to preclude you from doing either
24 one of those.

25 MR. GEOSITS: This is Peter Geosits from

1 Mexichem. I don't know if the question meant, would cars
2 that currently have R-134a in them be retro-fit to R-1234yf?
3 And the answer is no, that will not happen.

4 MS. GAMACHE: And that won't happen because it's
5 physically impossible or because it's cost-prohibitive?

6 MR. GEOSITS: There are several reasons. The
7 properties of the refrigerant are different, so as Mr.
8 Pacillo said, the air conditioning systems are different.
9 And R-1234yf also has a different flammability characteristic,
10 as compared to R-134a. The systems that were designed for
11 1234YF take into account those characteristics, in terms of
12 flammability and other. So as a result, it would not be an
13 acceptable transition to take a car that was containing R-134a
14 and retro-fit R-1234yf.

15 MS. SASSANO: This is Beth Sassano from
16 Chemours. Can I add to that? So if our shift is to maybe a
17 different type of equipment, in the stationary side of
18 things. So just to step back, often equipment is designed
19 for the refrigerant it's going to be compatible with. So
20 once you have a piece of equipment, say, that's been
21 produced to use R-134a, to use a different refrigerant, that
22 is often quite complicated.

23 Number one, it has to start with an extensive
24 engineering evaluation. Then there could be things like the
25 whole electrical system might need to be revamped if the

1 flammability characteristics of the new refrigerant would be
2 different. You might have to change line sizing, piping,
3 valves, flanges, et cetera, in order to be compatible to work
4 with the new refrigerant that might be different pressure
5 temperature characteristics. So I would say often it's not
6 done. Often a new piece of equipment would be installed
7 maybe instead, if the equipment's old, that would be
8 designed for a different type of refrigerant.

9 MR. HAUN: This is Glenn Haun with Arkema. And
10 I would just add to the previous answers that basically that
11 question and that process is controlled by the EPA. The EPA
12 has regulations and they're now using the SNAP process to
13 approve refrigerants for specific applications.

14 MS. GAMACHE: Okay, thank you, everyone. That
15 concludes my questions.

16 MR. ANDERSON: Okay, Ms. Gamache. Mr. Boyland,
17 your turn.

18 MR. BOYLAND: Thank you for your testimony.
19 I've sent the companies follow up questions because,
20 unfortunately, most of the questions I have are specific to
21 each company, so it makes it difficult to ask in this forum.
22 But I do have a few questions, which I would like to ask
23 here.

24 Mr. Pacillo and Ms. Sassano, you mentioned
25 turn-arounds. Could you define what that means for the

1 industry specifically? I was focused on the catalyst
2 aspect, but could you sort of walk me through what that
3 represents?

4 MR. PACILLO: John Pacillo with Mexichem. Okay,
5 so for our specific plant, I mentioned the catalyst last,
6 approximately three years, and so every three years we have
7 to replace the catalyst, and that's going to take us a month
8 or so to do just that activity.

9 But during that time, we have mechanical
10 integrity requirements that we have to meet. Mostly
11 inspections, maybe some pressure testing, things like that,
12 and we also have other major maintenance that we can only do
13 when the plant is shut down.

14 For instance, distillation column, we may need
15 to change the packing. So you try and line up all those
16 opportunities that are going to take major time and do those
17 when you're already planning to be down. So a large portion
18 of our mechanical integrity, program inspection, x-rays,
19 always takes place during that time.

20 Equipment oftentimes will develop deposits that
21 need to be removed so that it continues to function
22 efficiently. That will happen during that period of time.
23 We take large portions of the plant apart, inspect it, and
24 put it back together again.

25 MR. BOYLAND: And this process is about a month?

1 From beginning to end?

2 MR. PACILLO: Okay, so in our case, the catalyst
3 change portion is around a month. The entire shutdown is
4 about forty-five days. The first portion of the shutdown is
5 devoted to decontamination of the equipment and preparing it
6 for maintenance. So you have to remove all the hazardous
7 chemicals, put them in safe locations, decontaminate the
8 equipment so when someone takes it apart, there isn't any
9 hydrogen fluoride remaining.

10 So that's the first part of a turnaround. Then
11 you gradually turn over what we call systems or groups of
12 pieces of equipment to maintenance. They perform that
13 maintenance activity, and then they gradually return those
14 systems to operations, who then go through them and do what
15 we call a chemical import checklist, which is to make sure
16 that all the punch list items are completed, all the
17 equipment is back according to the piping and instrument
18 diagrams, it's been put back correctly. That it's been
19 leak-tested, and that it's ready to receive chemicals.

20 And we do that in stages as well. So you
21 decontaminate the plant, you hand it over in pieces, they
22 work on it completely for maybe a two-week period out of
23 that whole time is actual one hundred percent maintenance,
24 and then at the back end of that, you start turning those
25 systems back over, preparing them for return to chemicals

1 and operation, and then, in our particular case, we do a
2 catalyst preparation stage and then when that stage is
3 complete, we return the plant to operation by turning on the
4 remaining feeds.

5 MS. SASSANO: Mr. Boyland, this is Beth Sassano
6 from Chemours. Can I add to that?

7 MR. BOYLAND: Yes, ma'am.

8 MS. SASSANO: So in the case of Chemours, we
9 have an -- our 134A plant is in Corpus Christi, Texas, and
10 the turnarounds are planned, as he mentioned, so we already
11 have a schedule of what we're going to do when we turnaround
12 the plan, so we build ample inventory knowing that the
13 shutdown's going to be X amount of days so that we can come
14 out of it without any disruption. And the plant shutdowns
15 include, as he mentioned, inspections, prevent and
16 predictive maintenance and for our case, we do this on an
17 every two-year basis.

18 MR. BOYLAND: Every two years? And Mr. Pacillo,
19 was that case for Mexichem? Every two years?

20 MR. PACILLO: Our schedule is -- we're on a
21 three-year turnaround.

22 MR. BOYLAND: Three year, okay. And for Arkema,
23 is this considered --

24 MR. HAUN: I'm not familiar with the exact
25 timing on our shutdown -- well, on our shutdowns for

1 catalyst change, but it's my best guess that it's either two
2 or three years. We monitor the condition of the catalyst
3 and then make that determination well in advance, and to
4 Beth's point, plan accordingly, make sure we build enough
5 inventory for -- even in extended shutdown, if for some
6 reason we run into a problem, it's extended.

7 MR. BOYLAND: And sort of, just as an accounting
8 issue, how much of this is capitalized versus expensed?

9 MR. PACILLO: Okay, so in our case, because it's
10 a three-year event, that event itself is capitalized and
11 then the major projects within that event, so other large
12 expenditures are also capitalized.

13 MR. BOYLAND: So some of it is expensed, but my
14 impression is that a large majority of it would be
15 capitalized. Is that a fair characteristic?

16 MR. PACILLO: John Pacillo, Mexichem. Yes, in
17 our case, the vast majority of the overhaul is capitalized.

18 MR. BOYLAND: And for Chemours?

19 MS. BUTERBAUGH: I think we can address that in
20 a posthearing brief.

21 MR. BOYLAND: Okay, thank you.

22 MR. HAUN: Glenn Haun with Arkema. We'll do the
23 same, in a posthearing brief.

24 MR. BOYLAND: Thank you. And this is sort of
25 just a general question. My understanding is Mexichem is

1 the only company that is vertically integrated all the way
2 back to fluorspar. Is that correct?

3 MR. PACILLO: John Pacillo with Mexichem. To my
4 knowledge, that's correct. Mexichem operates a fluorspar
5 mine in San Luis Potosi, Mexico, a hydro fluoride plant in
6 Matamoros, Mexico, and we take our hydrogen fluoride from
7 that plant and produce 134A in St. Gabriel, Louisiana.

8 MR. BOYLAND: Okay. So the other producers
9 essentially don't go all the way back to fluorspar in terms
10 of integration?

11 MS. BUTERBAUGH: Magen Buterbaugh with Chemours.
12 Correct. We're backward integrated into HF.

13 MR. BOYLAND: HF? Okay. Great. And I know Mr.
14 Clark is going to have technical questions, but in terms of
15 the producers using -- there's two primary raw materials as
16 I understand it -- HF and the chlorine starting component?
17 Which can be TCE or PCE.

18 Is TCE used universally? Or is PCE used?

19 MR. PACILLO: John Pacillo. I'll speak for
20 Mexichem. We use trichloroethylene, TCE.

21 MR. BOYLAND: Okay. And Arkema?

22 MR. HAUN: We'll follow that in the posthearing
23 brief.

24 MR. BOYLAND: Okay, thank you.

25 MS. BUTERBAUGH: We will do the same.

1 MR. BOYLAND: Great. This is sort of a related
2 question. The petition does provide a normal value
3 calculation, which can give me a general idea of the
4 relative importance of TCE or PCE and HF. Could each
5 company -- so I can get a specific ratio, company-specific
6 -- provide that in their post conference? Basically a share
7 of total raw material for HF?

8 MR. CANNON: So Jim Cannon. So that was the --
9 based on the standard cost for building materials for one of
10 the three that we used in the petition?

11 MR. BOYLAND: Yes.

12 MR. CANNON: So what you want is all three of
13 them?

14 MR. BOYLAND: Correct. For each company.

15 MR. CANNON: And you already have one?

16 MR. BOYLAND: Yes, I do.

17 MR. CANNON: We will provide.

18 MR. BOYLAND: Thank you. Amy and Lauren already
19 asked questions about raw materials and the extent to which
20 there were any significant changes in price. I sort of took
21 it to be -- the concerns that there weren't any major price
22 issues in terms of the inputs. Is that true with respect to
23 both HF and the chlorine started component?

24 MR. CANNON: I think in the questionnaire
25 response, we answered in general, and what you're

1 characterizing is correct if they fluctuate. This is
2 obviously sensitive to the company, so we'll answer this on
3 post conference as well.

4 MR. BOYLAND: Great. Thank you. And this is
5 sort of just another house-cleaning question. The chlorine
6 starting component part of this, none of the producers are
7 integrated with respect to that part? It's the HF
8 component. Is that true?

9 MS. SASSANO: This is Beth Sassano from
10 Chemours. That's correct for Chemours.

11 MR. GEOSITS: Peter Geosits from Mexichem.
12 That's the case for Mexichem as well.

13 MR. HAUN: Glenn Haun. We'll call that in a
14 brief.

15 MR. BOYLAND: Thank you. And I guess with
16 respect to inputs, I'd also be interested -- if there were
17 any supply disruptions, anything essentially that would've
18 been impacting your costs, so not just price -- I'm assuming
19 price would be impacted by supply disruption. But this sort
20 of leads into the next question, which I'm going to have to
21 be really careful in terms of how I ask it, but in a number
22 of cases, U.S. producers are fairly similar in terms of
23 directional trends and average raw material costs.

24 Um, in this case, it's a little mixed and I
25 can't obviously ask each company here what was the

1 difference. But could each company take a look, unitize
2 your raw material cost and take a look at the trends and
3 give me your insight as to what accounts for the change, if
4 it's positive, negative, the magnitude? It's a general
5 question, but --

6 MR. CANNON: So this is Jim Cannon. I think --
7 I want to say this is your question number six to Mexichem.
8 Each of your questions, you've essentially asked this, at
9 least how I interpreted it, and we will answer it, and each
10 company will explain --

11 MR. BOYLAND: Yes, I should have prefaced that
12 by saying, I am probably asking questions that I've already
13 asked, but it is important, I think, to understand. So,
14 yes.

15 MR. CANNON: You appreciate this is very
16 proprietary to them, these different processes. The
17 Commission has in a previous case already seen the fact that
18 that Chinese have essentially stolen the proprietary
19 technology of one of these companies and they use the same
20 plant, so they are very sensitive about how they produce the
21 product and thank you.

22 MR. BOYLAND: Thank you.

23 MR. SCHAGRIN: Mr. Boyland, this is Roger
24 Schagrin. I do just want to clarify because we can make
25 this public for the record, that regardless of any

1 information you'll get in the post conference brief on
2 prices of raw materials or any changes, that during this
3 period of investigation, in contrast to the previous
4 investigation, there were no known supply disruptions of any
5 raw materials to produce R134A at all.

6 We all understand the last case and this case
7 are different and different records. But it's important
8 just because of the issues in the previous case which is
9 under appeal, that during this period of investigation,
10 there were no known supply disruptions of raw materials to
11 produce R134A.

12 MR. BOYLAND: Thank you. And again, I think
13 that's sort of, at least from my standpoint, illustrates
14 why, on a company specific basis, I'd like to get a little
15 more insight in terms of the pattern that I'm seeing. But I
16 appreciate your point.

17 And this is also sort of a question that I think
18 I've already asked, but just sort of, in the
19 company-specific follow up, in terms of any operational
20 issues that the U.S. producers experienced the period, some
21 of which I think was alluded to or described in Part Two of
22 the U.S. producer questionnaire.

23 I would like to know, and what I'm assuming will
24 be post conference briefs, specifically how those
25 operational issues impacted the financial results. And that

1 would include both the ability to generate revenue and how
2 those operational issues impacted cost structure, so I'll
3 leave it at that. But I think it's important for me to
4 understand, sort of what we're looking at, and why some of
5 the company-specific costs look the way they look.
6 Appreciate your time. I have no further questions. Thank
7 you.

8 MR. ANDERSON: Okay, thank you, Mr. Boyland.
9 And now Mr. Clark.

10 MR. CLARK: Good morning. I want to thank -- I
11 want to be like my colleagues here and thank you for coming
12 today. I know it is an effort, so I appreciate your coming
13 today to answer questions. A lot of questions that I had in
14 mind have, of course, already been asked and answered.

15 One thing I want to ask, based on your handout,
16 is -- so on the last page you pointed out the capacities of
17 the Chinese companies and you looked at the U.S. market.
18 And you mentioned it's a IHS and some other company data. I
19 just want to know what report you used -- what the date was
20 on that, just to see if I can obtain from our records here.

21 MR. CANNON: Jim Cannon. Sure, the report is
22 attached in the petition and in the exhibits to the petition
23 and if you will bear with me, the report is February 2014.
24 It's the IHS chemical economics handbook, Fluorocarbons, and
25 it's found at Roman II-12 in the exhibit package.

1 MR. CLARK: So to follow up with that, then the
2 capacities that you show here are for 2012, I assume?

3 MR. CANNON: Probably -- if you want us -- we
4 didn't supply the entire report on fluorochemicals. We did
5 our 134A on China. I'll look and see if there's some
6 methodology, but typically those reports which come out in
7 February of 2014, you would be correct that it's probably
8 2013 capacities, and in fact, you would expect there would
9 be growth in the assessment here that I think that the
10 witnesses believe there has been growth in the Chinese
11 industry since that time.

12 MR. CLARK: I agree. That's one of the reasons
13 why I wanted to get some date for what these are data are
14 based on so --

15 MR. CANNON: Jim Cannon. We'll do that.

16 MR. CLARK: One comment was made that you have
17 sufficient capacity for all of the U.S. market, but you also
18 commented, you have comments that you traditionally supply
19 all of North and South America as well because the U.S.
20 facilities are the only ones in the Americas. Do you have
21 sufficient capacity to supply all of the Americas, or would
22 some of that need to be satisfied by imports?

23 MS. SASSANO: Hi. This is Beth Sassano from
24 Chemours. In our case, for our other regions outside of the
25 United States, we can supply from other places if we don't,

1 if we're not going to supply from the U.S. But we can
2 sometimes. It just depends on, you know, what we're doing
3 in that particular year. But I think it's a little bit
4 different than what the other company had said.

5 MS. BUTERBAUGH: Magen Buterbaugh with Chemours.
6 Was your question specific to whether our U.S. capacity can
7 meet the needs of the Americas?

8 MR. CLARK: Yes.

9 MS. BUTERBAUGH: Our answer is in our customer
10 demand case, absolutely yes.

11 MR. CLARK: Thank you.

12 MR. GEOSITS: Peter Geosits from Mexichem. The
13 answer is yes for Mexichem, and in addition we have another
14 plant in Japan that produces R134A, and we could supply
15 export markets from that plant as well.

16 MR. CLARK: Okay, thank you.

17 MR. HAUN: This is Glenn Haun. To confirm, our
18 answer is similar to Peter's. We also have a plant in
19 Europe. So if there were ever an issue, we could certainly
20 supply. But as it exists today, we can supply both demands,
21 both region's demands out of the U.S.

22 MR. CLARK: Okay, thank you. I was just trying
23 to get a sense of again, whether there was enough sufficient
24 capacity to meet everything here in the Americas or if there
25 would be a need to draw some imports in, so thank you.

1 Looking at some of the phase out issues, so
2 we're looking at 2017 in the EU, and that's for new model
3 types, right, things that are going to be approved to be put
4 on the road and in the U.S. it's 2021. What about some of
5 the other markets? Is Japan going to be following that?
6 What about China? Are China's cars going to be modified or
7 are they going to continue to use R134 into the foreseeable
8 future?

9 MR. HAUN: This is Glenn Haun. I'll take a stab
10 at that answer, although it's rather difficult. You know, I
11 think many of you probably know that the U.S. forces within
12 the EPA and other groups are trying to influence other parts
13 of the world to either Montreal Protocol and the process for
14 either regulating or controlling, you know, the HFCs,
15 similar to what they did with HCFCs.

16 So it's -- the U.S. intent, again to see that
17 happen. But in our opinion, it's many, many, many years off
18 and most likely decades away. Or I'll take that back. It's
19 in my opinion.

20 MR. GEOSITS: This is Peter Geosits from
21 Mexichem. I wouldn't disagree with Mr. Haun's opinion.

22 MS. BUTERBAUGH: This is Magen Buterbaugh of
23 Chemours, and I just want to make sure for the record that
24 the regulation that you were discussing around EU in 2017
25 and in the U.S. in model year 2021 is for light duty at this

1 point. So again, very specific, very specific to a specific
2 car, and looking at the global business markets, I mean we
3 don't again foresee any near-term regulations, as Glenn
4 commented as well, that would drive further erosion of 134A.

5 MR. CLARK: Okay, than you.

6 MR. CANNON: This is Jim Cannon. Everyone
7 answered, but I think I heard a different question. I
8 thought you were asking us were there similar movements in
9 Japan and China to what's happening in the U.S. and an even
10 faster pace in Europe, and I think implicit in your question
11 you were asking the witnesses whether in China, for example,
12 are they going to switch, R-1234yf or are they going to
13 continue using R134A.

14 If the witnesses don't know, we can answer in
15 post-hearing or I invite anyone to answer.

16 MR. HAUN: This is Glenn Haun. You know, my
17 answers were relative to the use or projected use of 134A in
18 China by Chinese automotive OEMs.

19 MS. BUTERBAUGH: Yeah. Megan Buterbaugh with
20 Chemours. So just to be clear we -- our belief is that
21 China will continue to use 134A.

22 MR. CLARK: Okay, thank you. There was some
23 other regulations put out recently by the U.S. to say that
24 leakage is going to be -- for HFCs is going to be more
25 tightly controlled. How much of that do you see impacting

1 R134A? I assume it would just be clearly after-market, so
2 that's not going to be OEMs.

3 But how soon will that impact for R134A and what
4 I looked at was fairly generic. It didn't specify exactly
5 which HFCs would be included in that. But I just want to
6 make sure you think it's going to have any impact at all on
7 134A.

8 MR. GEOSITS: This is Peter Geosits from
9 Mexichem. In terms of specific regulations regarding
10 leakage, there have been efforts by the automakers and
11 manufacturers to reduce leakage and the use of refrigerants
12 in the past as well. This is not anything new, and the
13 leakage rates in automotive AC systems with regard to
14 fittings, hoses and the permeation of 134A through those
15 systems has been reduced significantly.

16 So this is not -- this is not a new thrust for
17 the industry. So we've seen this before, and it has reduced
18 the amount of product that's being used. But it's not going
19 to cut off the amount of 134A that will be used in the
20 future.

21 MR. CLARK: Okay, thank you. Let me just touch
22 on reclamation, because it's such a big deal and the HFC
23 Blends case. If we're concerned about leakage with this
24 refrigerant, it seems to me that we're probably less
25 concerned about reclamation for R134A, especially when it's

1 in cars.

2 But if cars are going to be, you know, cars are
3 traded in, they're going to be demolished, whatever else, is
4 there any reclamation there and does that venture back into
5 the market in any way?

6 MS. SASSANO: This is Beth Sassano from
7 Chemours. So we look at the reclamation market and we
8 looked at it for the HFC blends, and what we see happening
9 today is it's mostly focused on R22, which is being phased
10 down. The reason for that is there's not enough supply in
11 the market for the demand, and also because of that the
12 prices are high.

13 So in terms of 134A, we have seen hardly any of
14 that happening in the Period of Investigation.

15 MR. HAUN: This is Glenn Haun with Arkema. I
16 would encourage you to, you know, review and talk to the
17 EPA. There is a regulation, I believe it's 609, that covers
18 the recovery and processing of R134A in any kind of mobile
19 air conditioning system. That covers the use and
20 reclamation of cylinders by I believe mechanics.

21 So again, I would encourage you to review that
22 information, because to my knowledge you know, there is a
23 very rigid process in place that's regulated by the EPA
24 that requires certified technicians to account for all of
25 the refrigerant that they handle within their service

1 stations or their service shops.

2 MR. GEOSITS: Peter Geosits from Mexichem. In
3 regards to reclamation, you heard Ms. Sassano talk about R22
4 and certainly there's a great deal of interest in recovery
5 and reclaiming R22 because of the price of the product.

6 Something that we've seen in this market in
7 terms of 134A and reclamation is that because of the
8 depressed pricing in the market as a result of Chinese
9 imports coming in, the prices of 134A have dropped
10 dramatically to such a level where there isn't a tremendous
11 amount of interest on the people who provide reclamation to
12 recover 134A.

13 Obviously, that could change if the price
14 changes. Basically it's just cost-prohibitive. It doesn't
15 make financial sense to deal with it.

16 MR. CLARK: Okay, thank you.

17 MR. HAUN: This is Glenn Haun. Yeah, that
18 really goes into the whole question of reclamation and
19 outside of mobile air conditioning, the challenge is, you
20 know, the prices being offered by the Chinese have brought
21 the price down so low that it's extremely cost-prohibitive
22 to try and reclaim it, and the problem for us as a community
23 is people are probably doing things they shouldn't be doing
24 because it's more expensive to return it than it is to just
25 vent it.

1 MR. CLARK: Okay, thank you. One thing that has
2 been discussed today is the increasing imports that have
3 been brought in in smaller containers. Does that have any
4 impact, other than the fact that it's able to side-step
5 processes, it's able to cut costs for people who are further
6 down the chain and therefore they are disinterested in
7 buying bulk?

8 MS. SASSANO: This is Beth Sassano from
9 Chemours. So in our case, we not only sell the bulk but we
10 also sell the 30 pound cylinders. So in our case it's
11 cutting off a direct channel of selling the bulk to people
12 that would convert them into packages. From our analysis,
13 about 60 percent of the imports coming in are already
14 packaged, either in cans or in the 30 pound cylinders today.

15 MR. CLARK: Okay, thank you. I wanted to get
16 some sense of the share. So thank you for that.

17 MR. GEOSITS: This is Peter Geosits from
18 Mexichem. In addition to the comments from Chemours, we
19 don't package in 12 ounce cans, but we have distributors who
20 do that. There's certainly impact on those distributors,
21 because they're not getting the use out of the packaging
22 facilities that they anticipated in doing.

23 In addition, if the cans are coming over from
24 China, the can manufacturers in the United States are also
25 affected, and the same thing goes for cylinders as well as

1 cans.

2 MR. HAUN: This is Glenn Haun. Yeah, and just
3 to complement that, I would say, you know, the prices that
4 we've seen being offered for 134A cylinders out of China are
5 so low that many times, you know, that price per pound, even
6 though it's in a cylinder, is used as a barometer or as a
7 benchmark for us against all of our bulk business.

8 So what we would say is there's been a price
9 bleed on the low-priced Chinese cylinders on all market
10 segments almost daily. It's been painful.

11 MR. CLARK: Okay, thank you. The last thing I
12 want to get into is just end uses and applications. Have
13 there been any significant changes in applications for R134A
14 and are there any anticipated changes in the applications?
15 Again, you mentioned that one reason for what was deemed a
16 shortage, you know, about five years ago was because of a
17 new application opened up. I just wondered if there are any
18 new applications that are coming on line for 134A.

19 MR. HAUN: This is Glenn Haun with Arkema.
20 During the Period of Investigation, there's been no
21 significant changes, increasing or decreasing the overall
22 volume, in our estimation, you know, in the U.S. market.

23 MS. SASSANO: This is Beth Sassano from
24 Chemours. To build on that, because our industry has been
25 so injured and because of the low-priced Chinese imports,

1 it's been very difficult for us to even think about
2 investing in new applications for 134A. So we don't see any
3 on the horizon, because we haven't had the investment to do
4 it.

5 MR. SCHAGRIN: This is Roger Schagrin. Just to
6 clarify, there was no shortage in the previous period.
7 There was increases in raw material costs.

8 MR. CLARK: Okay, thank you. I have no further
9 questions at this time. Thank you.

10 MR. ANDERSON: Okay, thank you Mr. Clark, and
11 before I turn to Mr. Duncan, I just wanted to follow up on
12 the exhibit about the Chinese capacity on I think it's Slide
13 13 in the Chemicals Handbook. Could you just clarify or do
14 you know if the Chinese producers that aren't represented by
15 counsel here today, if they are exporting and if they're
16 exporting to the U.S. during the POI or if you want to
17 address that in post-conference brief.

18 MR. CANNON: I sure will address it in
19 post-conference, and we need to look at some data and
20 compare it to Peers.

21 MR. ANDERSON: Thank you. All right. Mr.
22 Duncan.

23 MR. DUNCAN: Yes, thank you. My first question
24 I wanted to follow up with the line of questioning from my
25 colleague David Boyland, the catalyst changes. A lot of

1 good information was discussed about what that is, how it's
2 once every two or three years depending on the firm.

3 Have in our particular Period of Investigation,
4 from 2013 to 2015, any of the companies here have one of
5 those catalyst changes and if so in one what year or period?

6 MR. PACILLO: Mexichem had a shut down in
7 catalyst change in the fall of 2015, last year.

8 MR. HAUN: This is Glenn Haun with Arkema. I
9 have to follow that up, only because I'm not in charge of
10 Operations. So we'll file that in the post-conference
11 brief.

12 MR. DUNCAN: Okay.

13 MS. SASSANO: This is Beth Sassano from
14 Chemours. We'll do the same. I have to go back and look at
15 the data.

16 MR. DUNCAN: Okay, thank you. So please yes
17 follow up with that information for those who haven't said
18 it in a public forum in your post-conference submission. I
19 have a general question for witnesses. Is this market or
20 the number of markets that all want to be 4A served
21 generally a growth market or a mature, potentially declining
22 market?

23 MR. HAUN: This is Glenn Haun. I think we've
24 addressed that in a couple of different answers. So I
25 apologize, but I'll try and make sure it's clear now. It's

1 our estimation that in the Period of Investigation that
2 we're talking about, you know, the overall demand has been
3 stable and in some cases, in some market segments, it might
4 have actually increased due to the number of vehicles that
5 are on the road and the number of new vehicles that continue
6 to be produced and the length of time that people are
7 keeping their cars.

8 The longer you keep it, the more you're going to
9 most likely need a recharge in your air conditioning system.
10 So I would say overall, it's been stable during the Period
11 of Investigation.

12 MR. DUNCAN: The other companies?

13 MS. SASSANO: This is Beth Sassano from
14 Chemours. I would agree with what he has said. Maybe the
15 other thing to think about too is if we look at the overall
16 global capacity for 134A, it's about 350,000 metric tons,
17 right. When you look at the demand globally, because
18 there's a lot of put and takes, as Megan mentioned earlier,
19 the cars in Asia are going to continue and that's a big
20 growth market in China. Those cars are going to take 134A.

21 So you have that part growing. But I think it
22 all steadies out to say that it's probably a flat market
23 overall globally, and it's about 70 percent capacity
24 utilized right now.

25 MR. DUNCAN: Okay. Well, I'm more really

1 interested in the U.S. market. Do you have any insights,
2 not talk about the global market including China and other
3 markets --

4 MS. SASSANO: This is Beth Sassano from Chemours
5 again. Just complimenting what Glenn has said, in the
6 Period of Investigation we saw the market very stable, and
7 due to some regulations that are happening there may be a
8 slight decay in the market. But it's going to be in the
9 foreseeable future, 15 to 20 years, still huge amounts of
10 134A because of the aftermarket that we serve.

11 MR. DUNCAN: Mexichem, do you have anything to
12 add?

13 MR. GEOSITS: Peter Geosits from Mexichem. We
14 agree that the market during the Period of Investigation was
15 stable.

16 MR. DUNCAN: Okay, and then a question. In of
17 the slides or I guess not slides, but the confidential
18 handout that you gave here about compilation of apparent
19 consumption, which shows, you know, a pretty sizeable
20 growth, how does that square then with the testimony of a
21 stable potentially declining, maybe slightly increasing
22 market?

23 MR. CANNON: The apparent consumption data are
24 affected by the fact that we did not have importer
25 questionnaires to use import shipments, and therefore we

1 used imports. So there's a timing problem because imports
2 arrive; for example in 2014, there was a huge surge in
3 imports because of the first case. There was a finding of
4 critical circumstances.

5 So there's a big volume that comes in that hits
6 that apparent consumption line. When the Commission does
7 its normal approach and uses shipments rather than imports,
8 you would push that inventory that builds up through the
9 year, and we think that would smooth out apparent
10 consumption. So that's one issue.

11 The second issue is we know that the census data
12 under-report because of misclassification. So the problem
13 we have is what's the best data set, and I think what you
14 have is pretty darn good, in the sense that it shows you
15 that trend. But when you get into going year to year on
16 something like consumption, you do have these problems
17 because the database we're using is not your own collective
18 data from all your importer questionnaires, as you would
19 normally have when you have a better coverage rate and
20 better return in terms of your questionnaire responses.

21 We only have what came in through Tuesday. So
22 if more comes in, you know, that issue you're describing, I
23 think what the industry is saying is what we would expect to
24 see.

25 MR. HAUN: This is Glenn Haun with Arkema. You

1 know, what I would add to that is, you know, as the industry
2 has changed over the last three years due to the prices
3 offered by the Chinese suppliers, many more companies have
4 gotten into the business and import large volumes of product
5 that were not involved in this process in the past.

6 From Arkema's perspective, you know, we believe
7 the market, overall market demand is stable, maybe slightly
8 increasing, but our market share has decreased significantly
9 and we've lost, you know, large customers to the Chinese
10 suppliers based on price, period.

11 MR. SCHAGRIN: This is Roger Schagrin. Mr.
12 Duncan, I think the explanation to your question is probably
13 changes in Chinese inventories in the U.S. My understanding
14 from the business people here is that along with that surge
15 of imports from China in 2015, that you now have massive
16 buildups of inventory of Chinese R134A in the U.S. market,
17 whether your importer responses will account for that or
18 not.

19 But these business people have reported that the
20 distributors who are offering these price lists out on a
21 weekly or monthly basis are now stocking huge amounts of
22 Chinese product in the U.S., and of course inventories don't
23 equate to current consumption. So presumably if you get
24 good importer responses as to what importers have shipped
25 versus increased inventories, that will smooth out some of

1 your consumption numbers.

2 But of course, it's both a current injury and a
3 threat argument. I mean in response to the Commission's
4 negative determination, everybody and their brother seemed
5 to have gotten into an industry in which they said wow, if I
6 can buy Chinese for 20 percent less than domestic, this
7 looks like a good business.

8 There's lots of people to resell it to. I don't
9 have to just sell it to big box retailers. There's
10 thousands of gas stations in the United States, you know. I
11 just need to get it out, and if I have on a commodity
12 product that people buy on price the better price, why don't
13 I buy it cheaper than I can buy domestically, stock it here
14 and get it out to people?

15 So you know, that both depresses prices, takes
16 market share away from the U.S. industry and then of course
17 those increased inventories are an additional future threat
18 to the U.S. industry.

19 MR. DUNCAN: Thank you for that testimony
20 everybody. We will definitely look at the various data
21 sources that's available to us on this record, in terms of
22 trying to look at and understand this market. So we'll
23 explore that in the staff report and invite you to in your
24 post-conference briefs.

25 A similar related question or line of

1 questioning. The plants that produce the merchandise
2 subject to these investigations, I understand to be large
3 capital-intensive dedicated facilities; is that correct?

4 MR. PACILLO: John Pacillo, Mexichem. Yes, very
5 correct.

6 MS. SASSANO: Beth Sassano from Chemours, yes.

7 MR. HAUN: Glenn Haun with Arkema, yes. It is a
8 dedicated plant.

9 MR. DUNCAN: Have any of these plants been
10 decommissioned over the Period of Investigation?

11 MR. HAUN: Glenn Haun with Arkema. To my
12 knowledge no, and again I'll confirm that in our
13 post-conference brief.

14 MR. DUNCAN: Other companies wish to --

15 MR. PACILLO: You're asking about the domestic
16 industry for our three companies? No, all three plants are
17 still in operation.

18 MR. DUNCAN: Within then a facility, are there
19 lines of production that may have been shut down, or does it
20 not work like that?

21 MR. PACILLO: Okay. John Pacillo from Mexichem.
22 If you're talking about the production of the actual bulk
23 product, the refrigerant fluid no, there aren't any separate
24 lines or things like that. You make it, analyze it, put it
25 in a sphere, package it and ship it. Now when you start

1 talking about actual production of cylinders and can, then
2 you're talking production lines, and I really can't speak to
3 that.

4 MR. DUNCAN: And that wasn't the purpose of my
5 line of questioning. It was the production of the actual, I
6 guess, molecule.

7 MR. PACILLO: Correct.

8 MR. HAUN: Yeah, from Arkema's perspective
9 again, I'm not, you know, I'm not over-elaborations. But I
10 believe our plan is turn it on, run it and then when we have
11 to turn it off, we turn it off. So you can't slow it down.

12 MS. SASSANO: Beth Sassano from Chemours. We
13 have a dedicated line that produces the 134A.

14 MR. DUNCAN: All right. Given that these are
15 huge capital-intensive operations plants and they're
16 essentially a single line that produces R134A, none of them
17 were decommissioned, what explains the huge if we look at
18 again the yellow slides, the huge decline in capacity for
19 this product over the Period of Investigation?

20 MR. CANNON: Jim Cannon. So that's the
21 aggregate of all three companies and without revealing
22 confidential data, the companies have different operating
23 experience. So for example, you heard that there might be a
24 catalyst change. These companies are reporting to you their
25 practical or effective capacity adjusted for such events,

1 right.

2 So they didn't just take their name plate
3 capacity off the machine and say this is the max we could
4 report. They all are reporting to you accurately their
5 effective capacity. So there would be reflecting in the
6 year to year movement in the capacity for those type of
7 things.

8 MR. DUNCAN: That's what I would have expected. I
9 already had a line of questioning on those particular
10 events, the planned catalyst changes. Over this Period of
11 Investigation, 2013-2015, were there any unplanned
12 disruptions to your production operations in relation to
13 R-134a?

14 MS. SASSANO: This is Beth Sassano from Chemours.
15 So I mentioned about the turnarounds, scheduled turnarounds,
16 and in 2014, the end of 2014, Chemours had one.

17 We built ample inventory going into that
18 turnaround, and while we were in our inspection phase we
19 came across mechanical issues. One of the core values of
20 Chemours, and was DuPont, is about safety and environmental
21 compliance. So we stayed down in order to maintain--I'm
22 sorry, to fix those repairs, and then we came back up.

23 In the meantime, we were able to purchase
24 material from other domestic suppliers because, as we
25 mentioned in prior testimony, there's excess capacity in the

1 market. So we got purchases from the U.S. domestics and
2 were able to meet our customer commitments.

3 MR. DUNCAN: Thank you for that testimony, Ms.
4 Sassano. I think that helps explain maybe the numbers we're
5 looking at.

6 So you indicated, with planned catalyst change
7 you build up inventories, generally, right? To plan for
8 that--you know, this applies to your customers during the
9 course of a plant disruption, and here you had a situation
10 where you had to stay offline a little bit longer to deal
11 with this mechanical issue, but you were able to supply your
12 customers--correct me if I'm misquoting your testimony--with
13 the purchases you were able to make after you depleted what
14 you'd built up in inventory?

15 MS. SASSANO: Beth Sassano, Chemours. That's
16 correct.

17 MR. DUNCAN: Thank you. Did any of the other
18 domestic producers have similar, or different unplanned
19 disruptions to their R-134a operations?

20 MR. PACILLO: John Pacillo from Mexichem. Just to
21 go back to your capacity question just for a second, we're
22 filling out a questionnaire that asks for capacity for '13,
23 '14, and '15. And so I provide you that capacity for '13,
24 '14, and '15. The question I would prefer to have answered
25 is: What's your average capacity over the lifespan of your

1 catalyst?

2 And I would have taken '13, '14, and '15, added
3 them up, and divided them by 3, because that's the way we
4 really look at it. Okay? We've got a known outage that we
5 have to do once every three years. So my average capacity
6 is really, runs in three-year increments.

7 MR. DUNCAN: Well that type of an exercise
8 actually would be I think pretty interesting to get in your
9 post-conference submission across all firms.

10 So if you actually had, disregarding the
11 unplanned disruptions, but if you sort of smoothed over the
12 catalyst change, and what would your capacity over the
13 period actually look like if you didn't take into account
14 your capacity reduction for a catalyst change in the
15 specific month that it occurred?

16 MR. PACILLO: John Pacillo, Mexichem. We'll be
17 happy to do that. But the answer to the second part of your
18 question in terms of unplanned outages, I mean they are
19 large, complex plants. Sometimes a pump will go out, or a
20 valve will go out, or there will be small leaks. So there
21 are small, incremental hours of down time that occur over
22 the course of a year.

23 But the impact of Chinese imports in terms of
24 inventory control really outweighs all of that over the
25 course of a year from what we've seen. So inventory control

1 shutdowns are the only unplanned events of any real
2 significance that we encountered in that three-year period.

3 MR. HAUN: This is Glenn Haun with Arkema. As far
4 as our company goes--and I will confirm this again in our
5 post-conference brief--but to my knowledge, we had no
6 unplanned outages during the Period of Investigation.

7 We did extend some of our planned shutdowns due
8 to, again, you know, the low-priced imports taking
9 significant share from us, and based on the lack of, you
10 know, demand of orders that we had anticipated to get. So
11 we did end up extending some of those shutdowns due to that
12 factor.

13 MR. DUNCAN: Okay. Thank you. If you could
14 provide the details of when those occurred in the
15 post-conference submission.

16 We had extensive discussion of sort of the
17 condition of competition in this industry because of these
18 planned shutdowns for the catalyst changeover where you have
19 to build up inventories in the lead-up to these shutdowns so
20 that you can meet the demand from your customers in that
21 period.

22 But we also had a--so that might have something
23 to do with changes in U.S. producers' inventories over a
24 given period. But we had a conflicting testimony from Mr.
25 Cannon as to subject imports causing the buildup in domestic

1 inventories.

2 So how do we weed out whether buildup in domestic
3 inventories relate to these planned shutdowns, or whether
4 they relate to the impact of subject imports in the domestic
5 market?

6 MR. CANNON: We're addressing it in the brief, but
7 if you look at the whole domestic industry, or the aggregate
8 of all three companies, the various catalyst replacement,
9 other shutdowns, are routine events which happen throughout
10 the Period on a regular basis.

11 And so I would not expect that over the aggregate
12 data of all the companies you would see spikes in the
13 inventory that was the reflection of what's happening in
14 terms of their operations. What you're actually seeing is
15 the steady rise of inventories over time.

16 In fact, you just heard that there was an
17 unplanned shutdown. You would think you would see a decline
18 in inventory that year. Instead, what you are seeing is a
19 steady rise in inventories.

20 And as Roger mentioned, we think the data is
21 going to show a steady rise in import inventories, as well,
22 because there's more and more imported product in the
23 market. And I think since it is on an aggregate basis, I
24 can address this in the confidential brief.

25 MR. HAUN: This is Glenn Haun with Arkema. I

1 would also add to that, because the Chinese have become so
2 aggressive with low prices with 30-pound cylinders, and
3 depending on who you talk to, you know, the shelf life for
4 30-pound cylinders of refrigerant is extensive--you know,
5 multiple years--you've seen people bring inventory in and
6 not worry about selling it for years.

7 MR. DUNCAN: Alright. So to the degree you can
8 weed that out or have any insights into the evolution of
9 inventories, not a critique, just a note. Typically in your
10 pink slides you've looked at beginning-of-period
11 inventories. The Commission generally analyzes
12 end-of-period inventories. So you may want to look at both,
13 or at least not ignored, end-of-period inventories.

14 Mr. Geosits, you had testimony about the role of
15 competition with China in some of your export markets. Can
16 you go into a little more detail of what competition you're
17 facing, what specific export markets you're facing this
18 competition in?

19 MR. GEOSITS: Peter Geosits, Mexichem. Our major
20 export markets are Canada. Latin America, and South America.
21 And in terms of the competition that we see from China in
22 those markets, it's significant. We've lost business, and
23 it has been painful.

24 MR. DUNCAN: What about the other firms? Have you
25 lost export business due to China or other factors over this

1 POI?

2 MS. SASSANO: This is Beth Sassano. So one of our
3 major export markets is Latin America, and we have a lot of
4 significant Chinese competition especially in Latin America
5 south.

6 We have lost both volume and had to lower prices
7 because of that competition.

8 MR. HAUN: And this is Glenn Haun with Arkema. I
9 will confirm that we have lost volume to Chinese imports in
10 Canada, Mexico, and South America.

11 MR. DUNCAN: When we aggregate the data up and
12 look at the industry as a whole, we see that there are much
13 larger declines in export shipments than in domestic
14 shipments. So an argument could be made that a lot of the
15 injury occurring over this Period of Investigation relates
16 to dynamics outside of the U.S. market.

17 How would you address that in the context of this
18 proceeding?

19 MR. CANNON: I think when you look at the data,
20 look at the magnitude of the exports relative to the total
21 magnitude of U.S. shipments. And I'm happy to address that
22 further, but I think quite clearly the Commission's focus is
23 on the U.S. industry, and quite clearly the large magnitude
24 of their shipments are in the U.S. market. And that is
25 where we're seeing very steep declines, as I mentioned,

1 particularly in revenues.

2 MR. SCHAGRIN: This is Roger Schagrin. Just from
3 a legal perspective, so the statute, you know, says that the
4 Commission is to analyze whether imports into the United
5 States are a cause of material injury to the U.S. industry.

6 Now the Commission has always gathered data on
7 production shipments both domestically and exports
8 separately. But, interestingly enough, when it comes to
9 your financial information, because companies could separate
10 data on the financial information for their U.S. shipments
11 only versus their entirety, this Commission has always said:
12 Well, when we look at the impact of imports on the financial
13 condition of the U.S. industry, we're going to look at it in
14 its entirety, both its domestic shipments and its exports.

15 So it would be a strange case in which you had
16 injury to U.S. industry, which was suffering in both its
17 domestic market and its export market, but no increase in
18 imports in terms of its significance in terms of increase in
19 volume or market share in the U.S. market.

20 And so if someone was essentially complaining
21 about the injury caused just to their export markets,
22 however, given the context of looking at the U.S. industry
23 as a whole producing the like-product, I think it is within
24 the Commission's purview to see that an industry in the
25 United States is being both injured by reason of the

1 increasing imports in the U.S. market and that they're
2 suffering further injury to their financial condition
3 because the same import sources in the U.S. are also harming
4 their export markets. So I think it all works together.

5 MR. DUNCAN: Yeah. No, I wasn't making a
6 statement that we should exclude exports from the analysis.
7 The Commission's tradition is to look at it, like you just
8 said, Mr. Schagrin, in the entirety of U.S. domestic
9 operations. But it is maybe something to consider in terms
10 of the conditions of the competition in this industry.

11 Generally, we got a lot of discussion of various
12 markets, the automotive market, either OEM or aftermarket,
13 the use in aerosols, the different markets and uses for
14 R-134a. But high level on a generalized basis, if I look at
15 a table from a related proceeding on HFC components and
16 blends, which I think, Mr. Cannon, you're probably well
17 aware of, from the public report that lifts out all the
18 various HFC blends that use components, whether it be R-1.5,
19 R-143a, R-132, which are subject to that proceeding, or the
20 component which is subject of this proceeding, the R-134a, I
21 can't help but notice the large number of various blends in
22 which the product in this investigation is actually a
23 component in

24 So at a very high level, what is sort of in terms
25 of the R-134a that you produce in the United States, how

1 much of it generally goes to satisfy pure usages where it's
2 not blended, and how much of it, whether it be after an
3 internal consumption when you blend it yourself, or even a
4 commercial sale to another firm that blends it, how much of
5 the overall market in consumption of R-134a is used in a
6 blend of some kind at some point?

7 MR. CANNON: Jim Cannon, first, and then I'll let
8 Beth and anyone who wants to talk about this--others may
9 also. I don't know which table you have in front of you,
10 but there is one which shows the actual percentage content
11 of R-134a in each blend.

12 MR. DUNCAN: Yes, that's the one.

13 MR. CANNON: Good. Because you can see from that
14 table that, for example, the most important blend, R-410a,
15 has no 134a in it at all. And the 125 is the most important
16 component in basically all of the blends.

17 And so just looking at the table, you get the
18 perspective that R-134a within blends is less important than
19 some of the other R-32, R-125. And then I'll turn it over
20 to Beth.

21 MR. DUNCAN: I agree, but I don't want to limit
22 the analysis to blends subject to that proceeding; but
23 "blends," writ large, in the HFC family.

24 MR. CANNON: Okay. That's fine. Although blends
25 subject to that proceeding are pretty much, writ large,

1 there really isn't much else.

2 MS. SASSANO: This is Beth Sassano from Chemours.
3 So when we do our market analysis of the U.S.--so this is
4 the market size--we have analyzed it that 95 percent, pretty
5 much 95 percent of the U.S. market is neat, just pure 134a,
6 sold to these various applications, whether it be OEM,
7 aftermarket in big bulk containers, or these cylinders.

8 The amount of 134a going into blends is about 5
9 percent, such a small piece of the market, of the 134a that
10 gets used in blends.

11 MR. DUNCAN: Mexichem and Arkema, is that your
12 general understanding, as well?

13 MR. GEOSITS: Yes--Peter Geosits from Mexichem--
14 that is the amount of 134a going into blends is a minor
15 percentage.

16 MR. HAUN: Glenn Haun with Arkema. I would
17 concur. It's a small percentage of the overall volume that
18 we manufacture blends with.

19 MR. DUNCAN: Thank you. That's helpful, because
20 when you look at that table, you see R-134a so prominent in
21 the number of blends that it's helpful to get perspective
22 that within the production of R-134a generally it's very
23 small as a market driver.

24 There was again some conflicting testimony, and
25 it relates to, Ms. Sassano, you had mentioned in your

1 testimony that we know of, from this record and from records
2 from the previous case that went negative in the final, that
3 there were volumes of imports misclassified under other HGS
4 numbers than the ones specific to R-134a. And that, at
5 least in your testimony, you said we need to take that into
6 consideration.

7 Mr. Cannon, you then said in separate testimony
8 that we should not rely on that information in this
9 proceeding.

10 Why would we not rely, if we have record
11 information that confirms misclassification of R-134a
12 certified to be imports of this product in this proceeding?

13 MR. CANNON: We will have to address it in
14 confidence, but just in theory I have a real concern that
15 when importers select who is going to respond, and then they
16 report how much this particular company misclassified, that
17 you can't rely on them sort of self-selecting in this small
18 group and use that in a meaningful way.

19 And so it concerns me that this same approach
20 that we used in the first case, which basically applied kind
21 of evenly over the period, doesn't work that way here. And
22 I am very concerned about the data, and I am particularly
23 concerned because when you look at the growth in the
24 segments, there's a lot of growth in the HVAC, and that's
25 the people who are not responding to the questionnaire.

1 It's the people circulating the price lists that
2 are addressing every market and are the ones who are not
3 reporting. They didn't report before, and they're not
4 reporting now. And I hate the--I know the Commission does
5 not like to apply adverse facts available, therefore I ask
6 you only to apply facts available.

7 And the best facts available that we can see at
8 the moment is going to be the Census data. I see nothing
9 more reliable than that at the moment.

10 MR. DUNCAN: Well I'd like to press on that issue.
11 Because if you look at the record in this proceeding and
12 compare it to the related proceeding, we have a near match
13 based on the record information.

14 So why if we relied in that proceeding on a
15 particular volume of imports, would we choose for the small
16 volume because it's official stats only?

17 MR. CANNON: Because your official stats of a 35
18 percent increase from 2013 to 2015--

19 MR. DUNCAN: But it may--

20 MR. CANNON: --where is that increase coming
21 from?

22 MR. DUNCAN: --a trend, and you also talk about
23 the self-selection. Well maybe the story is in that related
24 proceeding it was found out that some importers were
25 misclassifying merchandise. And if because of that they

1 changed their business practice and started correctly
2 classifying merchandise, that it's not erroneous for them to
3 only show the misclassifications in the very beginning of
4 our current period.

5 MR. CANNON: Indeed. And those are the,
6 essentially the honest importers. Those are the importers
7 who are complying with you and reporting, and reporting year
8 to year. And when you look at their trend versus what the
9 other data tell you, there's something wrong with this.

10 And I feel it is the reporters--the importers who
11 are not coming forward. It's the same problem we have with
12 the Chinese foreign producers. Not all of them are
13 responding to the questionnaire. So you have a huge
14 question market: What's going on here?

15 And I don't think you can reward importers who
16 are not responding to the questionnaire by adopting a trend
17 on the ones who, as you say, they are actually complying
18 with the government, and they're correcting their
19 misclassification? Alright, that's not the part of the
20 market that I'm concerned is being missed by the data. It's
21 this other segment--

22 MR. DUNCAN: The degree to which you can identify
23 any significant importers that have yet to fill out a
24 questionnaire response would be greatly appreciated. But
25 again, not to belabor the point, but if you're looking at

1 those who have provided the data and have certified it to be
2 accurate, and we know because of the related proceeding of
3 that misclassification, and we have that additional record
4 information provided in this proceeding and it matches the
5 related case, why we wouldn't just adopt the same approach?
6 I.e., take Census data, or the main number, plus the
7 misclassified imports for the other HGS numbers, for those
8 importers--

9 MR. CANNON: In a word, to be short, my answer is
10 because it is partial and it is not complete and I think
11 therefore not reliable in this case.

12 MR. DUNCAN: It is going to be an issue to
13 document and talk about in your post-conference briefs.

14 MR. CANNON: I agree. I will address it in the
15 brief.

16 Mr. Schagrín, did you want to add something? I
17 saw you reaching for the microphone.

18 MR. SCHAGRIN: I was just going to add that I
19 think it's best for us to address all the statistical issues
20 at length and very specifically in the post-conference
21 brief. And my only additional comment, because we spent
22 just a huge amount of effort on this issue in what you refer
23 to as the "related case," is that I've never had a case in
24 my career in which you had a more specific HTS description
25 than 1,1,1,2-Tetrafluoroethane, and it is like any chemist

1 in the world would like, maybe if they even did it like one
2 year in high school, should know how to classify this
3 product.

4 And I'm just thankful that one of the few things
5 I have accomplished in my career is to get the In Force Act
6 passed and signed into law. Because it's just time to stop
7 the rampant, you know, Customs fraud and intentional
8 misclassification.

9 I mean, these guys laughing behind me are like,
10 oh, we would never purposely misclassify imports from China.
11 I mean, it's just been kind of like a national outrage for
12 the past decade, and thank God we now have a lot of tools to
13 fix this. And of course we, as Petitioners' counsel in this
14 case, want to work with the Commission staff to make sure
15 you have the most accurate record you can for the
16 Commission.

17 MR. DUNCAN: Appreciate it. Thank you. A
18 related, again, issue on methods. And again, in the pink
19 slides you have, we discussed earlier, the sort of
20 differences between the industry's view of the mature, maybe
21 declining, or maybe just slightly growing, and the increase
22 in the apparent consumption calculated. And we talked about
23 the inventories of the Chinese that may account for some of
24 it.

25 But I also note that you use U.S. producers'

1 commercial shipments, whereas in most standard cases before
2 the Commission we use U.S. shipments as a whole.

3 Is there any reason, for at least purposes of
4 this slide and your calculation of apparent consumption, you
5 chose to present commercial U.S. shipments, as opposed to
6 all U.S. shipments?

7 MR. CANNON: Jim Cannon. So, yes, so our internal
8 consumption and other arrangements are to make blends. So
9 it is much like your downstream products you have in steel
10 where you've got hot-rolled, you don't count the hot-rolled
11 that's consumed to make cold-rolled.

12 In this case, our internal consumption is to make
13 blends. And therefore we focused on commercial shipments.
14 It can be presented in either way. The trend won't, I don't
15 think, materially change. The magnitude of the imports
16 appear to be smaller, but the imports are not competing in
17 the production of blends. The imports are competing for the
18 neat product.

19 MR. DUNCAN: I get that. So I guess to follow up
20 on that line of questioning, just to make sure, if you are
21 arguing it, make it clear that you are arguing it in your
22 post-conference brief, if we need to look at sort of the
23 merchant market for this based on maybe captive consumption
24 provisions.

25 If not, the Commission's standard is to look at

1 the whole market. And that's the data that we've gathered
2 currently and are looking at currently.

3 There's a lot of talk about the rebates that your
4 customers requested after the related investigation went
5 negative at the final phase of that proceeding.

6 I don't need any discussion of that here, but
7 just want to confirm that any reported pricing data that you
8 all have submitted in your questionnaires, to the degree
9 that you did provide those rebates, is net of the rebates
10 per the instructions in the questionnaires?

11 MR. GEOSITS: We will address that in the
12 questionnaire, but that is correct.

13 MR. DUNCAN: Mexichem--

14 MR. HUAN; Arkema.

15 MR. DUNCAN: Arkema, sorry.

16 MR. HUAN: This is Glenn Haun. We will address
17 it, as well, and confirm it in the brief.

18 MS. SASSANO: Beth Sassano, Chemours, we will as
19 well. But I'm pretty sure we had removed all rebates and
20 such from our pricing data.

21 MR. DUNCAN: Okay. So it's not a fact that we
22 have the full price in there that was eventually rebated
23 potentially to the customers after the--so just to clarify
24 that. Look at that, and make sure that that is accurate
25 information.

1 And then, sorry, I know my line of questioning
2 has been rather extensive, I have one last question. And
3 that relates to correlation.

4 So--and we have this interesting case because of
5 the pendency of the earlier related case. There were
6 preliminary, provisional duties put into place after
7 Commerce Department's preliminary findings in that case
8 that, you know, importers were required to put duty deposits
9 that was somewhat disruptive for the importing universe.

10 We've seen the trend in imports go down in that
11 middle year. We've largely attributed it to that case and
12 the effect that that had, pouring cold water on the
13 importation of R-134a in the market in 2014.

14 So we have imports going down, and then imports
15 going up in our current period of 2013 to '15. But when you
16 compart that to financial experience, you see that when
17 financial experience in the first part of the year also
18 declines at the same time that imports exit the market.

19 So how does that play into your correlation and
20 causation arguments for subject imports causing injury to
21 the U.S. market?

22 MR. SCHAGRIN: This is Roger Schagrin. So I'm
23 glad you revisited that, Mr. Duncan, because, you know, here
24 it's a different period. So you're looking at '13 to '15
25 across, and now get rid of that '14, but to the extent that

1 anybody is looking at correlation, year to year changes in
2 imports versus domestic industry, you know, I think you've
3 heard from this industry now throughout an entire previous
4 case, and now a new conference, that pricing is established
5 by the market.

6 They make fairly substantial amount of their
7 sales on a contract basis with these meet-or-release
8 provisions. So those prices are adjusting based on the
9 market. You are making deals for kind of an air
10 conditioning, car air conditioning season in advance with a
11 major distributor. So that is going to last three to six
12 months.

13 So this is an industry, like many industries, in
14 which it's not just walk in the store and buy the product
15 that's on sale today that you would have a lag in pricing.
16 And this is my biggest objection. I say it in case after
17 case. I know the Commission is tired of hearing it from
18 people who deal with the real world, that in many, many
19 industries you have lag effects in the marketplace of
20 pricing.

21 And when you have an injection of a lot of
22 low-priced products and the domestic industry, particularly
23 this unusual industry, you've heard the testimony and you
24 reiterated it yourself, this is an industry with extremely
25 high fixed costs, and in which shutdowns to adjust their own

1 inventories are extremely expensive because of extra safety
2 requirements, my clients shut down a pipe and tube mill and
3 have to worry about somebody taking a part of a piece of
4 machinery and dying, they have to worry about this in this
5 industry.

6 So the fact that the majority of the Commission
7 failed to take into account those conditions of competition
8 which essentially mean in this industry the marketing
9 people--Mr. Geosits, Glenn, Beth--their job is to sell the
10 product that the plants can make. Because they know as
11 sales people that in their particular industry shutting down
12 the plant to adjust for inventories is so much more costly
13 than it would be in another industry, they have to adjust
14 their prices down. And, the only time they can adjust their
15 prices back up is when they got temporary relief from
16 duties.

17 So I just think that there's a reason the statute
18 doesn't say the word "correlation" in it. It's an invention
19 of Commissioners. I mean, it goes with the analysis, but
20 there's a reason the statute says let's start with do we
21 have a significant increase in imports by volume of market
22 share?

23 If we tick that box, then when we start looking
24 at the impact of imports on the domestic industry we look
25 at, is there underselling? Did the underselling result in a

1 price depression or a price suppression? And, you know, did
2 it, if it's a commodity product, did underselling contribute
3 to loss of market share?

4 And then we look at the financial effects. And
5 this idea that, wow, your industry may have continued doing
6 poorly in a time when imports weren't still increasing, and
7 therefore if I don't see the arrows both going in the same
8 direction I don't have correlation and I can't make an
9 affirmative?

10 It's an affront. My good friend, John Greenwald
11 from this firm, you know, who passed, this troubled him
12 until his last days, you know, and it troubles me, and it
13 will trouble me until my last days, you know? And I think
14 this country is changing. I won't get into that, but people
15 are getting tired of the fact that they perceive the
16 structure on trade as favoring big-box retailers, as
17 favoring Communist China, and of making it tough.

18 I mean, fete this company. I have never
19 represented a company in my life like Mexichem. Not one lost
20 safety day in 24 years of operating a plant? It's
21 unbelievable. That's how much they care.;

22 The teamwork at that plant is unbelievable. And
23 these folks want to invest \$200 million in the State of
24 Louisiana in a poor area, in a new plant. And this
25 Commission said, no, don't do it. Because their board said,

1 if we can't get relief from unfairly traded imports when the
2 injury is so clear, why would we consider making another
3 investment in the United States?

4 So I know that's a long answer, Mr. Duncan, but
5 you just--when you start talking about correlations in 2014,
6 you know, you tick the box with me, which is: You can't just
7 look at every one of three years of a POI and say I've got
8 to see correlation in each of the three years.

9 That is not the way the statute works. I mean,
10 we win this case on this record. It is easy. It is a slam
11 dunk, thank God. But I'm telling you, it is not the way the
12 statute works. You, the staff, know it. And it is time the
13 Commissioners know it, that that's not the way the statute
14 works.

15 So, you know, look. It's a condition of
16 competition that there were duties imposed. But I think if
17 you look at the record, the reason we are here today is
18 these imports came roaring back at even lower prices and
19 caused injury over the POI.

20 MR. CANNON: Jim Cannon. So if you look at the
21 second table on the unit prices, the correlation that you
22 see is what happened in 2014. Average unit prices fell more
23 than 10 percent from 2013.

24 So prices in the market fell. So indeed the
25 volume in the market over a full year of imports in 2014 may

1 have been lower than the prior year, but that volume was all
2 stacked up in inventories.; There was a critical
3 circumstance period. Those inventories were all billed in
4 the end of 2013 and the beginning of 2014, particularly in
5 the first quarter. And the way this market works is, these
6 folks go out, frequently meet with their customers in the
7 fourth quarter, the first quarter, to get their pricing for
8 the year.

9 What happens here is that the prices are set at
10 the time when that huge inventory is there. So whether or
11 not over the full year more imports come in, they would
12 already crush the price structure. And so you see the
13 financial results.

14 And that would be Roger's answer with not any
15 less passion because I believe it, but in a different way
16 looking at the data.

17 MR. DUNCAN: And I'm sure you will provide more
18 analysis of that particular issue in your post-conference
19 brief. Part of the story may also relate to the period of
20 time in which duties are placed, and you said this market
21 dynamic also is firms asking for retroactive rebates.

22 Thank you, that is the extent of my questions.

23 MR. ANDERSON: Okay. Thank you, Mr. Duncan.

24 Ms. Haines?

25 MS. HAINES: Thank you, very much. This is very

1 helpful, but I have no questions.

2 MR. ANDERSON: Okay, I'm going to scan the staff
3 here to see if they have any second round or follow-up
4 questions?

5 I think I see one nod from Mr. Boyland, so I will
6 turn the microphone over to him.

7 MR. BOYLAND: Begging your indulgence, I just do
8 have one quick follow-up question. And I think this is a
9 post-conference brief question.

10 Ms. Sassano, you mentioned return on investment,
11 I believe, in your testimony. And sort of as a general
12 question, I know the statute as it's revised does require us
13 more explicitly to look at return on investment.

14 And I guess I'd like in post-conference to, one,
15 get a sense of how the companies actually look at this
16 product. Because I realize that each company is a little
17 different. Mexichem, as I understand it, R-134a is the
18 product. I mean, from your standpoint the return on
19 investment would be the business unit's performance. So
20 there wouldn't be any segregation of costs and revenue, et
21 cetera, to get to that.

22 But for the other companies it might be a little
23 different. So it would be very helpful if you could give me
24 your perspective on return on investment. And I realize
25 people define that differently, as well, but maybe just give

1 me a sense of how you look at the product for each company.

2 MR. CANNON: Jim Cannon. We'll do that. Thank
3 you.

4 MR. BOYLAND: Thank you.

5 MR. ANDERSON: Okay, thank you, Mr. Boyland.

6 And I just have one quick follow-up question. I
7 appreciate the argument and the information about the
8 subject imports expanding into other channels during this
9 current POI. And that's very clear, or at least there's a
10 lot of information being provided that says this is a
11 chemical commodity, low barriers to entry, and so forth.

12 So just respectfully put out another vantage
13 point that you could comment on that expansion by the
14 Chinese in other markets possibly could be due to companies
15 wanting to have other sources of supply, given some of the
16 situations that happened in the previous investigation,
17 including reliability of supply.

18 So I just put that out there for comment, either
19 now or in the post-conference brief.

20 MR. CANNON: Jim Cannon. We will be happy to do
21 that in the post-conference brief and try to get us all out
22 of here.

23 I would make one point, though. The importers,
24 when you look at their questionnaire responses, and when you
25 look at the last cases, and these products in particular,

1 they're sold in the spot market.

2 In fact, if you look on some of these price
3 lists, they'll say things like "prices are only good for 22
4 hours." That is not, when you are a customer and you're
5 looking at buying there, that's not like a reliable source
6 of supply. That's a customer who is buying on the spot
7 market to get the lowest price.

8 Why? Because there are so many outlets for these
9 blue cans at such low prices. So, yeah, it's reliably low
10 priced. That's about all that's reliable about it.

11 These producers are looking to enter into
12 relationships with their customers, to partner, enter
13 contracts. They are not in and out of the market. And when
14 the Chinese imports had to pay dumping duties, for example,
15 where did they go? They came right here to get reliable
16 supply from the U.S. industry.

17 MR. ANDERSON: Very helpful. Thank you.

18 And with that, I wanted to thank the panel.
19 Thank you for traveling here and being here in Washington,
20 and I hope you might have a chance to enjoy the weather. I
21 hear the cherry blossoms are peaking. It's one of our great
22 events here in D.C. this time of the year.

23 So I think with that we will take a 20-minute
24 break, which according to the clock on the wall would be
25 five till one p.m. And then we will reconvene for the next

1 panel.

2 MR. SCHUTZMAN: It would be appreciated if we
3 could continue through to finish. We will be very brief.

4 Unfortunately, one of our party has another
5 meeting at two o'clock at the Commerce Department. We
6 didn't expect it to go this late.

7 A ten-minute break should be helpful for us. And
8 we will have a very brief presentation on behalf of the
9 Chinese producers. I don't think our session will be very
10 long.

11 MR. ANDERSON: I appreciate that. I will just
12 look at counsel here.

13 MR. CANNON: Jim Cannon. We have no objection.
14 We will do five minutes.

15 MR. ANDERSON: And I think staff would agree. So
16 let's take a ten-minute break. Thank you.

17 MR. SCHUTZMAN: Thank you, so much.

18 (Whereupon, at 12:36 p.m., a recess was taken.)

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12:50p.m.

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

MR. ANDERSON: Mr. Marshack and Mr. Schutzman
please proceed.

STATEMENT OF NED H. MARSHAK

MR. MARSHACK: Good afternoon. This is Ned
Marshack on Behalf of the Chinese Respondents. Our
presentation today on behalf of Respondents will be very
short. There are four reasons why. First, this is a
preliminary determination. The Petition was filed three
weeks ago on March 3rd. Our clients are halfway around the
world in China and there simply was not sufficient time for
us to arrange for industry representatives to appear before
the Commission Staff today. The Cherry Blossoms in
Washington this week are truly spectacular, but the trip was
still too far.

Second, this is the second time in the past two
years in which Domestic Producers have petitioned this
Commission for relief from Chinese exports. The Commission
and Staff are intimately familiar with the R-134a Industry.
You will not be starting from scratch. There is no need to
reinvent the wheel.

Third, in December 2014 the Commission found the
domestic R-134a producers were not materially injured by

1 reason of Subject Imports. The POI in that case was January
2 2011 through June 2014. The POI in this case is January
3 2013 through December 2015. There is an eighteen month
4 overlap. Thus, there is no question that the Domestic
5 Industry was not materially injured by reason of Subject
6 Imports during the first eighteen months of the POI. That's
7 the Commission determination, that's the facts, that's the
8 law.

9 We also submit that industry performance was
10 skewed in 2014 because of the pendency of the investigation.
11 The Department of Commerce's preliminary determination of
12 subsidies was published in April of 2014 and it was not
13 until this Commission issued its negative determination at
14 the end of the year that competitive conditions returned to
15 normal, free from the specter of assessment of additional
16 dumping and countervailing duties.

17 In other words, the fact that imports may have
18 increased absolutely in its percentage of domestic
19 consumption from 2014 to 2015 was expected resulting from
20 potential ADD/CVD liability and does not support an
21 affirmative determination. Thus in this case the Commission
22 needs to evaluate whether there are material differences in
23 conditions of competition between the 1st eighteen months of
24 the POI in 2015. So it determined industry, which was not
25 materially injured or threatened with material injury to

1 when it was.

2 The product is the same, R-134a and the players
3 are the same. The companies which produced R-134a right in
4 the United States in 2013, Mexichem, Arkema, Chemours whose
5 name I don't pronounce correctly, are the same three
6 companies which produce R-134a in the United States today.
7 The Chinese producers exporters are the same today as they
8 were in 2013. As in 2013, third country imports are
9 relatively insignificant. So the Commission needs to
10 decide, are there any material differences between industry
11 performance in 2013 and 2015 which would lead the Commission
12 to change its mind.

13 That leads me to the four Hindle and perhaps the
14 most important reason why our presentation today will be
15 short. When you look at the public version of the petition
16 you are told that imports have increased, domestic market
17 share has declined, Chinese Imports have undersold R-134a
18 made in the United States et cetera, et cetera, et cetera.
19 What the public sees is deceiving. The real answers to the
20 Commission's analysis are found in the confidential
21 questionnaire responses. Information which because of the
22 limited number of Domestic Producers we cannot discussed
23 today.

24 What we can do, however, is to ask the Commission
25 and its Staff to conduct this investigation in the same

1 careful and comprehensive manner as it has conducted its
2 investigations in the past, to look behind the gross data
3 and determine the real conditions of competition in the
4 industry. To accomplish this goal, we ask that the
5 Commission consider the following issues. First, how do you
6 calculate domestic capacity and domestic production and
7 domestic shipments? Petitioners advised that there were
8 three companies manufacturing R-134a right in the United
9 States, Arkema, Chemlars and Mexichem. They advised that
10 Honeywell does not so how should the Commission treat sales
11 to or by Honeywell?

12 Second, how do you calculate import penetration?
13 We suggested that the Commission look at both HTS data in
14 the questionnaire responses. We believe that the
15 questionnaire responses capture a significant share of
16 imports shows the Commission official import data from the
17 HTS subheadings which imports should classify can calculate
18 import quantities, relying on official census data for
19 HTS2903, 392020; plus import data reported in the
20 questionnaire response for shipments entered in other HTS
21 subheadings. We believe that data is accurate when you look
22 at the data and you look at your responses and the very
23 extensive coverage.

24 Third, in its 2014 decision the Commission found
25 that Domestic Producers could not meet domestic demand,

1 driving purchasers to look offshore for supply. The one
2 question today is whether any residual effects of the severe
3 shortage during the prior POI affect purchasing decisions
4 one year later. Should purchasers really have returned to
5 buying R-134a from a handful of Domestic Producers who in
6 the very recent past were unable to meet demand?

7 Fourth, and just as importantly, did any Domestic
8 Producer have any supply issues in 2014 or 2015? If
9 Domestic Producers lost market share between 2013 and 2015,
10 the Commission needs to determine why. Was it because of
11 low-priced Subject Imports, because of the industry's own
12 internal problems unrelated to Subject Imports? We believe
13 the answers are in the questionnaire responses.

14 Fifth, we recognize that the Commission is
15 required to examine the impact of Subject Imports in the
16 industry as a whole but when there are a limited number of
17 Domestic Producers the Commission also looked at the
18 experience of individual companies. In this case, the
19 Commission should consider whether there are any anomalies
20 in the industry data arising from the experience of one of
21 the three companies which comprise the industry and if there
22 are the Commission should carefully analyze whether the
23 overall industry performance was adversely affected by these
24 anomalies or by Subject Imports.

25 Six, with respect to the Commission's product

1 pricing comparisons, the Commission should look at the
2 extent of product coverage, the extent of overselling and
3 underselling and if Subject Imports in fact undersold
4 domestic R-134a, the Commission should examine whether the
5 undersell meant changes in market share or price suppression
6 or price depression. As the Commission is aware, loss of
7 market share and underselling do not necessarily lead to a
8 finding of material injury. The Commission needs to examine
9 all of the statutory factors to reach an informed decision.

10

11 Seventh, at Petitioner's suggestion, the
12 Importer's questionnaire asks that the Importer's report the
13 quantity and value of R-134a imported bulk for internal use
14 or repackaging. The information received is informative but
15 it cannot be used as a sixth pricing product. Bulk imports
16 repacked in the United States into 12-ounce cans and
17 30-pound cylinders compete at the same resale level as
18 R-134a sold by Domestic Producers in the United States. One
19 ton of imported R-134a represents one ton of price
20 competition. It does not constitute two tons of imports or
21 compete with Domestic Produced R-134a at two levels of trade
22 and since Petitioners sell R-134a in cans and in cylinders,
23 the Commission should recognize that they are not willing to
24 help their competitors in the resale market by selling bulk
25 R-134a to repackers at competitive prices.

1 Eighth, one important condition of competition in
2 this case is that for certain markets R-134a will be
3 replaced by 1,2,3,4,YF in the not too distant future. Time
4 really does fly. The Commission needs to consider the fact
5 that in certain markets R-134a has a limited lifespan. How
6 should this effect R&D and capital expenditures? Should the
7 Commission expect the companies will expend significant
8 resources to develop new products and new facilities for a
9 product with a known finite years of useful life?

10 Nine, finally there is threat. Here, we are
11 confident that the Commission will agree that Foreign
12 Producers questionnaire responses account for the vast
13 majority of R-134a exported to the United States during the
14 POI. The information is in the questionnaire responses. We
15 are confident that our statement is correct and from these
16 responses it is clear that Chinese exporters do not rely on
17 the United States as their primary market for R-134a, sold
18 significantly greater quantities of R-134a in the home
19 market and to the third market than they sold in the United
20 States, are operating at close to full capacity, do not
21 intend to increase their production capacity in the imminent
22 future and did not significantly increase their shipments to
23 the United States during the POI. They have no need to do
24 so in the future given demand in China and in third
25 countries.

1 In sum, there is no reasonable indication of
2 threat. To conclude, we are confident after carefully
3 reviewing more of the data the Commission will agree, the
4 Petitioners have not presented sufficient reasons why the
5 Commission should reach a different conclusion today than it
6 did in 2014. Since the Commission is intimately familiar
7 with this industry, we ask that the Commission end this case
8 now and issue a negative determination at this preliminary
9 stage of the investigation, thereby saving its own fully
10 extended resources as well as the resources of our clients
11 who were put through the Department of Commerce's
12 Antidumping Duty ringer nearly two years ago and quite
13 frankly have no desire to undergo the same exercise in 2016.

14

15 For all of these reasons we submit that there is
16 no reasonable indication that the Domestic R-134a Industry
17 is materially injured or threatened by material injury by
18 Subject Imports from China. That's the end of our direct
19 testimony. Thank you.

20 MR. ANDERSON: Thank you Mr. Marshak and now we
21 will take time for questionings and we will start with Ms.
22 Sherman.

23 MS. SHERMAN: Thank you for your presentation.
24 Hopefully I only have a few quick questions. The first one
25 is concerning Chinese capacity. When I looked, did a

1 preliminary look at the Chinese Producer questionnaire data
2 that came in, we see that capacity has grown over the
3 period. Can you comment on motivation for this especially
4 given the phase-out of R-134a in the U.S. and also in the
5 EU?

6 MR. MARSHACK: We believe there's a lot of demand
7 in China and third countries and we will ask our clients and
8 put that in our post-hearing brief.

9 MS. SHERMAN: Thank you. Are Chinese
10 Manufacturers producing or developing, are they producing
11 the alternative refrigerant 1234YF?

12 MR. SHUTZMAN: Ms. Sherman, we don't know. We do
13 know of course that 1234YF is being produced in China by
14 Honeywell and Chemours but we don't know if our clients are
15 involved. We will obtain that information and provide it to
16 you in the post-conference submission.

17 MS. SHERMAN: Okay, thank you. I just wanted to
18 clarify, our import data and you believe that we should be
19 using the adjusted import data official statistics with the
20 importer data we have now. This morning Petitioners
21 indicated that they believed we did not have sufficient
22 coverage but did I hear you, correct me, you think that we
23 have good coverage?

24 MR. MARSHACK: Yes, we believe you have good
25 coverage. If you look at the official census data and you

1 look at the import questionnaire responses you are going to
2 see a correlation there. You are going to see that in the
3 questionnaire responses the importers will tell you the
4 quantity of imports that were not classified in the same HTS
5 subheading and we believe when you put those two together
6 you have excellent coverage. Whether there are other
7 importers out there who haven't answered, they are not bad
8 guys. This is a preliminary determination. We did not
9 self-select but we think the data is very good. When you
10 look at the official data and you look at the import
11 questionnaires, it looks very good.

12 MS. SHERMAN: And then finally, why do you think
13 this misclassification is still occurring if this category
14 was created in 2009?

15 MR. MARSHACK: I believe, we do a lot of
16 customer's law, you know, why is the sky blue? There was
17 probably no difference until there's the dumping case.
18 Probably nobody cared about it. The dumping case comes up,
19 people care. People potentially misclassify, people change
20 the classification and if you look at what's happened in
21 2014/2015 I think the misclassification in the questionnaire
22 responses is much, much less than it was. It gets corrected
23 over time.

24 MS. SHERMAN: Okay, thank you. I have no further
25 questions.

1 MR. ANDERSON: Thank you, Ms. Sherman. I will
2 turn it over to our Attorney Ms. Viray-Fung.

3 MS. VIRAY-FUNG: Thank you for being here. Do
4 you have any comments or arguments regarding how we should
5 define the Domestic-like product in the Domestic Industry?

6 MR. SCHUTZMAN: For purposes of this preliminary
7 determination we will agree that like-product is coordinate
8 with the scope of the investigation.

9 MS. VIRAY-FUNG: Thank you, and with regards to
10 the Domestic Industry?

11 MR. SCHUTZMAN: With regard to the Domestic
12 Industry.

13 MS. VIRAY-FUNG: Thank you. I have no further
14 questions.

15 MR. ANDERSON: Thank you and now Ms. Gameche.

16 MS. GAMECHE: Lauren Gameche. Thank you for
17 coming today. Just a few quick questions. Earlier this
18 morning Petitioners suggested that price is a primary
19 consideration that customers consider when making their
20 purchasing decisions. Would you agree that price is the
21 primary factor and are there any characteristics that might
22 set your client's product apart from domestic?

23 MR. MARSHACK: Price is important. The product
24 is fungible. Availability and reliability are very
25 important and we think the fact that the Chinese were, the

1 purchasers were pushed to China because of the shortages is
2 one of the reasons the Chinese entered the market and once
3 they were in the market they shouldn't be penalized for
4 being pushed into it.

5 MS. GAMECHE: Okay. Regarding availability
6 issues, would your clients agree with petitioners that
7 availability in the Domestic Market has been pretty constant
8 and reliable?

9 MR. MARSHACK: We will answer that in the
10 post-hearing brief. I think that you are going to see in
11 your questionnaire responses the issues regarding
12 availability. We believe there are issues.

13 MS. GAMECHE: And lastly, do you have any comment
14 regarding the effect on demand that the EPA regulations
15 might be having?

16 MR. MARSHACK: We would have to address, we don't
17 know, we'd have to address that in our post-hearing brief.
18 We are not sitting here, we are not the experts.

19 MS. GAMECHE: Alright, thank you. That concludes
20 my questions.

21 MR. ANDERSON: Okay, Mr. Boyland.

22 MR. BOYLAND: Good afternoon. Thank you for your
23 testimony. I have no questions.

24 MR. ANDERSON: Mr. Clark.

25 MR. CLARK: Good afternoon. Thank you for

1 coming, making an effort to be here today. If you could
2 find out the different manufacturing processes that your
3 clients use and if there are any others that are being used
4 in China that would be helpful. Also, if you could get some
5 information on the applications that the end uses that
6 R-134a is being used for in the domestic market and the
7 Chinese market to get some sense of where they are directing
8 their product?

9 MR. SCHUTZMAN: Mr. Clark, we will inquire of the
10 clients and we will put that information in our
11 post-conference submission.

12 MR. CLARK: Okay, thank you. That's all I have.

13 MR. ANDERSON: Thank you Mr. Clark. Mr. Duncan.

14

15 MR. DUNCAN: I will just invite the Respondent
16 Panel to address anything that was requested of the morning
17 panel that you wish to address in the post-conference brief.

18

19 MR. SCHUTZMAN: Max Schutzman, Mr. Duncan we
20 would be pleased to do so.

21 MR. DUNCAN: And then we also discussed in the
22 morning conversation this, I believe it was IHS the source
23 of Chinese capacity production data of R-134a at large, not
24 just the clients you represent. Do you have any knowledge
25 of additional sources of information, besides the IHS

1 information on the industry in China and if so, provide that
2 in the post-conference hearing?

3 MR. MARSHACK: We will ask our clients and
4 anything we find we will put in our post-conference brief.

5 MR. DUNCAN: Alright. That's all my questions.

6 MR. ANDERSON: Okay, thank you Mr. Duncan and
7 just for equity I'm going to offer the same question, this
8 will be my only question that I asked the first panel, but
9 in a different vane. Given the price elasticity of this
10 product, it seems to be a commoditized chemical product and
11 given the limited barriers to entry, how would you comment
12 on the fact that the market share that seems to be captured
13 by the Chinese is anything other than captured by price
14 activity by the Chinese. You can either do that now or in a
15 post-conference brief.

16 MR. SCHUTZMAN: I think we will do it in the
17 post-conference brief because it will implicate certain
18 information that appears in the confidential questionnaire
19 responses.

20 MR. ANDERSON: Okay, thank you very much and with
21 that I want to thank you for the brevity and the detail all
22 in once of your testimony and we'll pause long enough for
23 the first panel to prepare with our closing remarks.
24 Thank you very much.

25 CLOSING REMARKS OF JAMES CANNON JR.

1 MR. CANNON: Jim Cannon. Thank you. We didn't
2 hear much to give me much to argue with. There's wasn't any
3 debate about seasonal industries, single like product, the
4 domestic industry is identical, essentially the condition of
5 competition are the same. Mr. Anderson's question was on
6 point, how do you explain the shift in market share other
7 than price?

8 There was sort of veiled references to the
9 questionnaires and we'll all see what happens there. But
10 what you will find in this record is that, you know, however
11 it's measured and we'll have good dialogue on this, I think
12 imports have increased. Four different sources show it.
13 Chinese export data, census, Depot, Peers, everyone's
14 analysis. Imports have increased.

15 At the same time, domestic industry shipments
16 have quite clearly declined. They've declined whether you
17 use commercial shipments or whether you add internal
18 consumptions or swap or however you mention it. U.S.
19 shipments declined. We have pervasive underselling in this
20 case, and that is perhaps the single largest distinction
21 with the very early period in the first case.

22 We have the increasing demand that characterized
23 the beginning of the period back in actually 2009 it started
24 going into 2010 and '11. We saw very high prices. In fact,
25 the Commission found that there was overselling. Now we're

1 told that imports didn't cause injury, this increase in
2 imports, but what we see now is underselling and we're going
3 to see it throughout 2015 on the data.

4 In fact, the list prices are underselling our
5 prices, and that tells you that the increase in market share
6 by these imports was obtained by cutting prices on a
7 Commission-considered threat in the original investigation.
8 They essentially concluded that again, this increase in
9 demand, imports came in and that when the demand settled
10 back down, imports would I suppose go elsewhere, right.

11 Well two years later, they did not go elsewhere.

12
13 They aggressively cut prices and they came back and now they
14 aren't only in the automotive after-market. They're in the
15 HVAC market, they're clawing on OEM accounts. They have not
16 only come back into the market they have spread their
17 penetration across the market.

18
19 So yes we're back. We're back because the
20 imports have come back in force and affected prices across
21 the market, and you see the results in the financial results
22 of the three companies. For all three companies, the
23 financial results have gone downhill. Taken as a whole, the
24 financial effects on this industry have been devastating.
25 There are operating losses. Net income before tax is

1 negative. There is virtually no cash flow.

2 These effects are the statutory factors the
3 Commission has called for to examine. I feel that when the
4 Commission examines them, they must conclude that on this
5 record there's material injury and even if they don't,
6 there's a threat and we heard this one comment. The
7 question that is filed by the producers that I represented
8 they feel have good coverage.

9 So the Commerce Department just initiated the
10 investigation, and in the petition and in the basis of the
11 investigation and in the data provided and in blends in
12 fact, you find in this market that there are companies who
13 are major importers into the U.S., such as TT International.
14 These companies do not manufacture refrigerants. They
15 collect supplies from multiple Chinese factories. I think
16 in blends, TTI is supplied by five different Chinese
17 factories.

18 Donghai is using five or six different Chinese
19 factories. So when you look at the data, it's very
20 difficult either to conclude that they're reliable, since
21 you don't even know who the factory is, or to conclude that
22 without capacity for the entire industry, you really have a
23 good feel for what's happening in China, and I don't think
24 you can extrapolate from the experience of these producers
25 really to understand the magnitude of the threat to the U.S.

1 industry. So with that, I conclude. We thank you for your
2 time.

3 MR. ANDERSON: Thank you Mr. Cannon.

4 CLOSING REMARKS OF MAX SCHUTZMAN

5 MR. SCHUTZMAN: Max Schutzman again for the
6 Chinese Respondents. Petitioners say that during the POI,
7 2013 to '15, they were materially injured and they were
8 threatened with material injury. Respondents say that
9 cannot be, since the Commission already in effect and in law
10 determined that there was no injury or threat from January
11 2013 to June 2014.

12 Petitioners say the U.S. industry has been
13 injured by reason of R134A imports from China. Respondents
14 say not so. Careful review of the financial performance of
15 the U.S. producers in the questionnaire responses proves
16 otherwise. Petitioners say this investigation was
17 different. There were no shortages here like there were in
18 2011 and 2012 in the earlier investigation.

19 Respondent say that review of the questionnaire
20 responses shows striking similarities to the earlier
21 investigation in that respect. Petitioners say the loss of
22 market share was caused by low-priced Chinese imports.
23 Respondents say the loss of market share cannot be
24 correlated with Chinese imports on this record, and that
25 other factors are driving it.

1 Petitioners say they have more than enough
2 capacity to service the entire U.S. market. Respondents say
3 this is incorrect. Review of the questionnaire data again
4 confirms Respondents' position. Petitioners say the phase
5 out in the automotive market of R134A is not affecting their
6 commitment to the product. Respondents believe otherwise.
7 The substitute product 1-2-3-4 FY and equivalents are
8 already in use in the automotive OEM sector in many new
9 cars, especially we understand at Chrysler, and that this
10 use will increase over time.

11 Mexichem in fact confirms in publicly available
12 data that the industry is in transition as a result of the
13 R134A phase out. Petitioners say China has significant idle
14 capacity. Respondents say read the foreign producers'
15 questionnaire responses, which show nothing of the sort, and
16 in fact demonstrate that the foreign producers are operating
17 at peak capacity to service mostly the Chinese domestic
18 market and the European market, and is there is great
19 coverage if you review the import stats and compare them to
20 the responses of the foreign producer questionnaires.

21 Petitioners say there really wasn't a shortage
22 in 2010-2011. There was a demand issue and an HF raw
23 material issue. Respondents say sorry. The Commission in
24 December of 2014 found otherwise. Petitioners, Mr. Schagrin
25 in particular, say there must be a direct correlation

1 between underselling and shifts in market share because
2 R134A is a commodity product.

3 Well, the Respondent disagree and the Commission
4 in December in 2014 also disagreed. There are other factors
5 involved that we will address in our post-conference brief
6 that go to this issue. Finally, Petitioners and Mr. Cannon
7 in particular suggest that importers somehow got together
8 and decided how to respond to the questionnaires and who
9 should respond to the questionnaires.

10 Respondents say there is no evidence on this
11 record of any such conspiracy or attempt to manipulate the
12 reporting of the data in the importers' questionnaire. We
13 know of no such conspiracy. We are unaware of it and there
14 will be nothing like that on this record. We have no
15 control over the importers to respond/choose to respond and
16 do not respond. Thank you for your attention.

17 MR. ANDERSON: Thank you, Mr. Schutzman. With
18 that, on behalf of the Commission and the staff, I would
19 like to thank the witnesses who came here today as well as
20 counsel, for helping us gain a better understanding of the
21 product and the conditions of competition in this industry.

22 Before concluding, I want to put out a couple of
23 important dates to keep in mind in this preliminary
24 investigation. The deadline for submission of corrections
25 to the transcript and for submission of post-conference

1 briefs is Tuesday, March 29th, and if briefs contain
2 business proprietary information, a public version is due on
3 the following day, Wednesday, March 30.

4 The Commission has tentatively scheduled its
5 vote on these investigations for Friday April 15th, and it
6 will report its determinations to the Secretary of the
7 Department of Commerce on Monday, April 18th.

8 Commissioners' opinions will be issued on Monday, April
9 25th. With that, again I thank all of you for coming and
10 being here, and this conference is adjourned.

11 (Whereupon, at 1:20 p.m., the conference was
12 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: 1,1,1,2-Tetrafluoroethane (R-134a) from China

INVESTIGATION NOS.: 731-TA-1313

HEARING DATE: 3-24-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

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