

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
FINISHED CARBON STEEL FLANGES FROM  
INDIA, ITALY, AND SPAIN

) Investigation Nos.:  
) 701-TA-563 AND  
) 731-TA-1331-1333 (PRELIMINARY)

Pages: 1 - 170  
Place: Washington, D.C.  
Date: Thursday, July 21, 2016



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INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
FINISHED CARBON STEEL FLANGES FROM ) 701-TA-563 AND  
INDIA, ITALY, AND SPAIN ) 731-TA-1331-1333  
) (PRELIMINARY)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Thursday, July 21, 2016

The meeting commenced pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Douglas Corkran, Supervisory  
Investigator, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Staff:

5 William R. Bishop, Supervisory Hearings and Information  
6 Officer

7 Sharon Bellamy, Program Support Specialist

8 Sonia Parveen, Student Intern

9

10 Amy Sherman, Investigator

11 Tana Farrington, International Economist

12 David Boyland, Accountant/Auditor

13 Courtney McNamara, Attorney/Advisor

14 Douglas Corkran, Supervisory Investigator (Presiding)

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1 APPEARANCES:

2 Embassy Appearance:

3 Embassy of India

4 Washington, DC

5 Sanjiv Tandon, First Secretary (Commerce)

6

7 Opening Remarks:

8 Petitioners (Matthew J. McConkey, Mayer Brown LLP)

9 Respondents (Max F. Schutzman, Grunfeld Desiderio Lebowitz

10 Silverman & Klestadt LLP; and Lizbeth R. Levison, Kutak

11 Rock)

12

13 In Support of the Imposition of Antidumping and

14 Countervailing Duty Orders:

15 Mayer Brown LLP

16 Washington, DC

17 on behalf of

18 Weldbend Corporation

19 Boltex Mgf. Co., L.P.

20 James M. Coulas, Jr., President, Weldbend Corporation

21 Frank Bernobich, President, Boltex Mgf. Co., L.P.

22 Jimmy Coulas, Sales Department Manager, Weldbend

23 Corporation

24 Kevin Coulas, Vice President of Production, Weldbend

25 Corporation

1 APPEARANCES (Continued):

2 Mike Hammer, Assistant General Manager, Weldbend  
3 Corporation

4 Aldo Bernobich, Operations Manager, Boltex Mfg. Co.,  
5 L.P.

6 Fabian P. Rivelis, Senior International Trade Advisor,  
7 Mayer Brown LLP

8 Dan Klett, Principal, Capital Trade, Inc.

9 Matthew J McConkey and Simeon M. Kriesberg - Of Counsel

10

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

13 Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP  
14 Washington, DC

15 on behalf of

16 Silbo Industries, Inc. ("Silbo")

17 Howard Jakob, Executive Vice President, Silbo

18 Alan Shalom, Executive Vice President, Silbo

19 Max F. Schutzman - Of Counsel

20

21

22

23

24

25

1 Kutak Rock

2 Washington, DC

3 on behalf of

4 Norma (India) Ltd.

5 RN Gupta & Co.

6 Bebitz Flanges Works Pvt. Ltd.

7 Bebita U.S.A.

8 Gaurav Gupta, Director, RN Gupta & Co.

9 Sameer Khandelwar, Director, Norma (India) Ltd.

10 Lizbeth R. Levinson and Ronald M. Wisla - Of Counsel

11

12 Rebuttal/Closing Remarks:

13 Petitioners (Matthew J. McConkey, Mayer Brown LLP)

14 Respondents (Max F. Schutzman, Grunfeld Desiderio Lebowitz

15 Silverman & Klestadt LLP and Lizbeth R. Levinson, Kutak

16 Rock)

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## 1 PROCEEDINGS

2 (9:31 a.m.)

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

4 MR. CORKRAN: Good morning, and welcome to the  
5 United States International Trade Commission's conference in  
6 connection with the preliminary phase of antidumping and  
7 countervailing duty Investigations Nos. 701-TA-563 and  
8 731-TA-1331-1333, concerning Finished Carbon Steel Flanges  
9 from India, Italy, and Spain.

10 My name is Douglas Corkran. I am a Supervisory  
11 Investigator in the Office of Investigations, and I will  
12 preside at this conference.

13 Among those present from the Commission staff  
14 are, from my right, Amy Sherman, our investigator; Courtney  
15 McNamara, our attorney; Tana Farrington, our economist; and  
16 David Boyland, our accountant.

17 I would remind speakers not to refer in your  
18 remarks to business proprietary information, and to speak  
19 directly into your microphones. We also ask that you state  
20 your name and affiliation for the record before beginning  
21 your presentation, or before beginning answering questions,  
22 for the benefit of the Court Reporter.

23 All witnesses must be sworn in before presenting  
24 testimony. I understand that parties are aware of the time  
25 allocations. Any questions regarding the time allocations

1 should be addressed with the secretary.

2 Are there any questions?

3 (No response.)

4 MR. CORKRAN: Mr. Secretary, are there any  
5 preliminary matters?

6 MR. BISHOP: Mr. Chairman, I would note that all  
7 witnesses for today's conference have been sworn in. There  
8 are no other preliminary matters.

9 MR. CORKRAN: Very well. Mr. Secretary, will you  
10 please announce our Embassy witness.

11 MR. BISHOP: Mr. Sanjiv Tandon, First Secretary of  
12 Commerce for the Embassy of India in Washington, D.C.

13 MR. CORKRAN: Thank you, Secretary Tandon, and  
14 welcome to the U.S. International Trade Commission. You may  
15 begin when you are ready.

16 STATEMENT OF SANJIV TANDON

17 MR. TANDON: First of all, my apologies for the  
18 delay of two minutes. I'm just rushing from USTR where I had  
19 bilateral -- my apologies for being delayed for such an  
20 important meeting. Thank you.

21 Dear members of the Commission, good morning. I  
22 am Sanjiv Tandon, First Secretary from the Embassy of India,  
23 appearing on behalf of the government of the Republic of  
24 India at this conference. The Government of India wishes to  
25 take this opportunity to highlight its concerns regarding

1 the Notice dated 30th June 2016 of Institution of  
2 Antidumping and Countervailing Duty Investigations against  
3 imports of finished carbon steel flanges from India.

4 Particularly and with prejudice to our right to  
5 make additional summations, we would like to highlight some  
6 of the major inconsistencies between the present  
7 investigation and the United States' obligations in the WTA  
8 Agreement on subsidies and countervailing measures.

9 The Government of India avers that the notice of  
10 institution of antidumping and countervailing investigation  
11 is a de facto initiation of an investigation under the  
12 Agreement on Subsidies and Countervailing Measures.

13 This is in view of the fact that the notice  
14 requires exporters from India to respond to foreign  
15 producers' exporters questionnaire on or before 14 July  
16 2016, and the Antidumping and Countervailing Handbook, 14th  
17 Edition, June 2015, published by the USITC states that in  
18 the event foreign producers fail to respond the Commission  
19 will rely on the existing evidence or facts available, but  
20 may also take an adverse inference for noncompliance.

21 Such an inference, according to Article 12.70,  
22 the Agreement on Subsidies and Countervailing Measures, can  
23 only be made after an investigation is initiated.  
24 Furthermore, Article 11.5 of the Agreement on Subsidies and  
25 Countervailing Measures provides that an investigating

1 authority shall avoid publicizing of the application for  
2 initiation of investigation unless a decision has been made  
3 to initiate the investigation.

4 The notice, therefore, which was published in the  
5 Federal Register on 7 July 2016 is a de facto initiation of  
6 the investigation. Alternatively, if the USITC contends  
7 that the notice is a mere institution as against initiation,  
8 they have acted in violation of Article 11.5 of the ASCM.

9 Additionally, they cannot legally obligate  
10 foreign producers to respond to foreign producers exporters  
11 questionnaire and penalize them by drawing adverse inference  
12 against them if the foreign producers fail to respond to the  
13 questionnaire.

14 A combined reading of Articles 11.1, 11.2, and  
15 11.3 imply that an investigating authority cannot initiate a  
16 countervailing investigation under ASCM unless the  
17 investigating authority has determined the accuracy and  
18 adequacy of evidence regarding the existence, amount, and  
19 nature of subsidy in question.

20 The Government of India asserts that these  
21 obligations have not been met, as the domestic industry has  
22 not established that the alleged subsidies (a) exist or (b)  
23 have been used by the foreign producer exporter and the  
24 USITC issued a notice on the same date on which the  
25 application was filed by the domestic industry, failing to

1 check the veracity of these allegations.

2 Furthermore, given that the notice is a de facto  
3 initiation of an investigation, the USITC has also acted in  
4 violation of Article 13.1 of the ASCM by failing to consult  
5 the Government of India prior to initiation of  
6 investigation.

7 The Government of India asserts that the  
8 following alleged subsidies mentioned in the Petitioners  
9 application are not countervailable, or are no longer in  
10 force, a duty exemption and remission schemes. On a  
11 combined reading of Annex 2 and 3 of the ASCM, it is clear  
12 that duty exemption and remission schemes are not  
13 countervailable to the extent that the exemption extends to  
14 inputs that are consumed in the production of the exported  
15 product, making normal allowances far-based, provided there  
16 is a verification scheme or procedure in place to verify  
17 that the input has been actually used in manufacturing the  
18 exported product.

19 The Government of India amended its foreign trade  
20 policy in 2015-2020 and made it mandatory for the proportion  
21 of inputs actually used or consumed in production of export  
22 product to be clearly indicated in shipping bills.

23 Consequently, the duty exemption and remission  
24 schemes, including advanced authorization program are  
25 consistent with India's obligation under the WTO, thus

1 making them noncontervailable.

2           The Steel Development Fund Loans: The Steel  
3 Development Fund was created in 1978 to aid in the  
4 modernization, rehabilitation, and development of the steel  
5 industry. In order to obtain loans from the Fund, Indian  
6 steel producers must first pay money into the Fund amounting  
7 to a borrower's cost.

8           In the U.S. Carbon Steel India case, the WTO  
9 appellate body held that the Steel Development Fund loan  
10 does not confer any benefit on steel producers, as it  
11 involves a borrower's cost. Hence, this scheme is not a  
12 subsidy, let along an actionable subsidy.

13           To clarify it further, the SDF loan scheme is  
14 funded by Indian steel producers themselves. The Government  
15 of India does not extend or contribute any monetary amount  
16 to the Steel Development Fund pool, and hence Steel  
17 Development Fund Loan Program does not confer any benefit on  
18 the Indian steel producers. Accordingly, the Government of  
19 India submits that the Steel Development Fund Loan Program  
20 must be excluded from the purview of the present  
21 investigation.

22           See, Incremental Export Incentivization Scheme.  
23 The Incremental Export Incentivization Scheme Program was  
24 introduced by notification number 27 on December 28, 2012,  
25 and provided for a duty credit script of 2 percent on

1 incremental exports upon a comparison of the last quarter of  
2 2011-12 vis-a-vis the last quarter of 2012--13. This  
3 notification applied to a period ending March 31, 2013.

4 The Incremental Export Incentivization Scheme  
5 Program was subsequently extended for the year 2013-2014 by  
6 notification number 43 on September 25, 2013. Since then,  
7 this program expired and the program has not been extended  
8 further. Therefore, this scheme is no longer in force and  
9 cannot confer a countervailable subsidy. Accordingly, the  
10 Government of India submits that the Incremental Export  
11 Incentivization Scheme Program must be excluded from the  
12 purview of the present investigation.

13 The Government of India would also like to point  
14 out that there is a 60.1 percent drop in the imports of  
15 carbon steel flanges from India if the 2016 year to date  
16 imports are compared with 2015 year-to-date imports.

17 In view of the above, the Government of India  
18 requests that the notice be withdrawn with immediate effect.

19 Lastly, the Government of India reserves its  
20 right to make additional summations in connection with this  
21 investigation. We are grateful to the U.S. International  
22 Trade Commission for this conference, and are hopeful that  
23 the USITC will consider our views favorably. Thank you.

24 MR. CORKRAN: Thank you, very much, Secretary  
25 Tandon. Are there any questions from the staff for the

1 Secretary?

2 (No response.)

3 MR. CORKRAN: Having no staff questions, I want to  
4 thank you very much for your time and your presence today.  
5 We certainly appreciate it. And with that, we will dismiss  
6 you from the panel with our thanks.

7 Mr. Secretary, let us proceed with opening  
8 remarks.

9 MR. BISHOP: Opening remarks on behalf of  
10 Petitioners will be given by Matthew J. McConkey, Mayer  
11 Brown.

12 MR. CORKRAN: Thank you very much. Welcome back  
13 to the Commission, and you may begin when you are ready.

14 OPENING REMARKS OF MATTHEW J. McCONKEY

15 MR. McCONKEY: So good morning. I am Matthew  
16 McConkey of Mayer Brown, here for Petitioners Weldbend  
17 Corporation and Boltex Manufacturing Co., L.P.

18 So this case is about certain carbon steel  
19 flanges from India, Spain, and Italy, rapidly taking market  
20 share from the domestic industry by drastic underselling.  
21 Imports from all three countries are dumped, and imports  
22 from India are also subsidized.

23 So the scope of the imported articles subject to  
24 this investigation covers carbon steel flanges. An  
25 identical product is manufactured in the United States. And

1 because clear dividing lines separate this product from  
2 other types of flanges, the domestic product should be  
3 defined commensurate with the scope definition.

4 So the conditions of competition that exist right  
5 now make this domestic industry particularly susceptible to  
6 injury from unfairly priced imports.

7 First, carbon steel flanges are a price sensitive  
8 commodity like-product. These products are standardized in  
9 terms of ASCM requirements, size, flange type, pressure  
10 ratings, et cetera. They are interchangeable, regardless of  
11 the source.

12 In fact, the same flange may be sourced from  
13 various producers in the United States and the subject  
14 countries. As a result, purchasing decisions are largely  
15 based on price.

16 Second, this is a highly capital intensive  
17 industry. Fixed costs are relatively high to variable  
18 costs, and as such the U.S. producers have a strong economic  
19 incentive to meet lower-priced imports to avoid lost sales  
20 and under-utilized capacity.

21 Third, demand for flanges has been declining.  
22 Apparent consumption fell by 7 percent from 2014 to 2015,  
23 and by 38 percent from the first quarter of 2015 to the  
24 first quarter of 2016. As a result, the U.S. producers, my  
25 clients, have been forced to make painful decisions to cut

1 prices to try to meet this unfair import competition.

2 Turning to applying these statutory factors of  
3 injury in the context of those conditions of competition,  
4 there's at least a reasonable indication that the domestic  
5 industry is materially injured by reason of the subject  
6 imports.

7 First, the increase in the volume of subject  
8 imports is significant, both in absolute terms but  
9 especially relative to U.S. production and the total  
10 overall market.

11 Second, the subject imports have had very  
12 negative price effects. Data in front of the Commission  
13 demonstrates that subject imports have consistently  
14 undersold the domestic like-product by significant margins.  
15 Indeed, the average unit value of the subject merchandise  
16 declined over the POI. So we have increasing volumes,  
17 decreasing prices. These subject imports have both  
18 depressed and suppressed U.S. prices. U.S. prices in fact  
19 declined from 2013 through interim 2016, and the imports  
20 undersold the domestic like-product throughout the POI.

21 Finally, the subject imports' negative volume and  
22 price effects have seriously impacted the domestic  
23 industry's market share, their output, their employment,  
24 their profitability, and their capital investment.

25 The domestic industry lost over 10 percentage

1 points of market share from 2014 to 2015, and its share  
2 remained low in 2016.

3 The two petitioning producers suffered  
4 significant and material declines in production, employment,  
5 and profit. The rapid increase of lower priced imports at  
6 the expense of U.S. production is accelerating, and the  
7 domestic industry's disinvestment in U.S. production assets  
8 and is resulting in separation of U.S. workers.

9 This industry is already injured, so we really  
10 don't believe that the Commission is going to have to turn  
11 to threat. But looking at the persistent underselling, the  
12 excess capacity in the subject countries as reflected in the  
13 questionnaire responses, and the government's subsidies in  
14 India, all in the context of declining U.S. demand make it  
15 clear that future injury is imminent if duties are not  
16 imposed.

17 In short, the Commission should reach an  
18 affirmative preliminary determination in each of these  
19 investigations. Thanks.

20 MR. CORKRAN: Thank you very much.

21 MR. BISHOP: Opening remarks on behalf of  
22 Respondents will be given by Max F. Schutzman, Grunfeld,  
23 Desiderio, Lebowitz, Silverman & Klestadt, and Lizbeth R.  
24 Levinson, Kutak Rock.

25

1                   OPENING REMARKS OF LIZBETH LEVINSON

2                   LEVINSON: I am Lizbeth Levinson--(off  
3 microphone).

4                   Good morning. I'm Lizbeth Levinson. I'm a  
5 partner with the Law Firm of Kutak Rock. I am here this  
6 morning with company officials from two of the largest  
7 exporters from India, Norma (India) Limited, and RN Gupta  
8 Limited. Their testimony will show that there is no  
9 reasonable indication that imports from India are causing or  
10 threatening material injury to the U.S. plant producers.

11                  The Petition filed in this case fails to  
12 acknowledge a very material fact. Namely, that there are at  
13 best only attenuated competition between imports from India  
14 and domestic producers.

15                  The reason for the absence of competition is that  
16 the U.S. industry is divided into two very distinct  
17 segments, the first of which is insulated almost entirely  
18 from Indian competition, and the second of which is served  
19 almost entirely by Indian imports.

20                  The first segment consists of the so-called  
21 "approved" market which consists of U.S. refineries, oil  
22 exploration, and chemical companies that purchase flanges  
23 only from manufacturers that have passed a rigorous approval  
24 process.

25                  Weldbend, Boltex, and the Italian and Spanish

1 flange producers have all been approved by the major  
2 purchasers in this segment. There is only one Indian  
3 company out of perhaps 20 different Indian producers that  
4 has been qualified to compete in this market.

5 This segment of the market commands the highest  
6 prices, and is the most difficult to enter. Petitioners'  
7 sales in the lucrative "approved" market are therefore  
8 protected almost entirely from competition from Indian  
9 imports.

10 The second segment of the U.S. flanges industry  
11 is referred to as the "generic market" and consists  
12 primarily of the construction industry and other noncritical  
13 applications. For the past 50 years, the generic segment  
14 has been supplied by Indian producers that have not been  
15 approved by the major oil and chemical companies.

16 Both Norma and RN Gupta and all other Indian  
17 companies but one sell flanges exclusively into this generic  
18 segment. This well-defined market segmentation constitutes  
19 a condition of competition that the Commission must take  
20 into account in its injury analysis.

21 In addition, this well-defined market  
22 segmentation provides a basis for the Commission to refrain  
23 from cumulating Indian imports with those from Spain and  
24 Italy. The producers from Spain and Italy are almost  
25 exclusively in the approved segment and do not compete in

1 the generic segment. Both producers and customers agree  
2 that flanges are not fungible or interchangeable.

3 A consumer of approved flanges would not purchase  
4 a generic flange for their critical application. Any injury  
5 the Petitioners may claim here today is attributable to  
6 reasons other than imports from India.

7 As we all know, the price of oil has plunged  
8 within the past year, severely curtailing the demand for  
9 flanges in the approved market. To compensate for the  
10 unanticipated loss of their primary market, Petitioners now  
11 seek to transition their sales efforts towards the less  
12 lucrative generic segment in which they have shown little  
13 interest until recently. Consequently, their profit margins  
14 have declined.

15 Furthermore, the import statistics presented in  
16 the Petition do not support a finding of material injury by  
17 reason of imports from India. Significantly, the volume of  
18 imports from India declined by over 50 percent in the first  
19 quarter of 2016 as compared to the previous year.

20 Indeed, over the entire Period of Investigation,  
21 imports from India have declined. Given the lack of  
22 competition between Petitioners and Indian imports, and the  
23 decline in Indian imports, we urge the Commission to issue a  
24 negative preliminary determination and terminate the case at  
25 this juncture. Thank you, very much.

1 MR. BISHOP: Thirty seconds.

2 MR. SCHUTZMAN: Mr. Corkran, Max Schutzman. I  
3 will defer my statement to Respondents' presentation.

4 MR. CORKRAN: Thank you very much, Mr. Schutzman.

5 MR. BISHOP: Would the panel in support of the  
6 imposition of anti-dumping and countervailing to the orders  
7 please come forward and be seated.

8 MR. CORKRAN: Welcome to the panel. Mr.  
9 McConkey, you and you panel may begin when you are ready.

10 STATEMENT OF JAMES M. COULAS, JR.

11 MR. COULAS: Good morning. I am Jimmy Coulas  
12 and I manage the Sales Department at Weldbend Corporation,  
13 one of two Petitioners in this investigation.

14 I am here today as the representative of the  
15 third generation of the Coulas family to own and operate  
16 Weldbend. With me here today are my father, James J.  
17 Coulas, Sr., President and CEO, my brother Kevin Coulas,  
18 Vice President of Production, and my cousin, Mike Hammer,  
19 the Assistant General Manager. In addition, my mother, two  
20 aunts, and my sister also work at Weldbend.

21 We are here today representing our company and  
22 its workers. I'd like to discuss three main topics. First,  
23 I'd like to introduce you to my company, Weldbend. Second,  
24 I'd like to explain the fungibility and interchangeability  
25 of domestic flanges and flanges from India, Italy, and

1 Spain. Third, I'd like to describe the very difficult  
2 market that we face due to unfairly traded low-priced  
3 imports.

4 By way of background, back in the last 1940s my  
5 grandparents James and Erma Coulas started Weldbend. Now  
6 eight family members and three generations later the company  
7 has grown to become one of the largest, if not the largest  
8 manufacturer of finished carbon steel flanges in the United  
9 States. My father began working for the family business  
10 back in 1967 and has been in the finished carbon steel  
11 flange business for over 49 years.

12 During his almost five decades in the finished  
13 carbon steel flanges business, he has visited facilities of  
14 several other domestic producers of finished carbon steel  
15 flanges and has visited foreign producers of the product in  
16 India, Italy, and Spain.

17 I began working for Weldbend in 1995 and have  
18 also visited the facilities of several other domestic  
19 producers of finished carbon steel flanges and I have  
20 visited producers of the product in India, Spain, and Italy.  
21 Over the last seven decades, while being committed to  
22 producing the highest quality flanges available, we have  
23 built a culture that respects our customers and workers  
24 alike.

25 Speaking of our employees, Weldbend currently

1 has about 150 employees who have a collective 1,000 plus  
2 years' experience. Indeed, I can confidently say that my  
3 family and I know the name of virtually everyone of our  
4 employees as many began working for the company before I was  
5 even born. There are numerous family connections among our  
6 employees -- fathers, sons, mothers, daughters, siblings,  
7 and cousins. Employees are trusted to work under the honor  
8 system. There are no time clocks at Weldbend.

9 In addition, Weldbend has provided free  
10 healthcare to its employees for years. Weldbend is also  
11 committed to the safety of our employees with our safety  
12 team, safety meetings, and specific safety training.

13 With respect to our production operations, our  
14 facility is spread throughout four buildings with  
15 approximately 315,000 square feet under roof on a 36-acre  
16 campus in Argo, Illinois. Our acreage gives us room to  
17 grow, if allowed. Weldbend has the largest inventory of  
18 domestic flanges. All of our flanges are marked to provide  
19 the customer with information regarding the manufacture, the  
20 size, the class, the bore, if it is required, the material  
21 specification, the heat code, and a production code on the  
22 flange.

23 We are also dedicated to the quality of our  
24 products through our biannual audits by our ISO registrar,  
25 which is more required. We conduct two internal audits each

1 year and we have four trained in house auditors. There are  
2 currently seven people in the Weldbend Sales Department,  
3 which I manage. Starting last year we began sending out  
4 surveys with every order asking our customers if they were  
5 satisfied and if not, why not.

6 So far, we've gotten a 99 percent customer  
7 satisfaction rating through these surveys, which is well  
8 above the national average for manufacturers. For that 1  
9 percent that doesn't respond favorably, one of our family  
10 members will receive an email and we'll reach out to that  
11 customer with a phone call to show them that we care, that  
12 we want to make things right, and that we appreciate their  
13 loyalty to us.

14 Everything that we do is to ensure that our  
15 customers have the best product and service available. We  
16 want the whole experience from start to finish to be  
17 seamless so our customers keep coming back.

18 My cousin, Mike, is personally involved in the  
19 industry through trade magazines, brochures, mailings,  
20 literature, website updates, and our Smartphone app. He's  
21 also been involved with streamlining the order entry process  
22 and looking to new ways to improve our customer service.

23 Let me make a couple points about production and  
24 competition in the flange business. In the United States,  
25 finished carbon steel flanges are produced in one of two

1 general ways. First, a company can produce its own flange  
2 forging, then machine those forgings into a finished flange.  
3 Second, a company can purchase forgings from others and then  
4 machine those purchased forgings into flanges. In the case  
5 of Weldbend, we purchase forgings that we then machine into  
6 finished flanges.

7           After my presentation this morning, Frank  
8 Bernobich from Boltex is going to explain the manufacturing  
9 process. Due to the nature of the flanges business, we sell  
10 our product through distributors in the United States and  
11 products imported from India, Italy, and Spain is also sold  
12 through those same distributors. Those same distributors,  
13 in turn, sell both U.S. made and imported product to end  
14 users.

15           Indeed, there is no difference between the types  
16 and specification of carbon steel flanges produced in the  
17 United States and those imported from India, Italy, and  
18 Spain. The producers in India, Italy, and Spain make all  
19 the common types of flanges in the same sizes and classes  
20 with the same type of facings. They are also required to  
21 meet the same ASTM and ASME standards that we are if they  
22 wish to sell in the United States.

23           Although I wish it were otherwise, sell of this  
24 product are based primarily on price because as long as the  
25 flanges meet the same ASTM and ASME standards carbon steel

1 flanges are essentially a commodity product. In short,  
2 carbon steel flanges from any other subject countries are  
3 interchangeable with that from Weldbend and other U.S.  
4 flange producers.

5           Its fungibility is driven by the fact that the  
6 product characteristics are highly standardized.  
7 Accordingly, sales are extremely price sensitive because so  
8 long as they meet the same ASTM and ASME standard there are  
9 no functional differences between the flanges from the  
10 United States and the subject countries.

11           All of our customers source from more than one  
12 supplier and they can and do switch. Since flanges from the  
13 different producers are very similar and interchangeable, it  
14 is easy for purchasers to switch suppliers with very little  
15 lead time and no supply disruption. As a result, price is  
16 the primary consideration in purchasing decisions.

17           I would now like to spend a few minutes on the  
18 state of the flange industry in the United States. As  
19 detailed in our questionnaire response to the Commission,  
20 imports from India, Italy, and Spain have had a negative  
21 impact on our U.S. shipments, production, capacity  
22 utilization, employment, prices, and profits for flanges.  
23 My belief is that the U.S. producers of flanges, including  
24 our co-Petitioner, Boltex, are experiencing similar trends.

25           U.S. market demand for flanges has been down

1 since 2014 due to the decline in the oil and gas industry.  
2 Despite this continued decline, the U.S. market will remain  
3 an attractive market for import flanges due to its size and  
4 is the largest market for carbon steel flanges in the world,  
5 the high price in the United States relative to foreign  
6 markets, the strength of the dollar, and the reduced demand  
7 globally.

8 In short, the future of the U.S. industry of  
9 producing carbon steel flanges is bleak unless duties are  
10 imposed to offset dumped prices and subsidized production of  
11 the subject countries. Let me stress that the injury we  
12 have suffered since 2013 is not primarily due to the decline  
13 in the oil and gas industry. We have been through oil and  
14 gas industry declines in the past. What makes this period  
15 different is that the way the imports from India, Italy, and  
16 Spain have taken increasingly large domestic market share  
17 through aggressive pricing. Indeed, margins by which  
18 imports undersell our product are significant and they are  
19 growing.

20 Our facilities that produce carbon steel flanges  
21 are highly capital intensive and require significant  
22 investment to maintain. The pricing pressure imports have  
23 caused prevented us from making important capital  
24 improvements. Imports will continue to seize market share,  
25 push down prices, and drive out the domestic producer. We

1 have already postponed a planned 10 to \$15 million  
2 investment in machinery. More needed investments will be  
3 put off, more machines and mills will be closed and more  
4 workers will lose their job.

5 We also expect that the unfair price competition  
6 from the subject import sources will continue. We  
7 anticipate continued sales and production declines, lower  
8 capacity utilization, reduced employment, reduced  
9 profitability, and an inability to justify in our investment  
10 of flange manufacturing assets. These are the harsh  
11 realities our industry faces.

12 In conclusion, as noted in the start of my  
13 presentation, it's not uncommon for generations of families  
14 to work at Weldbend. The good wages and benefits that can  
15 be earned have built and sustained our community for  
16 decades; however, the carbon steel flange industry is now  
17 under assault by dumped and subsidized imports from India,  
18 Italy, and Spain and those imports have taken an enormous  
19 toil on our domestic industry and its workers.

20 Indeed, while overall demand for carbon steel  
21 flanges has been low, it's the rapid rush of imports  
22 grabbing the market share and their aggressive price  
23 undercutting that has pushed our industry over the brink.  
24 If action is not taken to stem the tide of the imports,  
25 return rational pricing to the market, and restore a level

1 playing field I don't know where our industry will be six  
2 months from now.

3 We filed these petitions because we had no other  
4 option. I came here today to ask the Commission to help  
5 remedy these unfair trade practices, correct these market  
6 distortions, and give our industry the opportunity to  
7 compete on a level playing field. On behalf of Weldbend,  
8 our employees, we ask the Commission to reach an affirmative  
9 preliminary determination.

10 My family and I are available for any questions  
11 the staff may have and invite the staff for a visit to our  
12 plant to see the investments we have made in our business.  
13 Thank you.

14 STATEMENT OF FRANK BERNOBICH

15 MR. BERNOBICH: Good morning. I am frank  
16 Bernobich, the President of Boltex Manufacturing Company.  
17 I've been with Boltex since its inception in 1989 and have  
18 over 39 years of experience in the carbon steel flange  
19 business.

20 I'm here today to discuss three topics. First  
21 of all, I would like to describe Boltex's operation.  
22 Second, I will describe flanges and the way the flanges are  
23 produced. Third, I will review the grave conditions of our  
24 company as a result of unfairly priced imports.

25 Boltex began as a machining operation in 1989

1 and started forging in 1996. I've visited numerous flanges  
2 companies in both the United States and overseas, including  
3 producers India and Italy. Boltex has two manufacturing  
4 facilities in Houston with currently of about 130 employees  
5 compared to 227 in 2013, a significant decline.

6 Our 315,000 square foot forging facility sits on  
7 16.5 acres which was opened in 1999. Our 195,000 square  
8 foot machining facility sits on a 35-acre site. As such,  
9 like Weldbend our land size gives us room to grow, if  
10 allowed. We are a fully integrated carbon steel  
11 manufacturer, which means we create flange forging from  
12 produced carbon steel billets, purchase carbon steel  
13 billets, and then machine those flange forgings into  
14 finished flanges.

15 Our equipment is state-of-the-art and our  
16 integrative process allows us to manage our in-house  
17 forging, heat treatment, metallurgical testing, and robotic  
18 machining processes to ensure the delivery of the highest  
19 quality flanges. Our commitment to quality is matched only  
20 by our on-time delivery performance made possible by our  
21 production facilities for both rough forgings and finished  
22 flanges. We also sell some of our flange forgings to U.S.  
23 producers who then manufacture those into flange forgings  
24 into finished products. We are currently down to working  
25 two 10-hour shifts four days a week.

1                    Boltex, along with Weldbend, filed these  
2                    petitions against India, Italy, and Spain, to combat the  
3                    onslaught of unfairly traded flanges. Together, Boltex and  
4                    Weldbend account for the majority of carbon steel flange  
5                    production in the United States. In a minute, I will  
6                    provide some background on how flanges are produced;  
7                    however, let me first explain a bit about what a flange is  
8                    and what it is used for.

9                    A flange is a method of connecting a pipe,  
10                    valve, pumps, or other equipment to form a piping system.  
11                    It also provides easy access for cleaning, inspection, and  
12                    modification. Flanges are usually welded or threaded or  
13                    screwed. Flanges are manufactured in all different kinds of  
14                    materials, like stainless steel, cast steel, aluminum,  
15                    brass, aluminum, plastic; however, the most common material  
16                    is forged carbon steel.

17                    The material of a flange is set during the  
18                    choice of the pipe as a flange will invariably be of the  
19                    same material as the pipe. Indeed, it is a different  
20                    process -- it is a different production process to produce  
21                    flanges out of material other than carbon steel. In  
22                    addition, flanges are very different from pipe fittings. As  
23                    you can see, we currently have a flange here. This is a  
24                    well neck and that is to avoid confusion. That is a  
25                    90-degree elbow there.

1                   A minute ago I explained what flanges are used  
2                   for. That's different from what pipe fittings are used for,  
3                   which is to connect pipe where a change of direction or flow  
4                   is desired. As such, one cannot use a flange when a pipe  
5                   fitting is needed and vice versa. In addition, other than  
6                   Weldbend, I don't know of any other flange producers in the  
7                   United States that make fittings.

8                   Let me spend a few minutes to explain how  
9                   flanges are produced. The production of flanges start with  
10                  a forged carbon steel billet into a forging. Essentially, a  
11                  billet is moved through an induction heating oven. It is  
12                  sheered automatically and then forged in a closed eye, and  
13                  this is approximately what a forging looks like.

14                  (Showing example.)

15                  MR. BERNOBICH: Essentially, this forging will  
16                  take this shape when it is machined. The general production  
17                  process begins with the preparation of the forging dies and  
18                  that will ultimately form the forged parts. The billet is  
19                  pushed through heating ovens to the sheering press where the  
20                  length is gauged and cut. The cut billet is pushed into the  
21                  forging press where it is formed into a shape. The piece is  
22                  then moved to the next set of forging guys where it is  
23                  shaped into it approximate final appearance and then  
24                  subsequently moved into a trim press where the forgings are  
25                  trimmed and punched.

1                   And essentially, what we're doing in the final  
2 stages is there some always excess material on the outside  
3 diameter here and this is solid. When we move the part --  
4 the semi-finished part into the trim press the trim press  
5 will punch this portion of it out and will trim the outside  
6 diameter here. The material that we covered here can  
7 eventually be used to make another flange and the flash it  
8 invariably goes into scrap for recycling.

9                   The forges undergo subsequent heat treatment, if  
10 required. Certain classes of flanges do require heat  
11 treatment, normalization, quenching and tempering. There's  
12 a number of different things. Not all of them do, but some  
13 do.

14                   At that point the part is the machining process.  
15 The machining process includes four stages. The face and  
16 internal diameter are machined first. The face is  
17 considered the bottom side here.

18                   (Showing example.)

19                   MR. BERNOBICH: And the inside these are  
20 machined first, in general. There's variations, but in  
21 general, this is machined first -- also machined first. The  
22 other part then is the backside is machined and the neck is  
23 machined after that. Subsequent to that both holes are  
24 drilled. They are debirded, the flange is marked, okay,  
25 with its description of the flange, including a unique ID

1 number, and then it is sent off to be painted and that  
2 concludes the actual process. So essentially, we've given  
3 you an idea of how the flange is prepared.

4 Now let me describe the marketplace. Almost all  
5 flange companies, both domestic and foreign sell their  
6 products through distributors in the United States who then  
7 sell them to the end users. That is that we don't sell  
8 directly to the end users. Our customers do that. And our  
9 customers, the distributors buy from us and they buy from  
10 India, China, and Spain. Unfairly low imports from India,  
11 Italy, and Spain and increasingly created a negative effect  
12 on our company. We have lost significant sales to these  
13 unfairly priced imports. By any measure this has caused us  
14 serious economic harm.

15 Due to the rapid growth of imports from Italy,  
16 India, and Spain, our capacity utilization has significantly  
17 decreased in 2015. This trend has worsened in 2016.  
18 Imports from India, Italy, and Spain have been consistently  
19 underselling us. From 2008 to 2015 our prices remained  
20 fairly stable, but we've had to lower the prices two times  
21 in the last five months to compete with the prices offered  
22 by manufacturers from India, Italy, and Spain. Since  
23 February, we've had to reduce prices by 43 percent.

24 Even with these price reductions that we've  
25 made, we are losing sales to imports. In fact, we have

1 recently stopped getting orders from one of our largest  
2 customers for no other reasons than the lower prices offered  
3 by imports.

4                   The basic truth of a flange, a flange is  
5 fungible that is variably bought on price and price alone.  
6 No other factors, including so-called approved  
7 manufacturer's lists are important. The concept of an  
8 approved manufacturers list is a distinction between  
9 domestic and imported flanges may once been a factor, but  
10 are minimized now. The approved lists are not dictated by  
11 any industry or governmental standard. It is subjective.  
12 They are determined by the end users on a case-by-case basis  
13 and the distributor that sell to the end users have a  
14 significant influence on the manufacturers placed on the  
15 approved list.

16                   Because of the pressures on end users to obtain  
17 flanges as cheaply as possible, foreign companies, including  
18 Indian producers have been placed on approved manufacturers  
19 list. Most end users don't care about the origin of the  
20 flanges as long as the flanges meet the ASTM and ASME  
21 standards. When U.S. distributors are able to obtain  
22 foreign flanges at such low prices they have an incentive to  
23 convince the end users to add them to their approved list or  
24 to buy them regardless of the approved list. In addition,  
25 a large number of flanges in the market are sold that are

1 not on any type of approved list.

2 Let me close on a few comments on the impact of  
3 unfairly low-priced imports in Boltex. Over the years,  
4 Boltex has made significant investments in its plants to  
5 increase efficiency and provide quality flanges to the  
6 marketplace, and when I'm saying significant investments all  
7 in the United States of hard goods. However, the unfairly  
8 low-priced imports have undermined our efforts.

9 For example, two years ago, we purchased \$30  
10 million worth of new equipment. As mentioned in our  
11 questionnaire response, 18 of it is still in packing crates  
12 while the remaining equipment is idle. The deteriorating  
13 economic condition resulting from the low-priced imports  
14 have made it necessary for Boltex to lay off a substantial  
15 number of workers. Let unchecked, imports will continue to  
16 seize market share, push market prices down further, and  
17 force us to lay off additional workers.

18 Bluntly speaking, the survival of our company is  
19 at risk unless we get relief from low-priced imports.  
20 Indeed, as detailed in our questionnaire response to the  
21 Commission, imports from India, Italy, and Spain have had a  
22 negative impact on our U.S. shipments, production, capacity  
23 utilization, employment, prices, and profits for flanges.  
24 This industry is being injured by dumped and subsidized  
25 imports from India, Spain, and Italy. Overall demand for

1 carbon steel flanges has been low, that's true; however, we  
2 are losing market share due to increasingly aggressive and  
3 desperate pricing of flanges from India, Italy, and Spain.

4 We filed these petitions with Weldbend because  
5 we believe there is no other option. I'm here today to ask  
6 the Commission to help remedy these unfair trade practices  
7 and to give our industry the opportunity to compete on a  
8 level playing field. I'm available for any of your  
9 questions you may have and we will welcome a visit from the  
10 Commission and the Commission staff to our plant to  
11 demonstrate the investments and the commitment that we've  
12 made to this industry in the States. Thank you.

13 STATEMENT OF DANIEL KLETT

14 MR. KLETT: Good morning. My name is Daniel  
15 Klett and I'm an economist with Capital Trade testifying on  
16 behalf of petitioners in this proceeding. I will address  
17 four issues and you should have a set of slides in front of  
18 you to which I will be referring.

19 First, the volume of subject and non-subject  
20 imports.

21 Second, I will address the market shares of  
22 subject imports that they have increased given the steep  
23 downturn in the market in 2015 and 2016 at the expense of  
24 U.S. producers' U.S. shipment volumes.

25 Third, U.S. producers have experienced depressed

1 prices and underselling from subject imports were a major  
2 competitive factor causing this decline.

3 Fourth, volume losses and depressed prices have  
4 resulted in the U.S. industry suffering significant declines  
5 in profits.

6 There are specific tariff categories for finished  
7 carbon steel flanges so we can precisely quantify subject  
8 and non-subject import volumes and values from census  
9 statistics.

10 Slide 1 shows imports since 2013. Subject import  
11 volume decreased slight from 2013 to 2014 but increased in  
12 2015. The volume of non-subject imports has remained  
13 relatively flat.

14 Although subject imports have declined thus far  
15 in 2016, this must be viewed in the context of the decline  
16 in demand for flanges which is derived from its use in  
17 pipeline systems. For this reason I've looked at certain  
18 pipeline data as proxies for flange demand.

19 Slide 2 shows the volume of U.S. OCTG shipments  
20 from AISI data demonstrating a sharp drop in shipments in  
21 2015 and 2016.

22 Slide 3 shows AISI transfer carbon steel line  
23 pipe. Also showing declines.

24 I have preliminarily reviewed U.S. apparent  
25 consumption calculations using questionnaires for U.S.

1 producers and census data for imports, also showing demand  
2 declines during the POI and U.S. apparent consumption.

3           There have been significant increases in the  
4 market share of subject imports by about 10 percentage  
5 points from 2014 to 2015 and they have maintained their  
6 market share gains in the first quarter of 2016.  
7 Non-subject imports share was relatively flat so the  
8 increase in subject share was entirely at the expense of the  
9 U.S. industry.

10           Respondents stated in their opening that U.S.  
11 producers' problems were the result of this demand decrease.  
12 Although this clearly was a factor, other facts demonstrate  
13 that subject import competition also caused material injury  
14 to the U.S. industry.

15           First, subject imports gained substantial market  
16 share in this declining market virtually all at the expense  
17 of U.S. producers' market share.

18           Second, we have provided specific instances of  
19 lost sales to individual distributor customers.

20           Third, as I will later discuss subject imports to  
21 undersell U.S. producers and U.S. producers have had to  
22 reduce their prices in an attempt to minimize additional  
23 volume losses with adverse effects for their revenue and  
24 profits.

25           My initial review of questionnaire pricing show

1 underselling by subject imports for each of the subject  
2 countries individually and on a cumulated basis.

3 Slide 4 is one of the pricing products, product  
4 two, which has been aggregated and indexed for Weldbend and  
5 Boltex. Prices held relatively steady during 2013 and 2014.  
6 A decrease since that time with price reductions most  
7 significant in the first quarter of this year.

8 It is my understanding that Weldbend and Boltex  
9 had their -- that their prices have been relatively flat  
10 since 2008 and 2014, highlighting the negative implications  
11 of the most recent price reductions.

12 I believe the trends will be similar when the  
13 pricing data from non-U.S. producers -- from non-U.S.  
14 petitioner U.S. producers are included and the trends for  
15 the other pricing products are similar.

16 The price declines in volume reductions  
17 associated with competition from subject imports has  
18 resulted in profitability reductions for the U.S. industry.

19 Slide 5 shows aggregated operating profits for  
20 Weldbend and Boltex combined indexed to 2013.

21 As you can see, profits declined significantly in  
22 2015 and have continued to decline in the first quarter of  
23 2016 as compared to the first quarter of 2015.

24 I believe the trends will be similar when  
25 profitability data for other non-petitioner U.S. producers

1 are included.

2 Thank you.

3 STATEMENT OF MATTHEW J. McCONKEY

4 MR. McCONKEY: And now you get to hear from the  
5 lawyer. So, again, Matthew McConkey for petitioners. So  
6 let me do the lawyer stuff here and address the issues you  
7 guys -- actually the lawyers would like to hear about the  
8 issues of like product and domestic industry.

9 Starting with the scope of the investigation,  
10 again, covers carbon steel flanges. An identical product,  
11 again, is made in the United States and there are very clear  
12 dividing lines between carbon steel flanges and flanges made  
13 of different types of material such as stainless steel,  
14 plastic, brass, et cetera.

15 So, again, we're asking the Commission to define  
16 a like products that matches the scope. It also is detailed  
17 in the petition and from the testimony from the witnesses  
18 this morning, carbon steel flanges have fundamentally  
19 different physical characteristics from flanges of different  
20 constituent materials and that dictate different end uses.  
21 Carbon steel flanges are not interchangeable with flanges  
22 made of different materials because you can't use them on  
23 the different pipings and stuff.

24 Channels of distribution are basically the same  
25 because everybody sells through distributors, but the end

1 users are different.

2 And, as Mr. Bernobich mentioned, that carbon  
3 steel flanges use -- use different production processes. So  
4 you've got distinctive physical characteristics, different  
5 end uses, different production processes. And both  
6 consumers and the producers view carbon steel flanges as the  
7 distinct category of flanges.

8 And, finally, the prices of carbon steel flanges  
9 are completely disconnected to the pricing of any other type  
10 of flanges.

11 Final note is, and we will have to wait and see  
12 what we see in our post-hearing briefs, but at this point  
13 I'm not seeing any indication that our like-product  
14 definition is being contested by any of the respondents.

15 Talk a couple of words about cumulation. I think  
16 we're going to hear, we heard a little bit in the opening  
17 today, it looks like India is trying to carve itself out,  
18 but the fact of the matter is that all imports from the  
19 subject country should be cumulated.

20 The petitions were filed on the same day, and  
21 there's a reasonable overlap in competition amongst the  
22 domestic-like product and the subject imports.

23 Subject imports from each country and the  
24 domestic like-product are highly interchangeable. And we'll  
25 be discussing that obviously later today and in our briefs.

1           All U.S. and subject producers focus their  
2           production on sales of carbon steel flanges and a standard  
3           set of sizes, configurations, ASGM settings, pressure  
4           ratings, et cetera.

5           The subject imports of each country and the  
6           domestic like product are sold simultaneously in the United  
7           States through the same channels of trade. We're all  
8           selling to the same distributors. So the criteria for  
9           cumulation are satisfied.

10          Also, as our witnesses have testified, the  
11          conditions of competition make this domestic industry highly  
12          susceptible to injury from unfairly priced imports.

13          First, purchasing decisions are based largely on  
14          price. In the eyes of most of the consumers, the end users,  
15          a carbon steel flange is a carbon steel flange. And there  
16          is no non-price reason to choose one over the other.

17          Second, production is capital intensive. Lost  
18          sales not only reduce revenues, they also increase the  
19          per-unit fixed costs for the remaining sales.

20          Third, and I guess I don't believe this is even  
21          being tested by anybody else in this room today, demand is  
22          declining. Okay.

23          So it would be one thing if the subject imports  
24          entered the United States to meet surging U.S. demand  
25          conditions. But here the subject imports have stolen

1 domestic market share in a declining market.

2 Spend a few minutes on the statutory factors that  
3 the Commission will analyze in determining whether there's a  
4 reasonable indication of material injury we'll turn to the  
5 volume of imports on the subject merchandise. As Dan  
6 Klett's slide number 1 showed, the volumes of imports are  
7 significant.

8 This growth in import penetration occurred in a  
9 market characterized by declining demand were made in a  
10 large part to the energy sector downturn as shown in Dan's  
11 slides 2 and 3.

12 In a commodity-type business, as our witnesses  
13 have both described, falling import prices have had the  
14 predictable effect of underselling -- of both underselling  
15 domestic producers and resulting in both price depression  
16 and suppression.

17 Now, the Commission considers whether there's  
18 been significant price underselling by the imported  
19 merchandise as compared with the price of domestic-like  
20 products and whether the subject merchandise otherwise  
21 depresses prices to a significant degree or prevents price  
22 increases which otherwise would have occurred to a  
23 significant degree.

24 The facts in this case as laid out in the  
25 petition and as attested to by witnesses, and as we believe

1 will be confirmed by the Commission when you finally get all  
2 of the questionnaires. You've gotten a lot of them. I  
3 think the remaining few are coming in today hopefully, that  
4 when you guys look at this again you will confirm that  
5 there's been both significant price underselling and  
6 significant price depression and suppression. Indeed, we've  
7 seen that with what we've already gotten from the  
8 Commission.

9           So turning to the third factor examined by the  
10 Commission, the impact that the merchandise has on the  
11 domestic producers of the domestic-like product. The  
12 testimony of our witnesses and the public and confidential  
13 information contained in the petition shows that this  
14 domestic industry is reeling from the surge in import  
15 penetration and it is reflected in declining capacity,  
16 declining production, declining shipments, declining market  
17 share, declining employment, declining prices, and declining  
18 profits. We're confident that when the staff compiles all  
19 the data from the domestic information and from the  
20 questionnaire responses, all of this is going to be  
21 confirmed. In a declining demand environment, U.S.  
22 producers could have expected that their shipments would  
23 have declined but consistent with the overall declining  
24 demand. That's not what's happened.

25           So for all the reasons we're urging the

1 Commission to make an affirmative preliminary determination  
2 of material injury in this case.

3 I've got to talk about threat for a second.

4 So in addition to the compelling information we  
5 just laid out about current injury, we also believe that  
6 this industry is threatened with material injury. Again, as  
7 we talked about, you should cumulate the imports from all  
8 three subject countries. Okay. The imports, again, they  
9 meet the -- everything here is set up for cumulation. So I  
10 don't think we have a problem there. Again, these products  
11 are fungible. They're sold through the same channels of  
12 distribution. They compete in the same geographical  
13 markets with the domestic-like product. We've seen that in  
14 the questionnaire responses and they compete with each other  
15 under the same conditions of competition.

16 Producers from all sources compete to supply  
17 carbon steel flanges in this market. So applying the  
18 statutory criteria you've got threat and it's real and it's  
19 imminent.

20 Regarding import penetration, it is increasing  
21 rapidly. And, again, our preliminary analysis shows a 10  
22 percentage point increase from 2014 to 2015 all at the  
23 expense of the domestic industry. Not other imports, but to  
24 my clients. This rate of increase and market penetration of  
25 imports indicates a strong likelihood of substantially

1 increased subject imports in the near future.

2 Also, when you look at the questionnaire  
3 responses, there's a lot of excess capacity out there in the  
4 various subject countries.

5 Third, the subject imports are entering the  
6 United States at increasingly lower prices. And they're  
7 likely to increase the demand for further subject imports at  
8 those lower prices at the expense of the U.S. producers. So  
9 they're continuing to have a significant depressing effect  
10 on the domestic producers.

11 Again, the average unit value of the subject  
12 imports declined from 2013 to interim 2016. And in turn  
13 petitioners' prices, my clients' prices have also declined  
14 significantly.

15 The unfair and declining prices of subject  
16 imports resulted in even additional market penetration by  
17 the subject imports in the near future.

18 Finally, as we know, the Indian carbon steel  
19 flange producers benefit from numerous government subsidies  
20 in promoting expansion of both production and export of  
21 carbon steel flanges from that country.

22 That completes -- actually this completes this  
23 panel's presentations and we are available for questions.

24 Thank you.

25 MR. CORKRAN: Thank you very much. I appreciate

1 your time and your testimony today. I am going to begin  
2 questioning with Amy Sherman, our investigator.

3 MS. SHERMAN: Thank you all for being here this  
4 morning and for your helpful testimony.

5 I think I'm going to start with getting your  
6 response to the respondent's argument this morning about  
7 attenuated competition and the approved manufacturing lists.  
8 Can you describe a little bit more about the approved  
9 manufacturing lists and if you are only selling -- if both  
10 Boltex and Weldbend are only selling -- if you believe that  
11 there are these two segments in the market, the approved  
12 list and non-approved list and if you're selling to both  
13 segments of the market?

14 MR. BERNOBICH: Frank Bernobich, Boltex. Yeah,  
15 I'd like to answer that or at least give my opinion on that.  
16 What we are seeing is that there's a significant reduction  
17 in the amount of usage of approved manufacturers' lists.  
18 The fact that the economy and oil and gas economy has  
19 declined, people looking for greater opportunities to save  
20 money, so more and more they are deviating from the  
21 so-called approved lists, and there's a number of them.  
22 Some are made up by the oil companies, some are being  
23 accented by the distributors, some are being produced by the  
24 various fabricators. It all depends on what's going on at  
25 that particular moment in time.

1           The one thing that we do know, I mean, that I've  
2           experienced specifically is that my largest customer, okay,  
3           who has essentially stopped purchasing from me has continued  
4           to purchase flanges, but he has purchased flanges from other  
5           sources because the marketplace just doesn't stop. In other  
6           words, you don't sell, let's say, 100,000 tons of flanges  
7           one year and you sell 5,000 the next year. It doesn't work  
8           like that. The sources move. And so the -- to me that is  
9           the approved list is a red herring at this time.

10           There are some cases where they're used, but  
11           they're very, very limited.

12           MS. SHERMAN: But do you find -- are you losing  
13           customers to other sources that are on the approved list or  
14           --

15           MR. BERNOBICH: No, we're losing customers to  
16           cheaper-priced imports -- to cheaper-priced products.  
17           That's where we're losing customers.

18           MS. SHERMAN: And do you agree that the Indian  
19           product coming in is --

20           MR. BERNOBICH: Even on the -- even on the  
21           approved list it's much cheaper, yes.

22           MS. SHERMAN: Okay.

23           MR. COULAS, SR.: James Coulas, Weldbend.  
24           Traditionally, our company has been supplying commercial  
25           type flanges and not heavily involved in the approved list,

1       although we are on some, our main focus was always on the  
2       commercial type of flange and fitting.

3               MR. McCONKEY:  Matt McConkey, and I'll also jump  
4       in and I think this will trigger some comments from my  
5       clients as well.  The concept of these approved lists, I get  
6       it right, if I was on the other side, right?  I'd get this  
7       as an argument you would go with because it's kind of the  
8       only thing they've got.  This is not like a buy-America Act  
9       thing, right, where you've got a set of criteria and this is  
10      how you get on an approved list.  Right?  The approved list  
11      is subjective and Frank was intimating that, you know,  
12      sometimes the approved lists are by the end users.  
13      Sometimes they're by the distributor.  So there's no such  
14      thing as like these are the criteria that everybody has to  
15      meet and if you do that you are on an approved list.  If you  
16      don't do that, you're on a non-approved list.  It's not a  
17      hard and fast rule or lesson.

18             MR. COULAS, SR.:  James Coulas.  Another -- back  
19      in '82 when there was another decrease in oil, the oil  
20      companies wanted to save money so the big distributors went  
21      to the oil companies and said, we will go over and we will  
22      make approvals so you don't have to spend the money as long  
23      as you give us your business.  And that has been in there  
24      since about the early '80s.  If the oil company comes to  
25      them later and says, we want a 5 percent or a 10 percent

1 decrease in the product, it behooves these distributors go  
2 to out and go somewhere where they can get 10 percent, let's  
3 say cheaper product and keep the end user, the oil  
4 companies, the Exxons of the world, happy, but in essence  
5 what they're doing is the tail is wagging the dog and it's  
6 not for so much as a quality issue, they're doing it for  
7 their own sake to keep the end customer.

8 MR. BERNOBICH: Again, I just want to make a  
9 comment that first of all, we sell to both approved and  
10 unapproved lists. But let's assume that we sell on an  
11 approved list which are becoming rarer and rarer, there are  
12 individuals on that approved list that undersell our product  
13 by 50 percent. So the concept of an approved list doesn't  
14 really make that much difference. In other words, it's a  
15 question that I'm getting to, it's the concept of price that  
16 really dictates who buys what. It's price. The product is  
17 indistinguishable and the product is based on -- the  
18 purchase of the product is based on price. And many times  
19 we will also, in many cases, because we don't know in all  
20 cases, but in many cases we will compete with unapproved  
21 product. And we lose business to unapproved product.

22 Another side, this concept, this is not a holy  
23 grail of these approved lists. Even Exxon, who has an  
24 approved list, who if all of a sudden can't find what he  
25 wants from those people on that approved list will deviate

1 and go completely off the approved list and buy from  
2 unapproved suppliers to fill their obligations because they  
3 have a shutdown and they can't find anything. So these  
4 things are not written in stone.

5 MS. SHERMAN: Okay. So would you say that it's  
6 primarily the oil and gas industry that has these approved  
7 -- approved lists?

8 MR. BERNOBICH: Oil, gas, pipeline, people,  
9 there's also fabricators that make up -- make up their  
10 approved lists. And the fabricator approved lists have --  
11 names show up on there I've never even heard of before. But  
12 they show up and their indication, the reason that they say  
13 they can use them, they say, well, we stand behind the  
14 product and therefore we will use these particular  
15 suppliers.

16 Now, have they seen them? Have they gone to  
17 them? Do they have product liability? What are the  
18 manufacturing processes? Nobody really knows.

19 MR. COULAS, JR.: Jimmy Coulas, Weldbend. And to  
20 add on to my father's point. We've been a member of the  
21 Mechanical Contractor's Association for many years and  
22 contribute every year to them financially as well as we  
23 attend the conference. We have a booth and in the sales  
24 department, I know that we sell to construction, not just  
25 pipelines, buildings, school jobs, everything. So we do

1 dabble -- we do sell in that market as well.

2 MS. SHERMAN: Okay. So do you have an estimate  
3 of the breakout of flanges produced for the different  
4 industries for each of your companies? Is there either now  
5 or in a post-conference brief, could you do that?

6 MR. BERNOBICH: We really don't know because we  
7 sell to distribution. And where the distributor pushes his  
8 product, we're not sure of. You know, sometimes we'll have  
9 two functions. We will get in a project order which we will  
10 submit the material for that project and we may have an idea  
11 where that's going. But for the most significant product --  
12 most of our significant product goes into distributors'  
13 warehouses where then they warehouse it, they disburse it  
14 over to whenever they need. So it's very, very difficult  
15 for us to understand where the product goes.

16 MS. SHERMAN: And so you would know whether the  
17 imported product, if the competition is concentrated in one  
18 specific end-use competition -- end-use application?

19 MR. BERNOBICH: I'm not following your question.

20 MS. SHERMAN: So basically you're saying that you  
21 don't -- you're selling everything to distributors so you  
22 don't know what the ultimate end-use application is?

23 MR. BERNOBICH: That's correct.

24 MS. SHERMAN: Okay.

25 [PAUSE]

1                   MS. SHERMAN: I had a question here about the  
2 differences in quality or other characteristics between the  
3 domestic product and the imported product that I heard this  
4 morning that you're -- it's a commodity product. So are  
5 there any differences?

6                   MR. BERNOBICH: We would like to think there is.  
7 But, no, there isn't. As long as they meet the standards,  
8 the material standards and the design standards, it's --  
9 they're imperceptible. There's two different flanges here.  
10 We have a domestic flange here. We have an Indian flange  
11 here. Now, unless you were to cut into each one of them and  
12 ascertain the chemical and physical properties and find out  
13 that one did not meet, that would be one way of doing it,  
14 but looking at these cosmetically and everything else, they  
15 all look -- they look alike.

16                   Pardon me?

17                   And marked, yeah, they're marked. Now, this is  
18 -- they're always painted, but this just happens to be -- I  
19 wanted to show you one that's painted and unpainted. But  
20 otherwise, they're -- they're similar. They fit the  
21 process. They fit the class rating. The bolting,  
22 everything is -- everything is the same. The facing is the  
23 same.

24                   MR. McCONKEY: What is this? What type of  
25 flange?

1                   MR. BERNOBICH: It's a slip on. This is a weld  
2 neck, okay? A piece of pipe gets actually pushed in here  
3 and then is welded on the inside. Okay. Whereas in weld  
4 neck, the actual pipe, the beveled pipe gets welded on the  
5 neck on the outside.

6                   MS. SHERMAN: Okay. I had some questions about  
7 the import data over the period. When I was looking at it,  
8 we saw the decline from 2013 to 2014 and then it increased  
9 and then also in the interim periods from '15 to '16 we also  
10 saw a decrease. Can you comment on that? Is that --

11                   MR. KLETT: Ms. Sherman, this is Dan Klett. From  
12 2013 to 2014 imports stood to decrease. And I think also  
13 when you look at the market share numbers, there was either  
14 -- I mean, the subject import market share was either flat  
15 or maybe even decreased a little bit. So what we're really  
16 talking about in terms of adverse effects is the 2014 to  
17 2015 period. That's where you see an increase in the  
18 absolute volume of subject imports. You will see an  
19 increase in their market share by roughly 10 percentage  
20 points so that we don't have all the questionnaires I think  
21 we have most of them, so it's going to be in that range.  
22 And where you see adverse effects to the domestic industry  
23 declining capacity utilization, declining production,  
24 shipments, profitability, employment, prices.

25                   Now, move on to 2016 where you do see a decrease

1 in the absolute volume of subject imports, in the first  
2 quarter of 2016 is also where the demand decline is going to  
3 be most evident. When you compile your data on U.S.  
4 apparent consumption, I think there's going to be a fairly  
5 significant decrease in apparent consumption from 2015 to  
6 2016. When the market share gains by subject imports from  
7 2014 to 2015 they will have maintained that gain in interim  
8 2016.

9 So when you look at the absolute numbers here, it  
10 has to be in the context of demand and apparent consumption  
11 and market share.

12 MS. SHERMAN: Okay. So you have the two charts  
13 that are showing that demand has decreased and demand for  
14 these OCTG uses and carbon steel line pipe that use flanges,  
15 is that -- I guess this is getting back to my earlier  
16 question about end uses and you're saying this is like a big  
17 contributing factor to the decrease in demand. So does that  
18 mean that this one of the major end uses of the product?

19 MR. KLETT: Well, in general, the end use for  
20 flanges are pipelines. These are two illustrative carbon  
21 steel pipeline categories, OCTG and line pipe which are  
22 energy related. And I can let Frank or Jimmy comment, but I  
23 believe that the energy sector in general is a major end-use  
24 sector for demand for line pipes. I mean, how much is  
25 energy versus other, but I think they can comment on that

1 generally.

2 MS. SHERMAN: Thank you.

3 Also, looking at the import data, I was looking  
4 at the unit values from the imports of the three different  
5 countries and I see that India's unit value is much lower  
6 than Italy and Spain. Are they producing a different size  
7 flange? Is there any particular reason for this? Does it  
8 go back to the approved/unapproved list they were talking  
9 about this morning?

10 MR. MCONKEY: It comes from the import data,  
11 that's what we saw; I guess it's just a reflection of  
12 increased dumping.

13 MS. SHERMAN: Okay. I also have a few additional  
14 questions from another staff member. Our industry analyst  
15 could not be here today in person so she passed on some  
16 questions to me regarding the product and how it is produced  
17 in different types of the product. First, why is forged  
18 carbon steel the most commonly used material? Is it for  
19 cost reasons or non-reactivity?

20 MR. BERNOBICH: Most of the steel is carbon steel  
21 and that concept is also a question of cost. If you went to  
22 stainless or you went to Hatsoy or Incanal the price would  
23 be stratospheric and it's a commonly available item that  
24 performs a function relatively well.

25 MR. MCCONKEY: But I think the question is again

1       you use a carbon steel if you're going to put a flange on a  
2       pipe you use the same type of material for the flange that  
3       you do on the pipe. So the fact that most piping systems  
4       are made out of carbon steel means that most flanges are  
5       made out of carbon steel. If most piping systems are made  
6       out of brass then most flanges would be made out of brass so  
7       again it's driven by the piping systems.

8                MS. SHERMAN: I think you just answered my next  
9       question. Are the flanges usually made of the same material  
10      as the pipes for welding? Is this for welding purposes?

11               MR. MCCONKEY: Yes.

12               MS. SHERMAN: Okay. And what are finished  
13      flanges painted with? Is this only for rust prevention  
14      during their shelf life?

15               MR. COULAS: James Coulas, it is part of the spec  
16      and it's just strictly a rust preventative. Usually gets  
17      taken off after it's welded or recoated or whatever after  
18      that.

19               MS. SHERMAN: Thank you. Why are weld-neck and  
20      slip-on flanges the most used flanges? Is it because of  
21      ease of welding.

22               MR. BERNOBICH: Well, I think it's because of the  
23      facility. I'm sorry, Frank Bernobich, Boltex. I think it's  
24      a question of facility. Those are the ones that are more  
25      capable. They are utilized to specialize more. Weld-neck

1 is just welded to a beveled piece of pipe. Very easy to  
2 assemble. Slip on, the same thing, just a piece of pipe  
3 slips in there and this is an internal weld here. Threaded  
4 flanges, there are other reasons people use threaded  
5 flanges.

6 Generally, threaded flanges are used in smaller  
7 applications. I would say 6-inch and under, they are used  
8 in smaller applications. They are a little more delicate  
9 you know, in the sense that sometimes the threads can be  
10 bent and therefore there is always a potential for leaks.  
11 But they are also quick disconnect and connect type  
12 situations where you don't have to do any welding when you  
13 do a weld neck flange.

14 There's some other kinds, socket welds and so  
15 forth but by far, and then there's also blinds. Blinds are  
16 simple flanges that are flat and they use to cut off the  
17 flow of something. That's all there is to it.

18 MS. SHERMAN: Then, do you have any, do you know  
19 the share of demand for these two types of flanges as  
20 opposed to the other ones mentioned in the Petition.

21 MR. BERNOBICH: It varies. It also varies upon  
22 the type of markets that like ourselves, Weldbend and  
23 Boltex, we have a tendency to do more weld-necks. I believe  
24 you have a tendency to do more slip-ons. So it depends upon  
25 certain kinds of markets that we have.

1 MS. SHERMAN: And then my final two questions are  
2 about a couple specialty flanges that were mentioned in the  
3 petition. What is the Weldo-flange nipple-flange and what  
4 is it used for?

5 MR. BERNOBICH: Those are not part of our  
6 production or out of this scope. These are the forged  
7 fittings and they're utilized a lot in pressure vessels,  
8 okay, there's nipplettes, threadlettes, weldolettes. They  
9 are utilized for a whole different concept than what we are  
10 talking about here.

11 MS. SHERMAN: And then all --

12 MR. BERNOBICH: They do not apply to us.

13 MS. SHERMAN: Okay. And then also the long-weld  
14 neck flanges, what are those used for?

15 MR. BERNOBICH: Same thing. Long-weld, it's like  
16 a Abraham Lincoln hat and they're utilized in vessel  
17 production okay and pressure vessel production. Again,  
18 neither one of us produce that product.

19 MS. SHERMAN: Okay, I have no further questions  
20 at this time. Thank you very much.

21 COMMISSIONER CORKRAN: Well then I'll turn this  
22 to Ms. McNamara, our Attorney.

23 MS. MCNAMARA: Courtney McNamara, Office of  
24 General Counsel. I also want to thank all of you for coming  
25 today and participating in these proceedings. It's very

1 helpful to have you here to answer our questions. I want to  
2 start with, I have a question about the flanges of other  
3 materials. Do you all produce those in your facilities as  
4 well? Like the alloy steel or brass or?

5 MR. BENOICH: We do not.

6 MR. COULAS: Kevin Coulas, Welbend; we do not  
7 either.

8 MS. MCNAMARA: Thank you. Then I have a couple  
9 of questions that will be directed at Mr. McConkey. First  
10 of all, if I understand, you're defining the Domestic  
11 Industry to be all producers of finished flanges? Is that  
12 correct? Okay, in your post-conference brief could you  
13 address any related party issues that you are aware of?

14 MR. MCCONKEY: Yes, we shall.

15 MS. MCNAMARA: Also, with respect to processing  
16 flange forgings into finished flanges, could you also  
17 address the factors the Commission typically considers  
18 regarding sufficient production-related activities? Thank  
19 you. And now I am going to turn back to this approval list  
20 because I want to get an understanding of how this operates  
21 in the market. So can we start off, if I understand what  
22 your testimony was, you were saying that there's no magic  
23 like master approval list. But can you give me a sense of  
24 how a company gets on an approved list or what that process  
25 is or who dictates it?

1                   MR. BERNOBICH: My experience and then Jimmy can  
2 talk about his. Generally, the way we go on is the  
3 grandfather of the approved list, the Exxon approved list  
4 where we were placed on there or we were sponsored on there  
5 by a company called McJonkin, they're a distributor and  
6 since they needed our product and there was not enough  
7 available product out there and they had significant number  
8 of contracts with the Exxon people, they got us approved,  
9 they essentially got us approved and had us put on that  
10 list. Generally, this happens repeatedly with distribution.  
11 It's a distributor who goes out and says "look, I've got  
12 this guy, I need him. He's got good prices, he's got good  
13 product, he's got whatever and we need to add him to that  
14 approved list" and that's the way one list works.

15                   Every list works differently. In many cases, the  
16 majority of the times when we get increase from our  
17 customers, there is never a look or a demand that we're on a  
18 list. In other words, it's not that they say to us "you  
19 have to be Exxon-approved, you have to be Shell-approved" or  
20 anything, the requests just come on in.

21                   MS. MCNAMARA: So speaking to your experience and  
22 when you say customers you are referring to distributors?

23                   MR. BERNOBICH: Distributors. We just sell to  
24 distribution, yes.

25                   MS. MCNAMARA: So it's often the distributors, if

1 I am understanding, it's the distributors who are involved  
2 in, are primarily involved in at least in your experience,  
3 determining who gets placed on what list by vouching for  
4 you, for example?

5 MR. BERNOBICH: That is in fact correct.

6 MS. MCNAMARA: Okay. Is that your experience as  
7 well?

8 MR. COULAS: Kevin Coulas with Welbend. We tend  
9 to have to go more direct with a different customer than  
10 what Frank has mentioned. We will go with our customer,  
11 maybe visit the end user directly, make presentations to  
12 them to try to get them to try to get us placed on their  
13 approval list. Every end user and distributor is different.  
14 There is no, as Frank mentioned earlier, Holy Grail of what  
15 a manufacturer needs to do to be approved. It's all  
16 subjective by that end user. It could be as simple as you  
17 have a shop and you met the right price and you can be  
18 approved.

19 MS. MCNAMARA: Okay, so and again I'm trying to  
20 make sure I understand, in your experience you deal with the  
21 end users to be put on their?

22 MR. COULAS: With a distributor with us, we will  
23 visit, we will if the distributor is bidding a job with an  
24 end user the distributor may take us as well as other  
25 vendors that they are bringing along, pipe vendors and other

1 mounted flange provider to make their pitch, so we would  
2 make our pitch with them.

3 MS. MCNAMARA: Okay.

4 MR. BERNOBICH: We experience things differently,  
5 as I've said, we have been placed on those lists because our  
6 customers wanted us on those lists but also remember that on  
7 those lists we have a lot of foreigners that have been  
8 placed on there also. The foreigners have been placed on  
9 there primarily, at least my contention is they have a  
10 tendency to bring prices down. Exxon is looking for better  
11 opportunity, they go to McJunkin, McJunkin says "well, I can  
12 sell you Boltex product but Boltex product costs a hundred  
13 dollars." Exxon says "No, we've got to bring the cost of  
14 this project down to 80. Find me somebody that will sell me  
15 an eighty dollar flange" and they will then start scouring  
16 the world and find sources that will sell them an eighty  
17 dollar flange.

18 MS. MCNAMARA: An so then the distributor in your  
19 experience will then push or vouch for that company?

20 MR. BERNOBICH: Absolutely. He would say "look,  
21 I went to visit him, he was in Korea or he was in Vietnam, I  
22 went to visit him, his facility is fine, the product is  
23 good. We will bring the product in, inventory it and if  
24 there's any problems we will deal with it when the problem  
25 crops up but we don't see any problem cropping up".

1       Something along that line.

2                   MS. MCNAMARA:  So there is cross competition as  
3       far as you would understand it between non-approved and  
4       approved or do the non-approved have to get on the approved  
5       to be able to compete for that?

6                   MR. BERNOBICH:  It's fungible.  It's all over the  
7       place.  At any given day, everything is a different  
8       ballgame.  Sometimes there is an approved list.  Sometimes  
9       there is not an approved list.  Sometimes they want product  
10      from here, sometimes they want product from there.  It is  
11      not a clear cut.  There is no bright line.

12                   See, what we're trying to do or what people are  
13      trying to do is make this distinction, these iron-clad lists  
14      that if you're not on these lists you can't sell.  It's not  
15      at all true.  It's not at all true.  There's a whole series  
16      of different lists.  Sometimes they are rigid, sometimes  
17      they are not.  Sometimes the people say "give me whatever  
18      you want, give me whatever you got."  It depends upon  
19      availability, it depends upon prices, it depends upon a  
20      number of things.

21                   The lists are, I don't know.  They're almost  
22      ethereal if you get my drift.  They are not really hard,  
23      bound books that says you must use this.  That's what  
24      happens.  That's the reason we've had this dramatic push  
25      with imports let's say from places like India because they

1 are supplying a product that is much, much cheaper than the  
2 so-called Domestic Product.

3 MS. MCNAMARA: So then if I understand it, you  
4 would take issue with what I believe was Ms. Levinson's  
5 point that there is some price benefit to being on an  
6 approved list. That you can command higher prices with  
7 that.

8 MR. BERNOBICH: (Laughs) I can tell you right  
9 now, Ms. McNamara, we're not getting any, we're not getting  
10 any advantage. We're having to fight with the lowest price  
11 in the marketplace.

12 MS. MCNAMARA: And across?

13 MR. BERNOBICH: Approved, unapproved, illegal,  
14 whatever you want to call it, we're fighting it. We've  
15 dropped our prices, let me remind you ladies and gentleman,  
16 we've dropped our prices 43 percent this year and it is not  
17 enough. That needs to register with somebody, huh. It is  
18 not enough. We cannot survive with, under these premises.  
19 We cannot survive. We cannot survive paying the salaries  
20 that we do. We cannot survive by making the investments  
21 that we do. We cannot survive by paying the Social  
22 Security, we cannot survive by paying health insurance. We  
23 can't provide all the safety features. We can't survive on  
24 those things. We cannot do that. Based on these  
25 conditions, when we know that even what we've done 43

1 percent less is not enough.

2 MS. MCNAMARA: Do Buy American Policies come into  
3 play here?

4 MR. BERNOBICH: Once in a blue moon, once in a  
5 blue moon.

6 MS. MCNAMARA: Once in a blue moon, can you --

7 MR. BERNOBICH: I'll tell you, there are so many  
8 people that will sign those anyway whether they buy American  
9 or not, doesn't make any difference.

10 MS. MCNAMARA: I'm sorry, can you speak into the  
11 microphone and identify yourself?

12 MR. COULAS: There's a project out in California  
13 for a dozen ships for the government and they all went with  
14 import because it was cheaper. So it was theoretically a  
15 Buy American Act and they got around it saying they're on  
16 the approved country list or reciprocal, whatever they call  
17 it. So for an American ship that's being built in America  
18 and everything they want with formed fittings and flanges.

19 MS. MCNAMARA: Do you know what country those  
20 fittings by any chance came from?

21 MR. COULAS: I think we might still have those  
22 records.

23 MS. MCNAMARA: I would just be curious if they  
24 were Subject Imports or non-Subject Imports. But if you  
25 could give us a sense, if you could quantify to the extent

1 that you can, how Buy American policies come into play, I  
2 would appreciate that. Now, I understand how you talked  
3 about everybody goes through the distributors, Subject  
4 Imports and Domestic Produced products go through importers.  
5 I know you've talked about some switching there. Is there  
6 any reason why they would be stocking both and they'd want  
7 to stock both domestic and imports?

8 MR. BERNOBICH: Okay, let me answer that. There  
9 is a small percentage of individuals who still demand  
10 domestic approved but with the decline that we have had that  
11 has changed dramatically and that's the reason our  
12 marketplace has disappeared because that distinction is no  
13 longer valid.

14 MS. MCNAMARA: Okay, again to the extent that you  
15 can quantify that would be very helpful to us. You can do  
16 it in the post-conference briefs if you --

17 MR. BERNOBICH: Yes, I'll do it in the  
18 post-conference briefs. I will give you the numbers as to  
19 what's happening. I will be glad to. I'll be crying, but  
20 I'll tell you.

21 MS. MCNAMARA: Now, in terms of calculating  
22 Subject Imports do you assert that we should use official  
23 statistics or questionnaire responses? I realize some of  
24 the questionnaire responses are still out there but do you  
25 have a sense now?

1                   MR. KLETT: Ms. McNamara because the tariff  
2 categories are precise for this product we think import  
3 statistics probably will be the best. I mean, if once we  
4 review the importer questionnaires we have full coverage  
5 then possibly looking at importer shipments from the U.S.  
6 Market from the importer questionnaires would be a better  
7 information but that assumes you've got full coverage of the  
8 importer questionnaires as compared to census. So we're  
9 still looking at the information but my sense is that import  
10 statistics from census will be more comprehensive  
11 information for looking at imports.

12                   MS. MCNAMARA: Okay, if I'm not mistaken, HTSUS  
13 categories pertain to iron and non-alloy steel? Is that, is  
14 there any out-of-scope product in that?

15                   MR. KLETT: I'll have to look. I don't think so  
16 but I can look at the description in more detail but I  
17 believe those are --

18                   MR. MCCONKEY: In theory it could be, yes, but  
19 our understanding that it's probably not imported, there is  
20 really not a demand for that alloyed steel flange that you  
21 would think there would be, that would distort the data.

22                   MS. MCNAMARA: Okay, if you have any additional  
23 information you can put in the post conference brief, I  
24 would appreciate it. Okay, we talked a bit about declining  
25 demand in the oil and gas industry. What other segments,

1 and I know we've had some discussion about construction and  
2 some of the other segments but how would you characterize  
3 demand in other segments of this market?

4 MR. COULAS: James Coulas. Even though the oil  
5 and gas has gone down, construction is up and I think that's  
6 back with government statistics lately so that's up but we  
7 haven't seen any of the benefits of that and as I say, our  
8 company traditionally has been in that type of market for  
9 fittings and flanges.

10 MR. BERNOBICH: This is Frank Bernobich again.  
11 We haven't seen any benefit from it at all.

12 MS. MCNAMARA: Okay, so construction of any other  
13 segments, I think was it chemical segment, and if there's  
14 any other segments that you can identify and just  
15 characterize the demand in those segments that would be  
16 helpful just to get a sense of what's going on.

17 MR. BERNOBICH: Well maybe we can talk about it  
18 in a few minutes in the brief when I am talking about the  
19 decline, we will talk about that also.

20 MS. MCNAMARA: Absolutely. Please feel free to  
21 address it. If you'd also like to address either here or in  
22 your post-conference brief, your expectation about U.S.  
23 demand in the future, that would be helpful and in  
24 particular if you believe it's going to differ by segments  
25 if you can explain that it would be helpful.

1           Okay, now we've talked a little bit about how the  
2 volume declined in interim 2016 and that was related to, you  
3 were claiming that was related to some demand decline, how  
4 do you address the lower market share in interim 2016 to  
5 2015? If you want to do this in post-conference brief  
6 that's fine too.

7           MR. KLETT: I can just say something generally  
8 too. The subject share was a little bit lower interim 2016  
9 as compared to 2015 but I think the important thing is that  
10 the market share gain from 2014 to 2015, they maintained  
11 most of that market share gain in 2016, even though from  
12 20 I mean, they maintained most of the market share gain  
13 they made in 2015, from 2014 to 2015 even though in 2016 the  
14 market share may have declined a little bit. In other  
15 words, the market shares in 2016 were still quite a bit  
16 higher than 2014.

17           MS. MCNAMARA: But if you could, if to the extent  
18 that that's shifted to either Domestic or non-Subject and  
19 you could shed light on why that was in that interim period,  
20 that could be helpful too.

21           MR. KLETT: Sure.

22           MS. MCNAMARA: Okay, are Domestic Producers able  
23 to supply the entire U.S. Market?

24           MR. BERNOBICH: Yes, I believe we are. Frank  
25 Bernobich again. Yes, I believe we are.

1 MS. MCNAMARA: And if you could, please feel free  
2 to do this in your post conference brief, if you could talk  
3 about what you believe your full practical capacity  
4 utilization rates are that would be helpful. Do you have  
5 any information on the flange markets in the Subject  
6 Countries?

7 MR. BERNOBICH: Sorry, didn't hear the question.

8 MS. MCNAMARA: Do you have any, and I'm just  
9 wondering if you have any information about the flange  
10 markets in the countries in India, Italy or Spain?

11 MR. BERNOBICH: I personally do not.

12 MS. MCNAMARA: Okay, could you tell us a little  
13 bit about how non-Subject Imports are, what their role is in  
14 the U.S. Market?

15 MR. BERNOBICH: They compete with everybody.

16 MS. MCNAMARA: So they're all interchangeable?

17 MR. BERNOBICH: Yes, they compete with everybody.  
18 Again, as long as a flange is ASME and as long as it's ASTM  
19 marked, they're fungible. They can come from the moon. I  
20 mean, I'm not being facetious, they can come from the moon.

21 MS. MCNAMARA: Do you have any sense of how they  
22 are priced compared to domestically produced and Subject  
23 Imports?

24 MR. BERNOBICH: I wouldn't want to hazard a guess  
25 at that. I don't know.

1                   MS. MCNAMARA: Okay, well if you have any  
2 information about that and if you could also in the  
3 post-conference brief explain why any injury is not  
4 attributable to non-Subject Imports that would be helpful.  
5 That is all the questions I have now. Thank you very much  
6 to everybody.

7                   COMMISSIONER CORKRAN: Thank you very much. Now  
8 I's turn to Ms. Farrington.

9                   MS. FARRINGTON: Good morning everybody. Thank  
10 you for being here. Sorry if I bounce around a little. My  
11 questions have already been asked. Let's see, just kind of  
12 going along demand. From what I hear your demand in the  
13 flange market is based on the end-use market. Is there any,  
14 does demand for flanges fluctuate with demand for inputs at  
15 all like carbon steel or is it solely on the oil industry or  
16 construction industry?

17                   MR. BERNOBICH: I'm not sure I follow the  
18 question. I apologize.

19                   MS. FARRINGTON: So, the input to flanges, carbon  
20 steel. Does demand for carbon steel affect demand for  
21 flanges?

22                   MR. KLETT: Ms. Farrington, this is Dan Klett. I  
23 think that because flanges are used almost entirely on  
24 pipeline systems that I think we can say that 100 percent of  
25 demand for flanges is contingent on what you see in the

1 pipeline construction industry so I don't think that there's  
2 the alternative type of demand that you're asking about  
3 really has any affect on demand for flanges.

4 MS. FARRINGTON: Okay, great. Thank you. So we  
5 talked about how flanges are made to ASME and ASTM  
6 standards, are there any conformity assessment or testing  
7 processes that you go through on a regular basis? If so,  
8 can you describe them?

9 MR. BERNOBICH: Yes, they're dictated by both  
10 those standards.

11 MS. FARRINGTON: Right, but during production,  
12 during the year, is there any testing of your flanges to  
13 make sure?

14 MR. BERNOBICH: Every company does things  
15 differently. You know, I'll speak for myself and let Mr.  
16 Coulas speak for himself, we do have to ISO certification  
17 test throughout the year. Plus we have an additional 2 or 3  
18 internal audits that we do. Plus we have, of course we have  
19 a complete metallurgic lab that we periodically test product  
20 for chemical and physical composition. Yes, so we have both  
21 external approvals in terms of ISO. Both of our facilities  
22 are ISO certified, our forging facility and our machining  
23 facility and those are done twice a year and we also hire  
24 independent individuals to come and audit ourselves in the  
25 company also above and beyond that.

1                   MR. COULAS: This is Kevin Coulas with Weldbend.  
2                   In addition to the ISO audits that we do we also have an  
3                   ATLA-accredited lab on site which is run by a third party  
4                   where we do all the mechanical and chemistry testing of all  
5                   of our flanges as well. Those are all outlined on the MTRs  
6                   that we provide with our flanges. So it gives a full  
7                   chemistry, tensile, yield strength, elongation, reduction of  
8                   area, hardness and then we can validate our material to  
9                   those standards.

10                   MS. FARRINGTON: Okay, great. Just one more  
11                   question on the AML. You mentioned that there was, at one  
12                   point, a distinction between U.S. and imported flanges, but  
13                   now there isn't. Do you know about when that change  
14                   happened? Was it commensurate with the decline in the oil  
15                   industry during this period, or was it before?

16                   MR. BERNOBICH: I think that AMLs have been  
17                   around for a long time, and I think from the inception of  
18                   the AMLs there have always been included some foreign  
19                   entities in there. That's my feeling. It's just that the  
20                   AMLs with time have deteriorated in terms of importance.

21                   And also they have expanded, they've added a lot  
22                   more people. So even with adding more people, they just  
23                   further reduce their level of importance in general. So the  
24                   AMLs right now are really, to me, they're almost  
25                   insignificant.

1 MS. FARRINGTON: Did you see that change within  
2 the period that we're particularly looking at?

3 MR. BERNOBICH: I think it's been a progressive  
4 degenerative process, is what I think it's been doing, yes.

5 MS. FARRINGTON: Okay. From what I gather, and  
6 just to confirm, are there any substitutes for your flanges?  
7 Within -- it seems that, you know --

8 MR. BERNOBICH: Anybody and anybody's flanges  
9 that meet the standards of ASME and ASTM, those are all  
10 perfectly acceptable.

11 MR. MCCONKEY: You need to use a flange for a  
12 flange operation. That's kind of why we brought the pipe  
13 fitting, just it had come up earlier, in the process, you  
14 know, you can't use that for this, so people need flanges.  
15 People go out and ask for a flange -- they don't ask for  
16 something else.

17 MR. BERNOBICH: But any flange that meets those  
18 two standards are completely fungible.

19 MR. KEVIN COULAS: And this is Kevin Coulas for  
20 Weldbend. The 6" slip-on that we brought from Weldbend and  
21 the 6" Indian flange that we were able to purchase, we both  
22 have RMTR that we provided for ours, as well as the Indian  
23 producers' MTR, so if that were a flange that were to go  
24 onto a job site or a distributor, they'd be perfectly OK to  
25 sell that product in place of ours.

1 MS. FARRINGTON: Okay.

2 MR. KEVIN COULAS: The MTR, we'll state that it  
3 needs no standards, the ASTM or ASME standards.

4 MS. FARRINGTON: Moving back to raw materials.  
5 How do you typically purchase your raw materials? Is it on  
6 the spot market or through contracts?

7 MR. BERNOBICH: We typically buy billet, what  
8 you call Comcast billet, and we have a spec that we buy to.  
9 We buy billet domestically from a mill approximately 110,  
10 115 miles away from us. But it is always a basically a spot  
11 purchase. In other words, on every given month, they change  
12 their prices to us, based upon scrap and surcharges and so  
13 forth and so on. Yes.

14 MR. JAMES COULAS: James Coulas for Weldbend.  
15 We keep a stock of finished material and we look at the  
16 inventory and then, depending on where that sits, we will  
17 put out bids for forgings for flanges.

18 MS. FARRINGTON: And how do electricity costs  
19 contribute to the cost of production?

20 MR. BERNOBICH: It depends on what kind of deal  
21 you make. Having said that, in Texas, we're a deregulated  
22 state, and we make long-term contracts for electricity. And  
23 it's one of those things. Sometimes you make a good deal,  
24 sometimes you make a bad deal.

25 Sometimes you think it's best to roll with the

1 dice and go from day-to-day, and sometimes it's best to fix  
2 the price for over a period of time. It just all depends.  
3 But it is not an insignificant cost because, even though  
4 it's deregulated, for ourselves, we have certain advantages  
5 because we have a substation that we can -- we don't have to  
6 use the commercial power lines. We use the transmission  
7 lines and so therefore, we have reduced costs for that  
8 energy.

9 But again, if we buy it at the wrong time or if  
10 we make the wrong commitment or something, everything is  
11 contingent on it. But we still, not only do we have the  
12 cost of the electricity itself, but we still have to pay the  
13 individuals that run the lines for us, and there's a whole  
14 series. You've seen your telephone phone bill that has all  
15 the charges like this? Our electrical bill is the same way.  
16 But they are, they're significant.

17 MS. FARRINGTON: Okay.

18 MR. JAMES COULAS: In Weldbend Corporation, we  
19 go out and buy in bulk for several years at a fixed rate.

20 MS. FARRINGTON: Okay. Moving on to price  
21 factors. Why did you choose these specific pricing  
22 products? And do you think that they'll give us a large  
23 coverage of total commercial shipment values? Or are we  
24 looking at something where there's a lot of different  
25 products and these were kind of the best in competition?

1                   MR. KLETT: This is Dan Klett. I was involved  
2 with the clients and Matt in terms of choosing the products.  
3 And what we did is, we requested from them some of their  
4 largest volume flange items, as well as different types of  
5 flange fittings and dimensions. And so we chose the ones we  
6 did based on that.

7                   And in terms of coverage, because there's  
8 hundreds of different types of flanges, you're not going to  
9 have the same type of coverage that you will have had with a  
10 product like hydraulic cement where every pound is the same  
11 as every other pound. But we still think they're  
12 representative and based on what I've -- based on looking at  
13 the questionnaire so far -- I think you're going to have --  
14 it will show that you will have comparisons for all  
15 products between the U.S. producers and subject imports.

16                   I can give you a sense in the brief, in terms of  
17 what kind of coverage you will get, but it's not going to be  
18 particularly high for that reason.

19                   MR. MCCONKEY: I think you've got a fairly  
20 representative set of product. If we'd have been smarter,  
21 we would've. We didn't really "cherry pick". We sort of  
22 said, "What are your biggest sellers?" and we took those and  
23 they had sales of them and said, we think this is good  
24 coverage. And I think the questionnaire responses are going  
25 to indicate that as well.

1 MS. FARRINGTON: Okay, great. That's helpful in  
2 kind of knowing what I should expect to see. I have a  
3 feeling y'all know the answer to this, but what factors  
4 other price if there are any affect the sales?

5 MR. BERNOBICH: I guess if nobody has it, then  
6 they have to buy something, but outside of that, I don't see  
7 any reason that the -- I mean price is the determining  
8 factor by far.

9 MR. JAMES COULAS: James Coulas with Weldbend.  
10 Over our fifty years, our family's tried to build up our  
11 name, but in the end, if there's such a great price  
12 difference, usually it goes down to price in the end. There  
13 might be some that would stick with you, but in the end,  
14 with this much of a price difference that's going on now, it  
15 won't hold for long.

16 MS. FARRINGTON: OK, I think that is all I have.  
17 Thank you.

18 MR. CORKRAN: Thank you very much. Now we'll  
19 turn to Mr. Boyland.

20 MR. BOYLAND: Good morning. Thank you for your  
21 testimony. I've already sent the companies follow-up  
22 questions, which I appreciate your time addressing. I do  
23 have a few questions here.

24 In terms of the period that we're looking at and  
25 the trend of financial results, is 2013 sort of the baseline

1 in terms of what you would traditionally or typically expect  
2 in terms of profitability?

3 MR. MCCONKEY: Let us address that in the brief,  
4 is that okay? We've not asked that question, so I'm not --

5 MR. BOYLAND: It's sort of a trend issue in  
6 terms of -- I think -- okay.

7 In terms of the sales process, each company  
8 indicated that you're selling through distributors. And it  
9 sounded like from the testimony that Weldbend sells  
10 primarily into the commercial segment?

11 MR. JAMES COULAS: That as traditionally been  
12 Weldbend's sales, in commercial, but we also do some oil and  
13 gas.

14 MR. BOYLAND: Okay, and for Boltex, would it be  
15 sort of the reverse? You're mainly in oil and gas? And is  
16 it fair to say that these distributors themselves are  
17 focused on those areas as well? Who they're selling to,  
18 ultimately?

19 MR. BERNOBICH: There may be some distinction in  
20 where some people we sell to are more oil and gas related  
21 and don't do the commercial and vice versa. But it's hard  
22 to define.

23 MR. JAMES COULAS: It would be same thing. It  
24 depends on what segment of the market your distributor is  
25 going after.

1                   MR. BOYLAND: OK. Thank you. And just sort  
2 of -- a lot of the good questions have already been asked,  
3 so I'm going to follow up on a few here. Mr. Coulas, you  
4 had discussed finished forgings, finished flange forgings as  
5 your inventory?

6                   MR. JAMES COULAS: After we machine the flanges,  
7 they go into an inventory, yes, sir.

8                   MR. BOYLAND: OK. But your primary raw material  
9 is still billet?

10                  MR. JAMES COULAS: Our primary material is a  
11 flange, is this forging.

12                  MR. BOYLAND: Okay. So you're actually  
13 purchasing the flange forging and then finishing it?

14                  MR. JAMES COULAS: Yes, sir.

15                  MR. BOYLAND: OK, and then Boltex actually takes  
16 the billet? OK.

17                  MR. JAMES COULAS: We make the forging and then  
18 we make the flange.

19                  MR. BOYLAND: OK, thank you. With regard to  
20 energy, I know there was discussion about electricity. Is  
21 that the primary energy cost?

22                  MR. BERNOBICH: Well, for us, it is. Yes.  
23 Because we use induction heating ovens and the induction  
24 heating ovens, essentially what they do is they take  
25 electrical energy and transform it into heat. We heat the

1       billet and the heating of a billet is almost instantaneous,  
2       if you can imagine. And so we use an awful lot of energy on  
3       a monthly basis. Yes.

4                   MR. JAMES COULAS: At Weldbend, the energy for  
5       the flanges for us would be in the equipment and the  
6       machinery.

7                   MR. BOYLAND: So electricity?

8                   MR. JAMES COULAS: Yes.

9                   MR. BOYLAND: Does each company have its own  
10       sales force? Or do you sell -- I mean I know you're selling  
11       ultimately to distributors, but who sells on your behalf?  
12       Do you have your own sales force? Your independent sales  
13       reps?

14                   MR. BERNOBICH: Whoever picks up the phone.  
15       Yeah, we have a few people. We have several inside sales  
16       people who receive the inquiries, and we have one individual  
17       on the outside who will sometimes make sales calls and  
18       verify problems or anything else like that.

19                   But over the years, what we've done is, the  
20       reason we've tried to simplify it is that we have a price  
21       list. And we have an established price list and we have  
22       established discounts with all the distributors that we  
23       dealt with, and they would just send their orders in, based  
24       on the pre-established price list and discounts.

25                   MR. BOYLAND: Is that still the case? That you

1 have these price lists --

2 MR. BERNOBICH: We're in chaos right now. We're  
3 still partially using the price lists, partially not using  
4 the price lists. We've asked all of our distributors to  
5 please come to us and send their inquiries, and we will  
6 price them out accordingly, wherein the past they wouldn't  
7 send an inquiry, they would just send an order in.

8 MR. BOYLAND: OK, based on the price list?

9 MR. BERNOBICH: Yes.

10 MR. BOYLAND: And the discount?

11 MR. BERNOBICH: Yes. Yes, sir.

12 MR. BOYLAND: And for Weldbend is --

13 MR. JAMES COULAS: As I stated in my testimony,  
14 we have seven people in the inside sales team of Weldbend.  
15 Whenever you call Weldbend, you get the sales team. We like  
16 to be able to get that right away.

17 However, we have three outside contractors that  
18 act as sales people for us. They work exclusively for  
19 Weldbend, and they go out and they're geographically-based  
20 and they cover various states. They do not take orders.  
21 Everything is given to us. So e-mails, faxes, however we  
22 get orders, it all goes through us.

23 MR. BOYLAND: OK, and I think the testimony  
24 suggested that a lot of this is spot basis? Or most of it?

25 MR. JAMES COULAS: We are a day-to-day business,

1 so every day when we come in, a new order is a new order.  
2 So we rely on word of mouth and just all that we, like I  
3 said, our level of customer service, we tried that so we can  
4 keep them calling and keep business going.

5 MR. BERNOBICH: We're the same way. Frank  
6 Bernobich with Boltex. Every day's a new day for us. We  
7 have no order backlog. We produce for the day, for the  
8 moment. So we have to -- it's a constant struggle to keep  
9 our orders flowing in. Because it's not -- you know, it's  
10 not that a customer says, "Look, I'm gonna need one  
11 truckload in January, one truckload in February, one  
12 truckload in March," that doesn't happen in our industry.

13 MR. BOYLAND: OK, you answered my next question,  
14 which again, it is more an order-based -- you know, you get  
15 the order, you produce. You're not building based on  
16 projections?

17 MR. JAMES COULAS: We are literally, like Frank,  
18 we literally have no business for tomorrow, for the rest of  
19 the month or the rest of the year, come the end of the  
20 business day. And the orders that we get in today will be  
21 shipped out starting today or tomorrow, usually two days at  
22 the most, but literally we have no orders to carry us  
23 through a month or a week or whatever. It's a day-to-day  
24 business.

25 MR. BOYLAND: When I'm looking at the overall

1 average sales value, I guess one question would be. During  
2 the period, were there any significant changes in the type  
3 of flanges being sold? Would I see any variation in average  
4 sales value simply because of product mix?

5 MR. BERNOBICH: Product mix has always been  
6 consistently the same. Small variations here and there, but  
7 overall, you know, weld mix, slip-ons, blinds, threaded  
8 blinds, that whole group has always been incredibly  
9 consistent.

10 MR. BOYLAND: And for Weldbend, would that be  
11 the same?

12 MR. JAMES COULAS: Yes, distributors usually  
13 carry a product line with slip-ons, weld mix, and blinds and  
14 size ranges. So they generally carry the same things on  
15 their purchases. With slight variations, but generally  
16 speaking, it's the same flanges on orders.

17 MR. BOYLAND: And with respect to raw material  
18 costs in general, obviously steel being a big part of this,  
19 during the period, raw material prices, I'm assuming would  
20 be influencing sales value as well. Is that a reasonable  
21 interpretation?

22 MR. BERNOBICH: I mean steel is obviously a  
23 significant issue. But let's remember one thing is that, it  
24 is not the \$10 or \$20 decline in the cost of steel is not  
25 going to change the cost of your product very much. I mean

1 steel doesn't account for a huge -- I mean it counts for a  
2 good portion of your sales dollar, but a small decline  
3 becomes insignificant.

4 MR. BOYLAND: That sort of leads into another  
5 question about the extent to which you can sort of control  
6 production costs. You mentioned fixed costs being an  
7 important part of this, and you have employees, and you've  
8 indicated that there had been employee reductions. Is that  
9 sort of the only way you can reduce your sort of overhead?  
10 The fixed costs part of this?

11 MR. BERNOBICH: I don't know of any other  
12 things. I mean we could reduce them further. We have a lot  
13 of painters and gardeners right now working for us, but  
14 there's very little -- I don't know if I cut back on the  
15 coffee? I mean, I'm not being facetious, I don't know what  
16 else to do. You know, there's very, very little things that  
17 you can control.

18 I mean, you know, the equipment is what the  
19 equipment is. The depreciation is what the depreciation is.  
20 Maintenance is what it is. We have extensive buildings. We  
21 have huge amounts of equipment that needs to be constantly  
22 maintained. I don't know how much you can cut back. You  
23 know?

24 MR. BOYLAND: Along those lines, I think it  
25 would be -- and I didn't ask this to any specific company

1 any specific follow-up question, but to the extent that you  
2 could enumerate the fixed costs? And sort of give me a  
3 sense of how those are impacting the costs overall?

4 Again, you made it fairly clear, the issue is  
5 fixed costs and your volume. But if you could sort of  
6 provide a little more background in terms of what are those  
7 costs? Because we obviously, in the questionnaire only have  
8 a couple of line items. So additional background would be  
9 very helpful.

10 One final question. Product liability was  
11 mentioned a few times, and I guess I was curious and  
12 interested to know, who ultimately -- we sort of suggested  
13 that the distributor is taking responsibility? But  
14 ultimately it's the producer.

15 MR. BERNOBICH: We carry a substantial amount of  
16 product liability.

17 MR. BOYLAND: OK. That's the case for Weldbend  
18 as well?

19 MR. JAMES COULAS: Yes. Same for us. We have  
20 to carry the liability.

21 MR. BOYLAND: Where would those costs be showing  
22 up? I mean, obviously insurance costs -- so that's going to  
23 be an SG&A? OK.

24 MR. BERNOBICH: And of course, you know, with  
25 product liability, it's sometimes very difficult to

1 understand how much you need to carry.

2 MR. BOYLAND: And I'm assuming that all this  
3 obviously sophisticated testing and internal control is to  
4 support the -- and reduce, minimize the possibility that  
5 there's going to be a problem.

6 And those tests, where would those be showing up  
7 in costs? The internal control of the auditing?

8 MR. BERNOBICH: I'm sorry -- metallurgical  
9 testing. We have a metallurgical lab, we have technicians  
10 there, and those costs would be under those auspices.

11 MR. BOYLAND: And this may be sort of a  
12 follow-up question. Just to sort of enumerate, are those  
13 costs being reported in other factory costs or SG&A? I  
14 appreciate your testimony. Thank you.

15 MR. CORKRAN: Thank you. I'd like to join my  
16 fellow panelists in expressing my appreciation for your  
17 testimony here today. It's been very helpful. We've had  
18 very good questions from the panel, so that makes my task  
19 both easier and harder, trying to figure out what is left to  
20 ask. So I may jump around a little bit. So please bear  
21 with me.

22 We've talked a great deal this morning about  
23 approved manufacturer lists, but I'd like to take a step  
24 back from AMLs and ask, do you agree with what I believe is  
25 one of the basic premises of the respondents, as articulated

1       this morning, that there are at least two distinct groups of  
2       customers in the U.S. market, at least at the end-user  
3       level: Those in the oil and gas and chemical/petrochemical  
4       universe, and those who are in the construction or other  
5       noncritical application universe. Do you agree with that  
6       basic premise?

7                   MR. KLETT: Mr. Corkran, this is Dan Klett. I  
8       just -- I think first we have to, when we talk about  
9       customers, distinguish between the ultimate end-user  
10      customer and the distributor customer.

11                   And I think when you're talking about end-users,  
12      one probably could say there is a distinction because the  
13      end-use is either oil or gas or it's not oil or gas. So  
14      it's an oil/gas pipeline or it's not an oil or gas pipeline.  
15      So at least at the end-user level there probably is a  
16      distinction. When you get to the distributor level as a  
17      customer, maybe not so clear to the extent that distributor  
18      customers may carry both flanges for the oil and gas sector  
19      and the commercial sector.

20                   MR. JAMES COULAS: I know you're getting the  
21      oil/gas and the other -- there are oil and gas companies  
22      that have no approved list. So it's not every one. As Al  
23      said earlier, it's completely subjective of who wants to  
24      have a list or not. But not all oil, and I'm saying  
25      probably a fair amount, don't have a so-called approved list

1 for themselves.

2 MR. BERNOBICH: I would say the majority of  
3 people do not have approved vendors lists.

4 MR. MCCONKEY: Again, if an end-user, whether  
5 it's oil or gas or in a construction business, if they need  
6 this type of flange, it's the same flange. It's the same  
7 ASTM. It's the same specifications. There's not a flange  
8 made for the oil and gas industry and a flange made for the  
9 construction industry. It's the same flange, built to the  
10 same standards, the same specifications, but they use it for  
11 whatever. But people don't produce different types of  
12 flanges for different types of end uses. It's all the same  
13 standard and the same size.

14 MR. CORKRAN: In terms of Weldbend's sales, you  
15 testified this morning that you have a concentration in the  
16 construction market, rather than the oil and gas market?

17 MR. JAMES COULAS, SR.: James Coulas for Weldbend.  
18 That has primarily been our focus for most all of our  
19 business life, yes, sir.

20 MR. CORKRAN: Okay. Does that have anything to do  
21 with your production process? When I look at Weldbend  
22 versus Boltex, we are looking at a producer who uses a  
23 nonintegrated process and one who uses an integrated  
24 process. Does that influence the primary--your primary  
25 focus on customers, on construction versus oil and gas?

1                   MR. JAMES COULAS, SR.: James Coulas again. It  
2 has just been what our family has started out with. We do  
3 sell into the oil and gas business, but traditionally our  
4 focus has always been on the construction type business.

5                   MR. CORKRAN: Two of the AMLs that were mentioned  
6 today, and in fact actually come up quite a bit any time  
7 AMLs are discussed in the oil or gas segment at least, are  
8 the Exxon and Shell AMLs. Is Weldbend on those approved  
9 manufacturer lists?

10                  MR. JAMES COULAS, SR.: Weldbend is on--Exxon ha  
11 several categories, but, yes, we are on Exxon's list. And  
12 likewise Shell has several divisions of their approval  
13 lists. I know we're on one or two of those lists, yes, sir.  
14 But the exact AML that we're on, I can't tell you at this  
15 time.

16                  MR. CORKRAN: Earlier today we discussed ISO  
17 audits that take place at both companies. What is the  
18 purpose for those audits? And are they related to your  
19 listing on major approved manufacturer lists?

20                  MR. BERNOBICH: Frank Bernobich, Boltex. Well  
21 first of all, they are an international indication that you  
22 pursue a certain quality system. Okay? And there is a  
23 registrar, and there are a number of them out there, maybe  
24 too many, who will come out and verify that you do what you  
25 say you do, and that you prescribe [sic] by the standards of

1 the ISO certifications, yes.

2 So that's--we have them, and we do it twice a  
3 year. We have to do 'em also--we have to do separate ones,  
4 because one we have to do for the actual machining process,  
5 and one we actually have to do for the forging process. And  
6 I'm sure--there was another portion of your question I  
7 didn't ask you--answer.

8 MR. CORKRAN: Yes. The question, and I'll kind of  
9 restate it a little bit, was: Is ISO certification a  
10 prerequisite for being listed on the Major Approved  
11 Manufacturer List?

12 MR. BERNOBICH: That all depends on whomever. I  
13 think it would use it as a calling card, if you wanted to  
14 get on there, if somebody wanted to put you on an approved  
15 list. They might ask you if you're on ISO. But I can't  
16 attest to everybody. I don't know.

17 MR. KEVIN COULAS: Kevin Coulas with Weldbend.  
18 ISO is just a basic level saying you're going to meet a  
19 certain quality level with your product, and document what  
20 you do, and do what you document.

21 In terms of ISO being required, some of the forms  
22 I've filled out for end users you can either check 'yes' or  
23 'no.'  
24 And if you're not, you can still get approved providing you  
25 provide them documentation. And the Indian flange that we

1 brought is an ISO accredited manufacturer, as well.

2 MR. BERNOBICH: I mean ISO has exploded, you know,  
3 worldwide, and there are so many registrars now, and so many  
4 companies being registered that one is not quite sure of  
5 who's up, I mean.

6 MR. CORKRAN: At least for the major approved  
7 manufacturer lists, are those limited to sales in the United  
8 States? Are they regional in nature? Or are they global in  
9 nature?

10 MR. BERNOBICH: Well, again Frank Bernobich with  
11 Boltex. We pursue the domestic marketplace. So what Shell  
12 does in Europe, or what it does in Hungary, or a place like  
13 that, we just do not pursue that marketplace. So I'm not  
14 sure how that applies. But we pursue basically the U.S.  
15 marketplace and are interested in those particular areas.

16 MR. CORKRAN: Where I'm going with that question  
17 is, testimony earlier today indicated that a number of  
18 foreign sources are on AMLs, and that may very well be the  
19 case, but their presence on an AML may or may not have  
20 anything to do with their participation in the U.S. market,  
21 if the AML itself is regional or global in nature. That was  
22 really the gist of my question.

23 MR. JAMES COULAS, SR.: James Coulas, Weldbend.  
24 The American market is the biggest market for welded  
25 fittings and flanges in the world. And when you talk ot

1 Europe, you're talking let's say of Italy, or you're talking  
2 of France, or you're talking of Spain, whatever you're  
3 talking about, the United States is the biggest market for  
4 fittings and flanges.

5 So the Spanish don't have a big market. They can  
6 try to get into Europe. They sell into Europe. But the one  
7 biggest market that everyone looks for is the United States.  
8 And that's why you have this, all the Spanish, and the  
9 Italian, and the Indians coming over here, because we are  
10 the biggest market.

11 MR. CORKRAN: I'd like to touch a little bit on  
12 one of the major issues, or major descriptive terms that was  
13 used right from the opening statement, that this is a  
14 price-sensitive commodity like-product.

15 If that characterization is correct, why would we  
16 see what appear to be, at least preliminarily, such large  
17 differentials in prices for U.S. product and prices for  
18 imported product?

19 And, for that matter, when we look at imports,  
20 why would we see such a distinct difference in average unit  
21 values between imports from Italy and Spain on the one hand,  
22 and imports from India on the other?

23 MR. KLETT: Mr. Corkran, this is Dan Klett. I can  
24 take a first stab at that, and then maybe let the others  
25 interject.

1           I mean the premise of your question, and you've  
2 looked at a lot of products at the ITC here, and there are  
3 some commodity products where you see prices are being very  
4 close, I think the fact that you see such wide price  
5 differentials isn't inconsistent with this being a commodity  
6 product, especially in the context of the declining demand  
7 and the foreign exporters trying to gain significant market  
8 share through price.

9           So you do see, you know, significant margins of  
10 underselling. You see it from India. You see it with  
11 respect to Spain and Italy as well. So I don't think  
12 there's an inconsistency between this being a commodity  
13 product and the underselling.

14           And what was the second part of your question?

15           MR. CORKRAN: It was related. Why would we see  
16 such distinctions in average unit values between imports  
17 from Italy and Spain on the one hand, and imports from India  
18 on the other? There is a wide gap between those two.

19           MR. KLETT: Right. I mean the AUV distinctions,  
20 part of that might be explained by product mix, when you  
21 look at the--when you look at the average unit values from  
22 Census statistics. But I think you also, you know, you do  
23 see that in your pricing data as well. So it's not purely a  
24 product mix issue. But I think you also see, when you look  
25 at the import statistics, the imports from India have the

1 larger share of the subject countries, which I think also  
2 reflects, reflects there being lower price than Spain and  
3 Italy, for example, which I think also is consistent with  
4 the commodity nature of the product in terms of the volumes,  
5 you know, the relative volumes being consistent with the  
6 relative price distinctions that you see.

7 MR. CORKRAN: Well since we've talked about  
8 different groups of customers in the marketplace, and we  
9 heard this morning that the Respondents' view at least  
10 Indian participation as being focused on one group of  
11 customers, let me just ask generally.

12 In terms of Weldbend's competition in the  
13 marketplace, do you find yourself competing with imports  
14 from Spain and Italy, given your focus on the construction  
15 customers?

16 And similarly for Boltex, given your particular  
17 focus on oil and gas related customers, do you find yourself  
18 competing with imports from India?

19 MR. JAMES COULAS, SR.: James Coulas, Weldbend.  
20 We compete every day with imports from Spain and Italy and  
21 India. And it has gotten worse to the point where we have  
22 had to do this. We have been in the flange business 50-ish  
23 years. We have never had to come before the Board for this.  
24 And it's just getting unbearable for us to compete.

25 MR. BERNOBICH: I concur with that. I find myself

1 in competition with those countries, other countries, and  
2 whether it's approved or unapproved Indian, we find that in  
3 the marketplace at all times. This is, again I have to, I  
4 can't reiterate it enough, this is definitely a  
5 price-sensitive item. The reason we've had to drop our  
6 prices over 40 percent and still are not quite there  
7 because it's a question of price.

8 I can assure you, if there was some kind of  
9 bright line between our prices, or our product, and somebody  
10 else's products, the Italians, the Indians, whatever the  
11 case happened to be, there would have been no reason for me  
12 to change pricing.

13 We've had to drop prices to survive--to survive--  
14 to give my workers and the plant something to do. Not for  
15 me to make a profit, but to give them something to do to  
16 keep them there. That's the important thing.

17 This thing about--this thing about approved list,  
18 I'm telling you it is absolutely mind-boggling to me because  
19 it is an inconsequential event. It happens so infrequently.  
20 And it is violated so infrequently. Okay? People are  
21 buying this product on the damn price.

22 MR. CORKRAN: Related to that issue, you had  
23 mentioned earlier that Boltex workers were down to working  
24 two shifts of 10 hours a day 4 days a week. What was that  
25 down from, say two or three years ago? Or what's the

1 comparison point?

2 MR. BERNOBICH: We were working upwards of fifty--

3

4 MR. CORKRAN: Could you use your microphone?

5 MR. BERNOBICH: I'm sorry. We were working  
6 upwards of 50 and 60 hours a week. As I said, also I want  
7 to add a codicil to that 40-hour week. We're in the process  
8 right now of setting a 32-hour week.

9 MR. CORKRAN: One quick technical question. Some  
10 of the testimony earlier mentioned that some flanges require  
11 heat treatment. What type of flanges would that be? And  
12 are those at all individualized by markets, say oil and gas  
13 versus construction?

14 MR. BERNOBICH: Look, there--it depends upon the  
15 client. Okay? It depends upon what the requirement, or the  
16 engineering specs request. The ASTM requirements, ASTM A105  
17 outlines classes, 150 to 2500 pounds, okay? The 150 and 300  
18 pound classes are not required to be subsequently heat  
19 treated. In other words, once they're forged and allowed to  
20 be cooled, they're fine.

21 The classes 400, 600, 900, 1500, and 2500  
22 pounders have to--you have to submit to some kind of heat  
23 treatment, normalization, annealing, quenching, and  
24 tempering, and there's a whole list of things. But those  
25 are things.

1           Generally, now, what we're seeing now more and  
2 more also is we're starting to see the demand for product,  
3 150 pound and 300 pound to be subsequently heat treated, not  
4 by the standard, okay, but by customers' requirements.

5           MR. CORKRAN: One question, or one request,  
6 rather, for the post-hearing briefs. Can we get copies of  
7 the major approved manufacturers list? We talked about  
8 Exxon and Shell today. If there are others that relate to  
9 flanges, if we could get copies of those. Thank you.

10           And my very last question is: When we are looking  
11 at demand drivers, and part of the presentation today  
12 focused on oil country tubular goods and line pipe, my  
13 question is, is this more general information? My  
14 understanding is that for down-hole applications you're  
15 going to be using couplings rather than flanges. And I  
16 believe for line pipe you may use couplings, or you may use  
17 welding in the field. But I wasn't aware of either of those  
18 applications being particular to flanges.

19           MR. KLETT: Mr. Corkran, this is Dan Klett. This  
20 is more general information, but I'll confer with the  
21 clients in terms of the, you know, what are the most  
22 appropriate demand drivers. I mean generally it's  
23 pipelines, which is why I looked at OCTG and line pipe, but  
24 the specifics of your question I'll have to check with them.

25           MR. McCONKEY: He's asking do you think--the

1 concept of giving--was to show the decline in oil and gas  
2 industry, because a decline in the oil and gas industry  
3 impacted those two products. We weren't able to  
4 particularly quantify the demand in the oil and gas industry  
5 in other ways, so that was just sort of a proxy. The demand  
6 for these have gone down, therefore demand in oil and gas  
7 has gone down.

8 MR. BERNOBICH: Just as an aside, you're correct.  
9 When, when--oil country tubulars basically they're  
10 couplings, okay? The thing is, what that engenders, it  
11 engenders oil, right? Oil comes out. It has to be put in  
12 the tanks. It has to be piped. It has to have the pipeline  
13 built. That's where the flanges get consumed. So the more  
14 oil country tubulars you've got working, the more potential  
15 for pipelines and completions have to go along that way.  
16 Am I making sense? But it's not necessarily on the OCTG  
17 that you're going to use a flange. Because the oil starts  
18 flowing. It's go to flow. They've got to direct it. And  
19 they build pipelines in the fields underground, overground,  
20 to direct that oil.

21 MR. CORKRAN: Okay. So when we're looking at oil  
22 and gas, are we really more looking at more like the  
23 petrochemical industrial piping systems?

24 MR. BERNOBICH: It's very important to have the  
25 rig count. The rig count is a great indicator of what our

1 business is like. Because as they go out there, and as they  
2 start drilling, they've got that oil. The take that oil,  
3 and they've got to take it and move it somewhere else. And  
4 to move that oil somewhere else, they've got to have  
5 pipelines to do it. And that means flanges, valves, pipes,  
6 fittings, whatever the case happens to be.

7 MR. CORKRAN: Okay. Thank you. That finishes all  
8 of my questions. Let me look to other staff members. No?  
9 Okay, well with that, again I'd just like to reiterate our  
10 thanks to you today for bearing with us and answering all of  
11 our questions. We very much appreciate the time that you've  
12 spent with us. And with that, the panel is dismissed.

13 MR. CORKRAN: Mr. Bishop, are there any  
14 preliminary matters?

15 MR. BISHOP: No, Mr. Chairman. I would invite  
16 the Panel in Opposition to anti-dumping and countervailing  
17 duties to please come forward and be seated.

18 MR. CORKRAN: Thank you all for coming today.  
19 We look forward to your testimony, and you may begin when  
20 you are ready.

21 STATEMENT OF MAX F. SCHUTZMAN

22 MR. SCHUTZMAN: Thank you, Mr. Corkran. Max  
23 Schutzman here. The Respondents today have a rather  
24 distinguished panel for you to hear from and to question.  
25 We have two manufacturers, representatives of whom have come

1 all the way from India to provide you with relevant  
2 information. They will testify, Mr. Gupta, from RN Gupta  
3 Company and Mr. Khandelwar, from Norma. To my left and to  
4 my right, we have Silbo Industries representatives, Mr.  
5 Shalom and Mr. Jakob. Silbo is one of the major trading  
6 companies in the United States dealing in this product.

7 For the record, I'm Max Schutzman of Grunfield  
8 Desiderio. Silbo is located in Montvale. We are  
9 representing Silbo. During our presentation, you will hear  
10 from Silbo's Mr. Shalom, who will provide you with industry  
11 and market information relevant to the Commission's relevant  
12 inquiry.

13 What you will hear from this Panel is very  
14 different from what you heard from the earlier Panel,  
15 especially, concerning the reality of approved and  
16 disapproved lists and AMLs. Mr. Shalom's testimony will  
17 explain how the market for finished carbon steel flanges in  
18 the United States is strictly differentiated between two  
19 very different products, first, the flanges that are  
20 approved by the users and those that are not.

21 The Petitioners are approved manufacturers of  
22 subject merchandise to most of the large U.S. purchasers,  
23 companies like Exxon and Shell, who you've discussed in the  
24 earlier testimony. Many of the finished flanges imported  
25 into the U.S. from Italy and Spain also emanate with

1 approved manufacturers; however, with the exception of one  
2 producer, no finished flanges of Indian origin are approved  
3 for purchase by the major U.S. purchasers. Hence, the  
4 overall majority of Indian imports of subject merchandise do  
5 not compete at all with approved merchandise sold by  
6 Petitioners and Petitioners flanges going to approved users  
7 do not compete at all with them.

8 My compliments to the staff for recognizing the  
9 distinctions between average unit values of the Indian  
10 product versus average unit values of the Italian and  
11 Spanish product, they are remarkably different and if this  
12 product was only sold based on price without regard to  
13 approved lists, then I dare say that India would monopolize  
14 the world. It just doesn't work that way and I think your  
15 sense of it is correct, that there has to be something else  
16 driving that and what's driving it is this market  
17 distinction between AML and non-AML.

18 Consequently, it's Silbo's position that  
19 approved and unapproved finished carbon steel flanges are  
20 distinct-like products as there exists clear dividing lines  
21 when applying the Commission's six-part test to these  
22 products, which you are all quite familiar with. In  
23 addition, it is likewise Silbo's position that as a direct  
24 result of the strictly segregated market between approved  
25 and disapproved finished carbon steel flanges and the fact

1 that all Indian manufacturers, save one, are unapproved that  
2 there are solid grounds, actually, for the Commission to  
3 de-cumulate imports of subject merchandise from India with  
4 imports from the two other subject countries, Italy and  
5 Spain.

6 This is so because there is no reasonable  
7 overlap in competition between unapproved flanges imported  
8 from India and approved flanges imported from Italy and  
9 Spain. Among other things, contrary to the testimony this  
10 morning from the Panel, the respective products are not  
11 fungible. They are not functionally interchangeable and  
12 they are not sold in or through the same markets. We will  
13 develop these concepts more thoroughly in the  
14 post-conference brief.

15 Finally, you will also hear from Mr. Shalom  
16 about Petitioner's claim that the depressed state of the  
17 market for finished carbon steel flanges is directly  
18 attributable to imports. Quite apart from the arguments we  
19 have made concerning like product and de-cumulation, Mr.  
20 Shalom will explain to you that the flange market in the  
21 U.S. has been directly and most significantly affected, as  
22 your questions indicated this morning, by suppressed prices  
23 for oil and gas worldwide and that the severe reduction of  
24 oil and gas drilling and exploration, as a consequence, is  
25 what has driven this market in the last 15 months.

1                   This, of course, has served to reduce demand for  
2 finished carbon steel flanges to unprecedented levels.  
3 Imports have not been a material cause of this reduced  
4 demand as can be seen by the decreases in imports from  
5 subject countries over the past 15 months.

6                   With that, I will conclude my introductory  
7 remarks and turn the floor over to the witnesses. The first  
8 witness will be Mr. Gupta. Sorry, Mr. Khandelwar will be  
9 the first industry witness.

10                   STATEMENT OF SAMEER KHANDELWAR

11                   MR. KHANDELWAR: Good afternoon ladies and  
12 gentlemen. My name is Sameer Khandelwar. I thank you for  
13 the opportunity to appear before you today. I'm a director  
14 in Norma, Ltd., one of the largest exports of flanges from  
15 India.

16                   I have traveled all the way from India to appear  
17 at this conference because I believe that there are critical  
18 facts that have been omitted from the petition and which  
19 must be brought to attention of the Commission. In my view,  
20 these facts demonstrate conclusively that there is no  
21 reasonable indication that imports from India are causing or  
22 threatening material injury to the domestic industry.

23                   I would like to begin by correcting a  
24 potentially misleading statement in the petition.  
25 Petitioners claim that they do not import flanges. It may

1 be true that they do not technically act as importers on  
2 record, but I can confirm, however, that at least one  
3 Petitioner has purchased flanges imported from India. We  
4 are prepared to furnish documentation in our post-conference  
5 brief that substantiates these purchases.

6 I have devoted the past 25 years of my life to  
7 both manufacturing and marketing sides of flange industry.  
8 I can therefore assure you that the Petitioners have failed  
9 to explain accurately the nature of competition in the U.S.  
10 market. It is extremely important that the ITC recognize  
11 that the flange industry in the United States is extremely  
12 segmented, a fact to which Petitioners incredibly do not  
13 even allude in the petition.

14 The first segment is devoted to the oil and  
15 refinery and chemical markets. In this segment, the plant  
16 supplies must undergo a rigorous and lengthy approval  
17 process conducted by the big oil companies and chemical  
18 companies, such as Exxon, Mobile, and Shell. These  
19 companies maintain a list of approved manufacturers called  
20 AML or sometimes AVL, which stands for Approved Vendor List.  
21 The approved manufacturers are mostly the U.S. and European  
22 producers.

23 The second market segment is for the generic  
24 flanges. All Indian flanges, except for one small producer  
25 called Bebitz are destined for the generic segment of the

1 market. The generic segment consists mostly of construction  
2 and other non-critical uses, sometimes referred to as,  
3 commercial uses. Flanges sold in the generic market are not  
4 interchangeable or fungible with flanges sold in the  
5 approved market, which is why the oil companies undertake  
6 the lengthy and expensive process of approving only certain  
7 manufacturers.

8           The price in the generic market is significantly  
9 less than those in the approved segment of the market.  
10 Exhibit 1.9 of the petition, which consists of data compiled  
11 where the Petitioners from the publicly available imported  
12 shows that the average price in the approved market segment  
13 where flanges from Italy and Spain are sold is about 96  
14 cents per pound while the average price in the generic  
15 market segment where flanges from India are sold is only 57  
16 cents per pound.

17           It is quite obvious that no reasonable customer  
18 would pay 96 cents per pound for approved flanges from  
19 United States, Spain, or Italy if it were possible to  
20 purchase a generic flange that costs 57 cents per pound from  
21 India and use it for the same purpose.

22           The Petitioners have urged the Commission to  
23 cumulate flanges from Spain, Italy, and India. We believe  
24 that the statutory criteria for accumulations are not met in  
25 this case. I understand that the statutory criteria focuses

1 primarily on fungibility and interchangeability of the  
2 exports from different countries. In this case, flanges  
3 from Spain and Italy on one hand and India on the other hand  
4 are not fungible or substitutable. The flanges from Spain  
5 and Italy are geared to the higher-priced approved market  
6 segment for critical applications. The flanges from India  
7 are destined for the lower-priced commercial and generic  
8 market segments.

9           Because of the American industry an India flange  
10 is not suitable for the use in a refinery or a chemical  
11 plant as flanges from Italy or Spain would be. While an  
12 approved flange could be substituted in a generic use, it  
13 would not be economical to do so. And in reality, approved  
14 manufacturers generally do not supply to the commercial  
15 market.

16           Customers in United States are acutely aware of  
17 the differences between the approved and generic flanges and  
18 they typically designate which type they wish to purchase.  
19 Most customers, for example, will specify that they will not  
20 purchase India flanges because they are fulfilling orders  
21 for an approved use.

22           I thank you for this opportunity to appear to  
23 before you today and would be pleased to respond to any  
24 questions that you may have. Thank you very much.

25           STATEMENT OF GAURAV GUPTA

1                   MR. GUPTA: Good afternoon. My name is Gaurav  
2                   Gupta and I'm pleased to be here today to present my views  
3                   to the Commission. I am a director of RN Gupta & Company,  
4                   an Indian producer of carbon steel flanges. My company is a  
5                   family-owned business that began operations in 1948 and I  
6                   have been working with the company since 1993 after I earned  
7                   a degree in Engineering. I'm therefore familiar and fully  
8                   involved in both the production and marketing of the subject  
9                   merchandise. The pricing and volume data represented in the  
10                  petition established that Indian imports have not adversely  
11                  impacted the domestic industry. Any adverse impact to the  
12                  domestic industry during the period attributes to the  
13                  imports from Italy and Spain.

14                  Based on the import statistics presented in the  
15                  petition at Exhibit 1.9, it is evident that Indian imports  
16                  fell by 51 percent in the first quarter of 2016 as compared  
17                  to the first quarter of 2015. Even on analyzed basis, 2016  
18                  imports have declined by 36 percent as compared to Indian  
19                  imports in 2013, and by 30 percent compared to 2014. This  
20                  overshadows the modest increase in imports between 2014 and  
21                  '15. So due to the sharp decline in Indian imports over the  
22                  period of investigation there is no indication that Indian  
23                  imports have caused material injury to the domestic  
24                  industry.

25                  It is important to note that the trends in

1 Indian imports over the period of investigation are markedly  
2 different than the import trends of Spanish and Italian  
3 imports, which have registered increases in the import  
4 volumes during the period of investigation.

5 With respect to Italian imports, they increased  
6 each year during the period of investigation. Italian  
7 imports increased 8 percent between 2013 and '14 and then  
8 further increased by 35 percent between '14 and '13 compared  
9 to the over 50 percent decline in Indian imports between  
10 first quarter 2015 and '16 Italian imports only declined by  
11 1 percent.

12 The import statistics established that Indian  
13 imports have declined during the period of investigation,  
14 whereas Spanish and Italian's have increased. Any increase  
15 of the import volume during the period of investigation is  
16 thus attributable solely to Spanish and Italian imports and  
17 not to Indian imports.

18 I would like to point out one more thing is at  
19 the pricing. At first, the the per-pound CIF value of  
20 Indian imports is approximately 40 percent less than the CIF  
21 per-pound value of the Italian and Spanish imports. The  
22 same trend is visible in all the three years and even the  
23 last quarters of the data given. The large price disparity  
24 is attributed to the fact that the Indian and Italian,  
25 Spanish imports are sold to separate and discrete markets.

1 Italian and Spanish imports are largely purchased on  
2 approved basis for oil refinery, oil/gas exploration and  
3 chemical industries.

4 In contrast, the vast majority of Indian imports  
5 and all imports from my company are sold in the generic and  
6 non-approved markets, such as construction and other  
7 non-critical applications. Prices in the approved critical  
8 application markets are substantially higher than the prices  
9 in the generic market. I would like to add to a fact that  
10 even we have been trying since 15 years to get on the  
11 approved manufacturer list, but we could not manage to get  
12 through because of the tough norms.

13 Second, the decline in Indian import prices over  
14 the period of review has been substantially less severe than  
15 the observed prices declines in Italian and Spanish imports.  
16 For example, between 2014 and '15 the average price of  
17 Indian flanges declined only by 2.56 percent. In  
18 comparison, the average unit value of Italian imports  
19 declined by 13.62 percent. And the average unit value of  
20 Spanish imports declined by 20.6 percent during the same  
21 period. Moreover, the noted decline in import prices is  
22 largely due to the steep global decline in steel and oil  
23 prices, which are two main inputs for flange production.

24 As we are all aware of the crude prices, it  
25 dropped from \$100 a barrel in 2013 to \$30 a barrel by the

1 end of 2015. Similarly, the steel prices in this period  
2 dropped by almost 30 percent.

3 Finally, the Commission should note that the  
4 exports from India are small manufacturers with most of the  
5 manufacturing and exporting less than \$5 million annually.  
6 Imports of Indian flanges have coexisted with the domestic  
7 flanges for the last five decades. As Indian and the  
8 domestic U.S. flanges have been concentrated in the distinct  
9 and separate market segments.

10 It is my request to the Commission to consider  
11 Indian flanges separately from imports from Italy and Spain  
12 when considering the injury. Thank you for the opportunity  
13 to present my views to the Commission and I would be pleased  
14 to respond to any questions you may have. Thank you.

15 STATEMENT OF ALAN SHALOM

16 MR. SHALOM: My name is Alan Shalom. I'm a  
17 director of Silbo Industries, Inc. We are a trading company  
18 active worldwide in tubal steel products. This case  
19 regarding carbon steel flanges from India, Spain, and Italy  
20 is completely without foundation and is deserving of one  
21 outcome, a negative preliminary determination.

22 Our remarks will be categorized into three  
23 sections: one, market conditions; two, approved/unapproved  
24 flange distinct markets; three, other comments and  
25 observations regarding the petition. The first one, market

1 conditions, the flange market over the past at least 15  
2 months has experienced a historic decline. This decline was  
3 directly caused by decreased demand in a host of industries  
4 that purchase and consume flanges, most notably, oil and  
5 gas. It is this dramatic worldwide decrease that has  
6 created industry-wide problems, most certainly, not imports  
7 of flanges.

8 We mention several indicators of the decline in  
9 fortunes of the oil and gas industry. One, dramatic  
10 decreases in the prices of oil and gas; two, rig count in  
11 the U.S. down from 1600 to 500; three, huge numbers of  
12 project deferrals worldwide, probably in excess of a  
13 thousand; four, capital expenditure reductions of 50 percent  
14 in two years.

15 The above are representative of market factors  
16 that are inarguably the cause of decrease demand, certainly,  
17 not imports. Every entity involved in the flange business  
18 worldwide has experienced the effects of this recession. It  
19 is completely without justification to suggest import  
20 causation. The petition itself presents indisputable  
21 arguments in support of demand decreases.

22 During the first three months of 2016, the  
23 tonnage imported from the three responding countries was  
24 down by 41 percent. India's reduction was 51 percent and  
25 Silbo's specific experience manifested a 60 percent decrease

1 for the same period. The second six months of 2016 will  
2 mirror the same decreases. These decreases have nothing to  
3 do with imports and are attributed totally to decreases in  
4 demand.

5 Point two, approved/unapproved flanges distinct  
6 markets, carbon flanges in all aspects of manufacture,  
7 distribution, and marketing are characterized by a  
8 differentiation. There are approved and unapproved flange  
9 manufacturers, two distinct marketplaces. Weldbend and  
10 Boltex represent the approved segment of the market, not the  
11 unapproved segment. The vast bulk of what is imported,  
12 particularly from India, is an unapproved flange, not  
13 competitive or comparable for this purpose with  
14 Petitioner's product.

15 The incongruity of this case is demonstrated by  
16 the fact that two or three decades ago both Weldbend and  
17 Boltex were the primary authors of this differentiation. It  
18 is this difference, in part, that resulted in huge profits  
19 earned by Weldbend and Boltex through the years. The big  
20 price drop was caused by Weldbend and Boltex's not reducing  
21 their prices after 2009 when the entire market dropped, the  
22 whole steel industry dropped, but Weldbend and Boltex  
23 maintained their current prices from 2009 through 2015  
24 despite tremendous cost reductions for raw material.

25 Price is such a big factor, but in 2012 to 2014

1 Boltex and Weldbend business was both very, very good and  
2 during this period they continued to sell at the same price  
3 from 2009, which was much, much higher than anyone else, and  
4 the whole balance of the market, the unapproved market, had  
5 dropped considerably because steel costs all over the world,  
6 including the United States, had dropped so much.

7 Now that the market has turned Petitioners are  
8 inappropriately associating the downturn with unapproved  
9 imports. Boltex and Weldbend are either on one or both of  
10 the following oil and gas approval lists, Exxon, BP, Shell,  
11 Chevron, Conoco, Marathon, CITGO, and many others. The  
12 above users restrict their purchases to approved vendors  
13 only. Nearly all the producers in India are not approved  
14 and therefore not comparable.

15 The fact that both approved and unapproved  
16 flanges are manufactured to the same specification does not  
17 alter the products incomparability. All U.S. distribution  
18 differentiates between approved and unapproved flanges.  
19 Distributors differentiate by maintaining separate  
20 inventories of approved and unapproved product. Inventories  
21 are not commingled. Purchasers differentiate by ordering  
22 approved or unapproved flanges.

23 The approval process characteristics, one, by  
24 its nature it is exclusionary, not open, not promoted, and  
25 subject to time restrictions throughout. Two, users are

1 often not interested in expanding the list and would prefer  
2 a very short list worldwide for each product. Users are  
3 currently actively reducing the number of approved vendors,  
4 making the list more cost-effective and easier to maintain.

5 Three, product samples must be submitted and are  
6 subjected to rigorous analysis, including visual appearance,  
7 dimensional conformance, and chemical and mechanical  
8 testing. Flanges must meet or exceed applicable  
9 specifications; four, often an audit report results from the  
10 product analysis. The report may require a response from  
11 the applicant mill; five, approval often includes  
12 metallurgical testing; sixth, mill audits are often  
13 required. These audits result in commentary on the  
14 manufacturing process and controls which must be responded  
15 to.

16 Seven, process often takes well over a year,  
17 very protracted; eight, unless the mill is well established,  
18 well known it may not be considered. Mill may have to have  
19 a sponsor, for example, a well known U.S. distributor; nine,  
20 users often have approval committees which assess objective  
21 and subjective criteria. Each committee member brings to  
22 the process his or her own biases.

23 In summary, the approval process is restrictive,  
24 very time-consuming, expensive, and by its nature highly  
25 subjective. The process is formal and for each user it

1 usually includes the preparation of an approval list. We  
2 have provided the ITC with detailed facts for a wide range  
3 of products showing clear evidence of price differences  
4 between imported, approved unit selling prices and  
5 unapproved Indian unit selling prices.

6 The approved import products range from 120  
7 percent to 199 percent higher than the unapproved Indian  
8 product. These facts represent indisputable evidence of  
9 distinct marketplaces and distinct levels of competition.  
10 Approved and unapproved flanges simply do not compete on  
11 price or otherwise.

12 Other comments and observations, in ignoring the  
13 above the petition is replete with errors, making it  
14 thoroughly without credibility. We make the following  
15 additional observations. One, the unapproved product has no  
16 impact on Petitioner's claim of material injury. If they do  
17 not compete for purchasers business with unapproved flanges  
18 how can unapproved flanges be injuring them. Two, Weldbend  
19 imports large amount of non-subject flange forging, that is,  
20 unfinished flanges that are finished in the United States.  
21 As a result of this case, if allowed to proceed, these  
22 imports will likely increase substantially.

23 Three, the Commission is requested to study the  
24 scope of many prior carbon buckwell fitting cases filed over  
25 the years. In those instances, all finished and unfinished

1 fittings were included in the scope. There is no basis for  
2 excluding heat-treated flanged forgings from this  
3 investigation in the same way that there is no basis for  
4 excluding unfinished fittings from the scope of the earlier  
5 cases. In fact, a heat-treated flange forging is  
6 categorized as a finished flange for Customs entrance  
7 purposes. A flange forging has one dedicated, specific  
8 purpose, to make a finished flange. The value added is not  
9 sufficient enough to exclude these forgings from the scope.

10 Four, the imports of unapproved product are  
11 undeniably interchangeable with the approved product.  
12 Because the products are not interchangeable there can be no  
13 underselling. Five, subject imports of unapproved approved  
14 product had no impact on the domestic industry. For the  
15 same reasons they pose no threat. Six, market realities  
16 make the approved and unapproved flanges not like product.  
17 Seven, cumulation is totally inappropriate because there is  
18 no overlap in competition of the approved and unapproved  
19 product.

20 Eight, imports from all subject countries are  
21 not fungible. Italy and Spain make an approved product.  
22 India is primarily the source of unapproved product. Nine,  
23 the channels of distribution for approved and unapproved  
24 product are totally distinct. The unapproved product from  
25 India does not compete with the approved imported product

1 from Italy and Spain. Ten, the volume of imports starting  
2 in 2015 and continuing into 2016 is inarguably dramatically  
3 down. The decrease in 2016 compared with 2015 is greater  
4 than 50 percent.

5 Eleven, the above-discussed price data  
6 comparison clearly show the differences in the approved and  
7 unapproved products. They are simply not comparable. The  
8 approved product lost no sales to the unapproved product and  
9 never will. Twelve, the petition's discussion of low-priced  
10 imports lost sales and accompanying affidavits lack  
11 legitimacy because it ignores the distinction between the  
12 approved and unapproved markets.

13 In summary, the Commission must assess  
14 Petitioners' claims on a factual basis. Our discussion of  
15 market conditions and the distinction between approved and  
16 unapproved flanges disables and disqualifies the petition.  
17 The dumping process, if allowed to continue, will  
18 inappropriately created havoc in the industry. We are going  
19 beyond the usual discussion of causation and requesting the  
20 application of basic fairness to the process.

21 One of the largest distributors in the United  
22 States stated the following, and I quote, "With respect to  
23 the PVF marketplace for A105 carbon flanges there are two  
24 distinct markets, a generic unapproved market with  
25 unrestricted manufacturers and an approved market with

1 restricted manufacturers." In fact, one of the Petitioners  
2 today went so far as to advise us, and I quote, "The  
3 unapproved Indian flange is not the target of this  
4 petition."

5 To subject the unapproved market to this  
6 ill-conceived, inappropriate, debilitating, extremely  
7 expensive, and invasive process is outrageous and should not  
8 be countenance by this Commission. Thank you. My  
9 colleague, Howard Jakob, and I are available for any  
10 questions you may have.

11 MR. SCHUTZMAN: Mr. Corkran, that concludes  
12 Respondents' prepared presentation.

13 MR. CORKRAN: Thank you, very much. Thank you  
14 very much for your presence and your testimony today. We  
15 found it very helpful.

16 I am going to turn to our Investigator Ms.  
17 Sherman.

18 MS. SHERMAN: Thank you all for your presentation.  
19 I found it very helpful, and I have quite a few questions.  
20 Hopefully there will be some order to them here and  
21 everywhere.

22 Okay, first I want to address the domestic  
23 like-product issue that Mr. Schutzman raised. Can you  
24 clarify what--can you explain that again? What two  
25 products you are proposing?

1           MR. SCHUTZMAN: The approved and the unapproved  
2           are different like-products.

3           MS. SHERMAN: Okay. And then in Mr. Shalom's  
4           presentation he talked about the scope and finish versus  
5           unfinished. Is that a separate issue here?

6           MR. SCHUTZMAN: That's a separate issue, yes.

7           MS. SHERMAN: Okay, so you are only proposing that  
8           there is a separate domestic like-product for finished and  
9           unfinished--I mean, excuse me, for approved and unapproved?

10          MR. SCHUTZMAN: For approved and unapproved, yes.

11          MS. SHERMAN: Okay.

12          MR. SCHUTZMAN: Sorry for the confusion.

13          MS. SHERMAN: That's okay. Now going into the  
14          attenuated competition argument, you're saying that there  
15          are two distinct segments--the approved list and the  
16          generic, or unapproved list. But could we also say that  
17          there's also a segment for the oil and gas versus the "all  
18          other"? Or is that pretty much the same thing? Is it the  
19          oil and gas industry only has approved--

20          MR. SHALOM: Oil and gas is 90-plus percent  
21          approved.

22          MS. SHERMAN: Okay. And then this morning I asked  
23          the Petitioners' panel what percentage, or do you know, have  
24          a rough breakout of what percentage of flanges are going to  
25          the oil and gas market versus other end-use markets? Do you

1 have a sense of that?

2 MR. SCHUTZMAN: Unfortunately, Ms. Sherman, I  
3 don't think we do. We don't have that information.

4 MS. SHERMAN: Okay. So if an approved product  
5 commands a higher price, why aren't the Indian producers  
6 trying to get on--I mean, I believe there's one Indian  
7 producer that's on the list, correct?

8 MR. SHALOM: Every Indian producer would love to  
9 be on the approved list. It's just not possible. Mr. Gupta  
10 said for 15 years he's been trying to get on the approved  
11 list. He has not been able to.

12 MS. SHERMAN: So there's one Indian producer  
13 that's on the list--It's Bebitz? Is that correct?

14 MS. LEVINSON: Yes, and I represent Bebitz.  
15 Bebitz obviously is not here today, but we will be filing a  
16 post-conference brief on behalf of Bebitz.

17 MS. SHERMAN: Could you provide additional  
18 information about how long they've been on the list, what  
19 was involved to get on the list, and any additional  
20 information? That would be helpful.

21 MS. LEVINSON: We are intending on doing that,  
22 yes.

23 MS. SHERMAN: Thank you.

24 MR. KHANDELWAR: I could tell you that Bebitz is  
25 originally a German company, and that is why it has been on

1 the list for many years, as a German company. Then they set  
2 up a small plant in India, and that's why. It flows from  
3 there.

4 MS. SHERMAN: So this morning the domestic  
5 representatives indicated that they believe that these lists  
6 are subjective. And you mentioned, Mr. Shalom, that  
7 sometimes distributors help to get on the approved list,  
8 right? So wouldn't that be subjective, if a distributor is  
9 kind of vouching for a certain company?

10 MR. SHALOM: There's so many different approval  
11 lists, as has been mentioned, but the larger ones, the  
12 Exxons, the Shells, people like McJunkin can try to  
13 influence, but nobody can really strongly influence. They  
14 make their own decisions.

15 MR. SCHUTZMAN: So, Ms. Sherman, yes, you are  
16 correct, they are subjective user by user. But that doesn't  
17 mean that they don't exist. They exist. They're very real.  
18 But, yes, there is a considerable degree of subjectivity  
19 involved in each manufacturer's determination of--each  
20 user's determination of which manufacturer will or will not  
21 be approved.

22 MS. SHERMAN: Thank you.

23 The Petitioner mentioned that they believe this  
24 is a commodity product. How do you respond to that? Do you  
25 agree? Is there a difference in quality between the

1 domestically produced product and the imported product from  
2 any of the three countries?

3 MR. JAKOB: I think if--Howard Jakob--I think if  
4 there is a difference, the difference would be a perceived  
5 difference. But the lists are very real. And they're  
6 substantive in all possible respects. Exxon will not buy a  
7 flange from Norma or Gupta, nor will Shell. They will not.  
8 Not under any circumstances. As might have been indicated  
9 earlier, it just does not happen.

10 MS. SHERMAN: The Petition presents their  
11 methodology for calculating domestic production coverage in  
12 that it's using--specifically it states, total U.S.  
13 production plus total U.S. imports of the forgings is a  
14 reasonable substitute for finished carbon steel flanges.

15 Do you agree with their methodology that they  
16 laid out in the Petition? Particularly, are--there are only  
17 two U.S. producers making the forgings, and that all  
18 forgings are used--can only be used to produce the finished  
19 flange?

20 MR. SCHUTZMAN: Max Schutzman. Yes, the forgings  
21 are dedicated.

22 MS. SHERMAN: Okay. Okay. And then the U.S.  
23 imports of the forgings coming under the one HTS number,  
24 those as far as you know, that's just forgings? There's  
25 nothing else in that category?

1 MR. SCHUTZMAN: As far as we know, that's right.

2 MS. SHERMAN: Okay, thank you.

3 You've answered a lot of the questions I had in  
4 your testimony. You quoted distributors talking about the  
5 approved--the two separate markets. If you could provide  
6 that information in your post-conference brief?

7 MR. SCHUTZMAN: Let me understand what you're  
8 asking.

9 MS. SHERMAN: Where did you--okay, so you were  
10 talking about a direct quote from a distributor--

11 MR. SCHUTZMAN: Oh, the--the information quoted by  
12 Mr. Shalom--

13 MS. SHERMAN: Yes.

14 MR. SCHUTZMAN: --In parts of his testimony, you  
15 would like identification information for those quotes?

16 MS. SHERMAN: Yes. Thank you.

17 MR. SCHUTZMAN: Certainly.

18 MS. SHERMAN: I think those are the only questions  
19 I have. I may have more as we go around the table, but  
20 thank you very much.

21 MR. CORKRAN: Thank you, Ms. Sherman. Now we will  
22 turn to Ms. McNamara.

23 MS. McNAMARA: Thank you. Courtney McNamara,  
24 Office of General Counsel.

25 I want to thank all of you for coming, again, and

1 giving us your time and your testimony. It is very helpful  
2 to us. So I want to first go to the domestic like-product,  
3 and I want to--I understand that you are arguing for two  
4 domestic like-products, so I want to go through and just  
5 make sure that I have an understanding as to what the basis  
6 for that is.

7 So it is based on the approved versus unapproved?  
8 Correct? Okay, are there any physical characteristics? Or  
9 end uses that would distinguish the two separate  
10 like-products?

11 MR. SCHUTZMAN: Based upon what Mr. Jakob said,  
12 likely nothing material, just perceived.

13 MR. SHALOM: And just the name on the flange.

14 MS. McNAMARA: Okay--

15 MR. JAKOB: The flange itself, just for  
16 clarification, the flange itself has the mark die-stamped  
17 into the flange, which designates the maker. Weldbend will  
18 have such a mark on its flange, which is distinguished,  
19 obviously, from Gupta's flange. So to any person holding  
20 that flange, or using that flange, or applying it in any  
21 way, it's very visible. And these are permanent markings  
22 that stay with the flange and distinguish the flange.

23 The same thing with the metal foff flange out of  
24 Italy, or a flange out of Spain. Every pipefitter will know  
25 when he looks at the flange who made that flange. It's a

1 physical distinction that is of utmost significance  
2 throughout the marketplace.

3 MS. McNAMARA: Okay, explain to--I'd like to get  
4 into this so that I understand how that works in the market.  
5 And this is going to lead into another factor that I would  
6 like you to address. And it goes to the channels of  
7 distribution.

8 Now we heard the Petitioners today talk about how  
9 it all goes through distributors. Are you saying that this  
10 somehow goes through a different channel of distribution?  
11 The domestic product somehow goes through a different  
12 channel of distribution based on approved versus unapproved?

13 MR. SHALOM: It all goes through distribution.  
14 However, distribution has different types of inventories.  
15 You've got some distributors that have domestic only. You  
16 have some distributors that have approved product only.  
17 You've got some distributors that have unapproved product  
18 only. And you've got some that have a mix of everything.

19 MR. JAKOB: They maintain--the distributors who  
20 have different inventories in every instance, every instance  
21 will distinguish the inventory between approved and  
22 unapproved. When you call to place an order at any  
23 distributor, the first question the distributor will ask you  
24 is: Do you want an approved--do you need an approved, or  
25 unapproved flange? And the distributor may have just one

1 type or the other type, and may have both types, but there  
2 is never co-mingled inventory. They are distinct  
3 inventories in every instance that we've ever experienced.

4 First question: Do you want an approved or an  
5 unapproved flange?

6 MS. McNAMARA: Okay, so if that's the first  
7 question that is going to be asked, is it dictated by the  
8 end-user? Because are we talking oil and gas? Or are we  
9 talking construction and every other segment? Does this  
10 approved versus unapproved basically pervade the market? Or  
11 is it in certain segments?

12 MR. JAKOB: It's dictated by the purchaser's need.  
13 The purchaser's need, where the flange is going to  
14 ultimately, an approved or unapproved application will  
15 determine what he needs to buy. If it's going to an  
16 approved application, he's going to buy an approved flange.  
17 If it's generic, as has been categorized, then he's not  
18 going to buy an approved, he'll buy a generic or an  
19 unapproved flange.

20 MS. McNAMARA: Okay, what are the approved  
21 applications versus the generic application?

22 MR. SHALOM: Oil and gas is a primary approved.

23 MS. McNAMARA: Okay, so oil and gas is a primary  
24 approved. Any others?

25 MR. JAKOB: Yeah, there are other approval lists

1 that exist. For instance, chemical companies like DuPont,  
2 might have approval lists. The approval lists are not only  
3 oil and gas but they certainly predominate in the oil and  
4 gas industry. There are other approval lists. And the  
5 entire marketplace distinguishes between an approved and an  
6 unapproved flange.

7 MS. McNAMARA: Okay. One of the things that we  
8 heard today from the domestic panel was that Weldbend, I  
9 believe, focuses more on the commercial construction,  
10 whereas Boltex might have some more focus on the oil and  
11 gas.

12 Are you saying that that commercial section--

13 MR. JAKOB: Well--I'm sorry.

14 MS. McNAMARA: That's okay. Does that also have  
15 these approval lists?

16 MR. JAKOB: Let me answer the question maybe a  
17 little bit indirectly. Weldbend has one price list. One  
18 price list. They do not differentiate and, you know, I'm  
19 not saying there will be instances where they for  
20 competitive reasons might go off that price list, but  
21 generally they have one price list. You call Weldbend for a  
22 price, that's what you're going to get.

23 It's deemed, or understood to be an approved  
24 product in the market. And you call, and you get quoted as  
25 an approved product.

1           MS. McNAMARA: How, though--and this is where I'm  
2           kind of lost. If the end-users, and if I understand there's  
3           kind of a range of what end users have approved lists, what  
4           end users--the requirements to get on the list--how then is  
5           Weldbend an automatically approved list based on the stamp  
6           of the--

7           MR. JAKOB: They're not automatically--they go  
8           through an extended process, as Mr. Shalom indicated. It's  
9           a protracted, difficult process to get on that list. I  
10          couldn't go there. Gupta couldn't go there. Norma couldn't  
11          go there. And as was indicated, it's a cumbersome,  
12          difficult, time-consuming, expensive process and, more  
13          importantly probably, it's the determination of some--of a  
14          company's position on that list is determined by the  
15          committees who, at Exxon or Shell, who make this judgment.  
16          And the judgment is made, I'm sure as you can imagine, with  
17          objective as well as highly subjective criteria.

18          It's not only objective criteria that makes this  
19          determination. They do it, you know, a group of people sit  
20          around and make an assessment. And that assessment, also as  
21          Mr. Shalom indicated, could be simply dictated by the fact  
22          that an approval list may be limited at a moment in time,  
23          particularly now.

24          Companies are much, much less inclined to add a  
25          new vendor to their list. They want to reduce their lists,

1 because it's expensive to maintain the lists and to maintain  
2 the criteria that they've established.

3 So getting onto the list in this marketplace is  
4 worlds more difficult than it might have been four or five  
5 years ago. But it's a highly, highly subjective process. I  
6 could decide--you know, it's not a process that's protected  
7 in any way by standards. It's just a process that exists,  
8 and someone will determine, and the word will come down, no  
9 more people on the approval list. Or cut your approval list  
10 in half. It's too cumbersome.

11 In reality, that's the way these approval lists  
12 work. And they're very, very exclusive kinds of things. I  
13 can't argue with the basis for it, or whether Gupta's flange  
14 is different from Weldbend's flange, or anybody else's  
15 flange, but it's reality. It's what exists in the  
16 marketplace.

17 MS. McNAMARA: Okay, so--

18 MS. LEVINSON: May I just interject for a minute?  
19 This is Lizbeth Levinson. I just want to express that the  
20 importance of the origin of the flange is underlined by the  
21 fact that, as the witnesses have testified, the origin is  
22 stamped on the flange itself. And customers sometimes  
23 designate that they do not want Indian flanges,  
24 specifically. They do not want Indian flanges.

25 So, you know, even apart from the approval

1 process, Indian flanges are known for certain uses, and  
2 those are specified by the customer.

3 MS. McNAMARA: Okay, what's the uses that would  
4 distinguish why you would choose--you would not--an Indian  
5 product wouldn't qualify? What are the uses?

6 MS. LEVINSON: Okay, well an Indian pipe would not  
7 qualify for anything in the oil and gas sector. It would  
8 not qualify for the chemical refinery companies. Am I  
9 missing any? Pipelines. Mostly pipelines. An Indian  
10 flange would never be purchased for that purpose. Those are  
11 called "critical applications." Then there are what we call  
12 noncritical applications that are perhaps, for example, in a  
13 building in construction. They may need a flange to connect  
14 pipes that are raising water from a basement level to an  
15 upper level. That's called a noncritical application.  
16 Nobody is going to die if somehow that fails. And that is  
17 where the Indian flanges are used in construction.

18 MS. McNAMARA: Okay. And the reason why they are  
19 not used in the oil and gas, chemical, and pipeline industry  
20 is for lack of the approval?

21 MS. LEVINSON: That's right. That's right. And,  
22 you know, I had a little trouble getting my head around  
23 this, too, because the fact is that there are not different  
24 specifications. There are not different--they're not  
25 produced differently. And yet the fact that one flange

1 would be approved, and the fact that another is not approved  
2 will dictate exactly where it is going to go in the  
3 marketplace.

4 MS. McNAMARA: Okay, but as we heard today the  
5 domestic product is not confined to the oil and gas, and the  
6 chemical, and the pipeline.

7 MS. LEVINSON: That is true.

8 MS. McNAMARA: So, if I can just finish--

9 MS. LEVINSON: Sure.

10 MS. McNAMARA: --I want to try and understand  
11 this. So they are necessarily selling some, if I  
12 understand, some nonapproved product?

13 MS. LEVINSON: I believe, based on Weldbend's  
14 testimony, I'm taking them at their word, they said that  
15 they sell into commercial uses. Commercial uses is somewhat  
16 interchangeable with unapproved--not entirely  
17 interchangeable, but mostly interchangeable. So, yes, they  
18 testified that they do sell into those markets.

19 My point was, it's attenuated competition. It's  
20 not that there's no competition.

21 MR. JAKOB: It's always an approved product.

22 MS. McNAMARA: Okay, then how--

23 MR. JAKOB: Weldbend--Weldbend never sells a  
24 nonapproved product. Weldbend and Boltex are always  
25 promoting their product as approved. They didn't indicate

1 that they were differentiating between approval--

2 MR. SHALOM: In fact, in the past I would say 6,  
3 7, 10 years ago Boltex had two brands. He had the Boltex  
4 brand, which was approved, and he had Commercial Flange.  
5 Commercial Flange he sold at a cheaper price.

6 MS. McNAMARA: Okay. I'm getting confused here,  
7 then, because if all--if your position is that all domestic  
8 product is approved, then where is the separate domestic  
9 like-product of unapproved? How are there two separate  
10 like-products?

11 MR. SCHUTZMAN: The imported product is  
12 unapproved.

13 MS. McNAMARA: Okay, so you're not saying there's  
14 two separate like-products? There's one like-product?

15 MR. SCHUTZMAN: No, there are two separate  
16 like-products.

17 MS. McNAMARA: We're talking about the domestic  
18 like-product. So it's the domestic like-product here?

19 MR. SCHUTZMAN: If there is no other manufacturer  
20 in the United States other than Boltex and Weldbend of  
21 subject flanges, and they are all approved, then you are  
22 correct of course--

23 MS. McNAMARA: Okay--

24 MR. SCHUTZMAN: --that there's one--

25 MR. JAKOB: These are international approval

1 lists. International approval lists.

2 MS. McNAMARA: Okay, I think I have a little bit  
3 of an understanding, better understanding now.

4 So I want to move on. But I do want to encourage  
5 you, if you are going to argue separate like-products,  
6 please play that out. As I understand, you're claiming  
7 there is one like-product approved flanges. If you're going  
8 to argue something different, please lay it out in your  
9 briefs going through the traditional factors the Commission  
10 analyzes. And bear in mind the difference between import  
11 and domestic product on that.

12 So I would like to now turn to the domestic  
13 industry. Do you define the domestic industry differently  
14 than Petitioners did?

15 MR. SCHUTZMAN: Domestic producers of these  
16 flanges.

17 MS. McNAMARA: Okay, so you agree with their  
18 definition?

19 MR. SCHUTZMAN: Yes.

20 MS. McNAMARA: Okay.

21 MS. LEVINSON: Ms. McNamara, this is a little  
22 unorthodox, but I would like to ask a question, if I may.  
23 Because I'm hearing the testimony for the first time, so I  
24 would like to ask if Silbo and their counsel would clarify.  
25 They were talking about forging being a part of the scope,

1 but is it more--is it part of the scope, or part of the  
2 like-product? If I could get clarification on that,  
3 please?

4 MR. SCHUTZMAN: Forging, flange forgings are not  
5 part of the scope. They have been specifically excluded  
6 because Weldbend imports flange forgings. And that is why  
7 they were excluded.

8 MR. SHALOM: But we are saying that the flange  
9 forgings have only one usage, to make finished flanges.

10 MS. McNAMARA: Okay. Are you arguing that the  
11 domestic like-product should be expanded to include that  
12 out-of-scope product?

13 MR. SHALOM: Yes.

14 MS. McNAMARA: Okay. What's the basis for that?  
15 Based on what the Commission--the factors the Commission  
16 traditionally considers?

17 MR. SHALOM: The same as what happened in carbon  
18 weld fittings in the past.

19 MR. SCHUTZMAN: The difference, however, is that  
20 in the carbon butt weld cases scope included finished and  
21 unfinished. Here it does not.

22 MS. McNAMARA: Okay, if you are arguing--if you  
23 could in your briefs address the domestic like-product  
24 issues the Commissioner traditionally considers, and then  
25 any semi-finished analysis. If you could please--

1 MR. SCHUTZMAN: We will do that.

2 MS. McNAMARA: --address that. If there's  
3 anything you can add now about semi-finished analysis that  
4 might be helpful.

5 MR. SCHUTZMAN: We'll give it to you in the  
6 post-conference brief.

7 MS. McNAMARA: Okay.

8 Okay, so I want to -- and I'll return to the  
9 attenuated competition, and I have kind of two concerns.

10 First of all, if the oil and gas is primarily  
11 the oil/gas/chemical is where the approved list mainly come  
12 into play and the non-critical applications have less of  
13 that involvement and the domestic producers have said that  
14 they compete in that how do you reconcile those statements  
15 with your argument that there's attenuating competition?

16 MR. JAKOB: Exxon is Exxon. They only buy an  
17 approved production. The applications are of no  
18 consequence. Exxon will buy an approved product  
19 irrespective -- only an approved product irrespective of the  
20 applications. There's no difference. There's not two sets  
21 of purchases. There's only one. Exxon does not have, to my  
22 knowledge, to our knowledge two distinct purchases, those  
23 that fall into the requirements of approved and those that  
24 fall into some other set of generic, unapproved. They only  
25 will buy an approved product period irrespective of the

1 applications, critical or not critical. That's all they  
2 buy.

3 I think if you were lead to believe something  
4 different by the people earlier this morning I don't think  
5 they were saying that. They were saying that in other  
6 instances they may be selling to other people a commercial  
7 grade, as they called the product, but they're not selling  
8 to Exxon or Shell. And they're not selling to Exxon or  
9 Shell an unapproved product. They're selling only approved  
10 product.

11 MR. SCHUTZMAN: So the point is that these large  
12 oil and gas users are the predominant users of the approved  
13 product.

14 MS. MCNAMARA: Right. But what I'm getting at  
15 is the non-critical applications, and as I understood the  
16 testimony from the domestic panel they participate in that  
17 segment of the market. And so if that does not involve --  
18 if those segments of the market aren't characterized by  
19 these approved lists, then how do you -- and they're  
20 competing in that how does that reconcile with your  
21 attenuated competition argument based on the approval list?

22 MR. JAKOB: Every product that the domestic  
23 industry sells is an approved product, every product, every  
24 flange that Boltex or Weldbend sells is an approved flange.  
25 Weldbend approved, Boltex approved, Exxon approved, they

1 don't distinguish between approved and unapproved.

2 Everything is approved.

3 The channels of distribution throughout the  
4 United States are different than Boltex and Weldbend's. As  
5 Mr. Shalom indicated, there's a distinction differentiation  
6 between approved and unapproved.

7 MS. MCNAMARA: Okay, so is it your position that  
8 the domestic industry does not sell product to customers  
9 that do not require -- let me see if I can explain this.

10 Is it your position that the domestic industry  
11 only sells to customers who have approval lists?

12 MR. JAKOB: No.

13 MR. MCNAMARA: So then there's another group --

14 MR. JAKOB: The domestic industry is always  
15 selling an approved product. Some of what they sell may be  
16 going to people who aren't on an approval list. They could  
17 be selling to contractors or others that was indicated, but  
18 they're not selling an unapproved product. They just happen  
19 to be selling an approved product to other applications.  
20 Those applications do not have approval requirements.

21 MS. MCNAMARA: But those sales to applications  
22 that don't have approval products how does that reconcile  
23 with the attenuated competition arguments?

24 MR. BISHOP: Could I remind the witnesses to  
25 please state your name? The court reporter is getting

1 confused on who's speaking. Thank you.

2 MS. LEVINSON: You know one of the big  
3 differentiators is price and not because of dumping, but  
4 because of the uses to which -- the fact that in the  
5 commercial sector they're buying for non-critical uses and  
6 they're buying -- they do not have the approval process, so  
7 therefore, for the Indians, for example, that don't have to  
8 go through the approval process the cost -- you know what we  
9 saw was the cost in the AUVs in the petition were 53 cents  
10 for Indian product and they were 97 cents for approved  
11 product.

12 So if Weldbend is in the commercial sector  
13 selling its flanges at 97 cents when the Indians are 53  
14 cents -- 57, excuse me, obviously, there's attenuating  
15 competition there because no logical customer would buy an  
16 approved product when it doesn't need an approved product.

17 MS. MCNAMARA: So if I understand, the way that  
18 you contend that the purchasing decisions get made is they  
19 just simply just don't purchase a product -- whether a  
20 producer has a supplier list -- an approved supplier list  
21 they just aren't going to purchase from Weldbend and Boltex?

22 MR. KHANDELWAR: Sameer Khandelwar, Norma.

23 If for the end use the buyer can put an India  
24 flange, he won't consider Welbend or a Boltex flange.

25 MS. MCNAMARA: Because of price.

1                   MR. KHANDELWAR: Because of the price. If the  
2 end use does not prescribe an approved product the buyer  
3 will go for a cheaper flange, then a Boltex or a Weldbend  
4 flange. He can obviously buy a Weldbend or Boltex flange  
5 and put it, but no logical person would do that.

6                   MS. MCNAMARA: Okay, so if I understand your  
7 testimony, regardless of whether the purchaser has a  
8 supplier list or not supplier list --

9                   MR. KHANDELWAR: Just excuse me. If the  
10 purchaser has a supplier list, he will strictly to the AML.

11                   MS. MCNAMARA: But if he doesn't have a supplier  
12 list.

13                   MR. KHANDELWAR: If he doesn't have a supplier  
14 list and there is a non-critical application, he can  
15 consider any flange from India or Italy or Spain or  
16 domestic.

17                   MS. MCNAMARA: So you would compete, though,  
18 against Weldbend.

19                   MR. KHANDELWAR: But what I'm trying to say is  
20 that Weldbend and Boltex, by virtue of their costing and  
21 their price, are not in the lower category of the market.

22                   MS. MCNAMARA: Okay, but it's only price now  
23 that we're talking about that would differentiate them, if I  
24 understand because if this isn't something that's in an  
25 approved -- you know were not in the realm of whether

1       there's an approved supplier list --

2                   MR. KHANDELWAR:   Yes.

3                   MS. MCNAMARA:   So then it's just going to be a  
4       matter of price?

5                   MR. KHANDELWAR:   I think so, yes.

6                   MS. MANAMARA:   Okay, I want to turn to  
7       cumulation quickly.  And I want to make sure -- and again,  
8       if in your post-conference briefs you can address all the  
9       factors I'd appreciate it, but if I understand your claim is  
10      that they shouldn't be cumulated because product from India  
11      is not fungible with product from Italy and Spain.  And  
12      what's the basis for that?  Is that again the approval list?

13                   MR. KHANDELWAR:   Yes.

14                   MS. LEVINSON:   Lizbeth Levinson.

15                   If you have a critical application, you cannot  
16      consider the Indian product, so the Indian product is  
17      basically not in that market.

18                   MS. MCNAMARA:   Okay.  And so does the product  
19      coming in from Spain and Italy is that only for critical  
20      applications?

21                   MS. LEVINSON:   I don't know if we could say  
22      "only," but certainly the vast majority, yes.  And I'm being  
23      told by the witnesses that it is.

24                   MR. KHANDELWAR:   By the price of that product it  
25      clearly shows that it is for critical applications.

1 MS. MCNAMARA: And you're getting that simply  
2 from looking at the price?

3 MR. KHANDELWAR: And from general knowledge --

4 MS. MCNAMARA: Okay.

5 MR. KHANDELWAR: -- of the industry, yes.

6 MR. SCHUTZMAN: Ms. McNamara, Max Schutzman.

7 Our information is that the principal  
8 manufacturers of these flanges in Italy and Spain are  
9 approved.

10 MS. MCNAMARA: Okay, what about the one producer  
11 in India that is approved; are they competing with product  
12 from Italy and Spain? I mean are they fungible with the  
13 product from Italy and Spain?

14 MS. LEVINSON: Well, that's something I wanted  
15 to address in the post-conference brief. There are  
16 distinctions, even in the approved market that Bebitz  
17 experiences and Bebitz in its segment of the approved market  
18 does not encounter the domestic producers, and I will  
19 explain that much further in post-conference brief.

20 MS. MCNAMARA: Okay, if you can do that, not  
21 just with the domestic, but with the other imports.

22 MS. LEVINSON: Yes, I will.

23 MS. MCNAMARA: In terms of fungibility, if you  
24 could address that. And so I'm just going to run down, so  
25 geographic markets are you challenging that factor?

1 MS. LEVINSON: No, we're not.

2 MS. MCNAMARA: Okay.

3 MR. SCHUTZMAN: Max Schutzman.

4 No, we're not.

5 MS. MCNAMARA: So channels of distribution,  
6 though, you would channel cumulation on that basis, if I  
7 understand your position.

8 MS. LEVINSON: Lizbeth Levinson.

9 Yes, that's correct.

10 MS. MCNAMARA: Okay. And that's based on the  
11 approved versus the unapproved?

12 MS. LEVINSON: Yes, that's correct.

13 MS. MCNAMARA: Okay. And if you could expand on  
14 that in the post-conference, I'd appreciate it and if also  
15 you could address the one producer that is approved.

16 MS. LEVINSON: Yes.

17 MS. MCNAMARA: How that plays out.

18 MS. LEVINSON: Sure. However, I do want to  
19 emphasize that there are a good 20 producers in India and  
20 this is one producer and it is not one of the largest  
21 producers, so you know keep that in perspective.

22 MS. MCNAMARA: Okay. Well, that actually raises  
23 an issue. If you could give us a sense of how large they  
24 are.

25 MS. LEVINSON: Yes, I will.

1 MS. MCNAMARA: And to what extent they are  
2 participating in the context of overall imports and then  
3 where they're participating and to what extent in the U.S.  
4 market.

5 MS. LEVINSON: Yes.

6 MS. MCNAMARA: But I take it simultaneous  
7 presence you're not going to challenge that aspect of --  
8 okay.

9 So I want to go back to the ALMs and I promise I  
10 will try to move quickly so I'm not monopolizing all the  
11 time, but the AML process, as I understand it, there's a lot  
12 of different types of lists. There's a lot of different --  
13 as I understand, and if I'm wrong, please correct me.  
14 There's levels. Sometimes you might have a sponsor or  
15 distributor; sometimes there maybe something more rigorous.  
16 Have you all made efforts on across the board? And if you  
17 want to address this in post-conference, I'm fine with that,  
18 but I would like to get a sense of what your efforts have  
19 been. And to the extent you're not getting approved, where  
20 that's occurring and why.

21 MS. LEVINSON: We'll address that in the  
22 post-conference brief.

23 MS. MCNAMARA: Okay. And we heard the domestic  
24 industry saying that they believe the official statistics  
25 are probably the best to calculate import buying. Do you

1 agree with that?

2 MS. LEVINSON: Lizbeth Levinson.

3 I don't have a problem with that because the  
4 import stats are confined to this product.

5 MS. MCNAMARA: Okay, thank you.

6 Now on the petition they talked about how there  
7 may be some product mix with respect to the AUVs. Can you  
8 give us any sense of how the product mix might differ for  
9 imports versus the domestic product?

10 MR. KHANDELWAR: Actually, it would not differ.  
11 The product mix will remain the same. There's a huge  
12 variety of sizes in the flanges and everything is -- the  
13 consumption is almost the same every year, so the product  
14 mix will remain the same and it will not be that from India  
15 a different mix is coming and from Italy a different mix is  
16 coming and the domestic manufacturer is making a different  
17 mix. It will all be the same.

18 MS. MCNAMARA: Okay.

19 MR. KHANDELWAR: Because each manufacturer will  
20 like to keep the complete range of product.

21 MS. MCNAMARA: Okay, so you don't see that  
22 there's going to be a lot of product mix issues.

23 MR. KHANDELWAR: Not at all.

24 MS. MCNAMARA: Basically, if I understand the  
25 across the sources, they're all going to have roughly the

1 same mix.

2 MR. KHANDELWAR: Yes, yes.

3 MS. MCNAMARA: Okay. Now we've heard testimony,  
4 both at this Panel and the prior Panel, about how demand in  
5 oil and gas has declined. Are there other segments or if  
6 you could identify other segments and characterize the  
7 demand in other segments of the market I'd appreciate that.

8 MR. SCHUTZMAN: We will do so in the  
9 post-conference brief.

10 MS. MCNAMARA: Can you shed any light on market  
11 segments and characterize demand now?

12 MR. JAKOB: Well, certainly anything that  
13 relates to steel, directly or indirectly, would be suffering  
14 from the same market declines. As I'm sure you all know  
15 there are commodity-wide problems with regard to products.  
16 All metals, besides steel, copper, aluminum, they're in  
17 very, very depressed states. This is a truism. It's not  
18 my opinion and it's throughout everything that relates  
19 certainly to steel. And I would say from the results that  
20 nearly every industry is depressed to some extent. Oil and  
21 gas the effects have been much more pronounced than they are  
22 in others, but it's fairly widespread. As I said, it  
23 relates to certainly all metal commodities.

24 MS. MCNAMARA: Okay. If you could also address  
25 how and maybe you can shed some light on it building on your

1 response to my question, if the oil and gas demand has  
2 declined there significantly in the U.S. market, but you  
3 don't compete in there because of the approval list how does  
4 that affect overall demand in the market? And in  
5 particular, you talked about prices declining as a result,  
6 if I understood the testimony, as a result of the declines  
7 in oil and the gas markets. If you don't compete in that  
8 market, can you kind of close the gap and explain for me how  
9 that translates into reducing prices and other affects in  
10 the market you do compete in?

11 MR. JAKOB: I think Mr. Coulas indicated his  
12 recent sales experiences. Mr. Coulas sells approved -- to  
13 approved marketplaces and he sells to general commercial and  
14 generic marketplaces and he fairly aptly described the state  
15 of the marketplace. And I would say it's that way  
16 throughout every industry that uses carbon flanges to any  
17 extent.

18 It's not just oil and gas. It's throughout all  
19 users. Just a perfunctory look or observation with regard  
20 to the statistics, you know it's nearly every industry. I  
21 don't really see -- we don't really see much of an exception  
22 anywhere. I mean these are historic declines.

23 MS. MCNAMARA: Right. So you would characterize  
24 that across the U.S. there's no particular segment. That  
25 it's just all been -- demand has been declining in all

1 segments across the board. Okay.

2 MR. SHALOM: Yes. Automobile might be not as  
3 bad.

4 MS. MCNAMARA: Automobile might not be as bad.  
5 Is that something that involves approved or unapproved?

6 MR. SHALOM: I don't know.

7 MS. MCNAMARA: Okay. Do you have any sense of  
8 what you expect for future U.S. demand? Any thoughts on  
9 that?

10 MR. JAKOB: We see no indications of  
11 improvement.

12 MS. MCNAMARA: Okay, thank you.

13 MR. JAKOB: None.

14 MS. MCNAMARA: Do you agree that the domestic  
15 industry is able to supply the entire U.S. market? They  
16 said they believe to an earlier Panel. Do you agree with  
17 that or disagree and if so, why?

18 MR. SHALOM: No, I don't think they could,  
19 although Weldbend in the past has always imported tremendous  
20 amounts of forgings. So the question is whether his  
21 machining capacity would work.

22 MS. MCNAMARA: Thank you. Can you give us any  
23 information about the flanges markets in the subject  
24 country, in particular, Italy and kind of what's going on  
25 there with production and consumption in that market?

1 MS. LEVINSON: I don't believe there's anybody  
2 in the room who represents Italy.

3 MS. MCNAMARA: Oh, I'm so sorry. I meant India.  
4 I'm so sorry. I apologize. I apologize. My mistake; I  
5 apologize. I meant India. I'm sorry.

6 MS. LEVINSON: Would you be kind enough to  
7 repeat the question?

8 MS. MCNAMARA: Can you give us any information  
9 on the home markets, the flanges markets in those countries?

10 MR. KHANDELWAR: The home market in India has  
11 been consistent for some time.

12 MS. LEVINSON: Constantly small.

13 MR. KHANDELWAR: Consistently small for some  
14 time.

15 MS. MCNAMARA: Okay, so how does the home market  
16 compare to production in India?

17 MR. KHANDELWAR: Home market is definitely  
18 smaller than the American market.

19 MS. MCNAMARA: How does it compare to production  
20 in India? Is India producing a lot more than the home  
21 market can consume?

22 MR. KHANDELWAR: Yes, obviously, India is  
23 producing more than the home market can consume because  
24 India has been exporting flanges for last 50 years --

25 MS. MCNAMARA: Okay.

1           MR. KHANDELWAR: -- and has been in this market,  
2           so some part of the capacity is dedicated to exporting  
3           flanges to United States and that has been forever. Nothing  
4           has changed since 2013.

5           MS. MCNAMARA: Thank you. Okay, do you have  
6           anything to say or add about non-subject imports and their  
7           role in the U.S. market?

8           MR. SHALOM: Could you repeat that?

9           MS. MCNAMARA: Do you have any comments on the  
10          role -- or any information on the role of non-subject  
11          imports on the U.S. market?

12          MR. SCHUTZMAN: We don't.

13          MS. MCNAMARA: Okay.

14          MS. LEVINSON: We don't either.

15          MS. MCNAMARA: Thank you. If in the  
16          post-conference brief -- I do have a couple of -- I'll make  
17          a couple of requests with respect to the post-conference  
18          brief. If you can address the factors the Commission  
19          traditionally considers in determining threat of material  
20          injury that would be helpful. And if also you could explain  
21          how if there's -- or address the arguments that the  
22          domestic industry had put forth about the lost sales and how  
23          that reconciles with the attenuated competition arguments  
24          that would be helpful too.

25          I don't believe I have anything further. Thank

1 you very much for all of your patience and for your answers.  
2 I appreciate it.

3 MR. CORKRAN: Thank you, Ms. McNamara.

4 Ms. Farrington?

5 MS. FARRINGTON: Good afternoon. Thank you for  
6 traveling here, especially so far, for us today. I just  
7 have a few questions. I asked the Panel earlier about their  
8 conformity assessment processes to the ASME and ASTM  
9 standards. Can you please describe how you make sure that  
10 your product is to those standards?

11 MR. GUPTA: Yes, this is Gaurav Gupta.

12 Now basically these are all laid down  
13 specifications like the ASTM standard will specify what  
14 chemicals or what are the chemical requirements. We buy the  
15 steel accordingly. We test it in the laboratory and make  
16 sure that everything is accordance with that. And then the  
17 ASME specification that clearly mentions about the  
18 dimensions, for different types of flanges and what are the  
19 tolerances. And our manufacturing processes try to control  
20 within those tolerances and the dies are made accordingly.

21 MS. FARRINGTON: Okay, thank you. This might be  
22 kind of a basic question, but we've talked about a perceived  
23 difference between the Indian product and other product.  
24 Where does that perception come from? Is it the input, the  
25 steel that is being used, the quality of it? Where does

1 that perception come from?

2 MR. KHANDELWAR: Perception basically comes from  
3 the approved and non-approved. It's just I meant to say the  
4 physical and chemical characteristics of the  
5 approved/non-approved would be the same. Approved would  
6 also qualify, but it's just that the market tradition is  
7 going on the approved list as followed by some market  
8 segment and that is it.

9 MS. FARRINGTON: Okay, so I'm thinking,  
10 historically, why would say Exxon think that the Indian  
11 product is not good enough? Is there something --

12 MR. KHANDELWAR: Sameer Khandelwar, Norma,  
13 India.

14 I would like to say that these big oil companies  
15 still consider India to be a very backward country and  
16 quality procedures were not followed and anything could pass  
17 in the quality systems of India.

18 MS. FARRINGTON: Okay.

19 MR. KHANDELWAR: They have that notion that the  
20 India flange manufacturers cannot make the quality that is  
21 good enough for them.

22 MS. FARRINGTON: Okay, that's something -- .

23 MR. KHANDELWAR: This is only a perception and  
24 there's no truth in it. For example, you can say a handbag  
25 made by a company and selling for \$200 would do the same

1 purpose as a handbag made by Louis Vitton for \$2,000.

2 MS. FARRINGTON: Okay.

3 MR. KHANDELWAR: Both will serve the same  
4 purpose, but it's only the customer perception, how he sees  
5 the two differently.

6 MS. FARRINGTON: Okay. I think most of my other  
7 questions were answered in your testimony, so thank you very  
8 much.

9 MR. CORKRAN: Thank you very much.

10 Mr. Boyland?

11 MR. BOYLAND: Thank you for your testimony.  
12 Just sort of following up on this line of questioning, and  
13 maybe it's just my impression, but the idea that the  
14 approved versus non-approved is just a perception based on  
15 the testimony we heard earlier from the U.S. producers they  
16 spent an awful lot of money being able to document and  
17 prove the quality. That's kind of what my sense is. Is  
18 that part of this whole process that the Indian producers  
19 have basically chosen not to go that next level of proving  
20 -- I mean I get your point that the product is the same  
21 thing, but is there -- what's your response to that?

22 MR. SHALOM: This is Alan Shalom.

23 The Indian manufacturers are not given the  
24 opportunity. It's that simple. Even if they wanted to,  
25 they are not given the opportunity by the oil industry.

1                   MR. BOYLAND: Okay. I guess another question  
2 along those lines, are any of the Indian producers, beyond  
3 Bebitz, ISO certified?

4                   MR. GUPTA: Most of the producers are ISO.

5                   MR. BOYLAND: They are? Okay.

6                   MR. GUPTA: Yes.

7                   MR. BOYLAND: Okay. Alright, thank you for your  
8 testimony.

9                   MR. CORKRAN: Thank you, Mr. Boyland.

10                   At this point, I believe virtually all of the  
11 questions that I had have been asked. I will ask one  
12 closing question, I think, which is at the end of the day as  
13 we look at the import volumes of finished flanges even if we  
14 were to consider and present imports from India and imports  
15 from Italy and Spain as two different groups, at the end of  
16 the day are we not talking about two volumes that are still  
17 relatively substantial and that exhibited relatively  
18 noticeable growth between 2013 and 2015? Aren't we still  
19 talking about two universe of end user customers that  
20 purchased, whether from the approved manufacturers' list or  
21 not, from these sources of imports? Where at the end of the  
22 day do we get when we try to segregate out imports from  
23 India and imports from Italy and Spain?

24                   It may not even be a question you wish to answer  
25 here today. You may want to incorporate it into your brief,

1 but that's the last question I have.

2 MR. KHANDELWAR: Sameer Khandelwar.

3 I would like to answer that. The imports from  
4 India in 2015 are only about 10 percent higher than imports  
5 in 2013. Ten percent I do not think is too much considering  
6 the purchase decisions are made by individual buyers who  
7 have different perceptions about how the market will go  
8 forward. If in 2014 or in the beginning of 2015, they  
9 thought that the market is going to rise, there is going to  
10 be a big demand they will buy more and that material when it  
11 starts coming so it's shown in that 10 percent increase, but  
12 the same was corrected in 2016 and there's a shortfall and  
13 it's the same trend going forward also. And I'm sure it  
14 will remain the same throughout rest of the year. And it  
15 will be substantially lower. The imports from India in 2016  
16 will be substantially lower than in 2015, even if you  
17 consider the full year. Thank you.

18 MS. LEVINSON: Mr. Corkran, Liz Levinson.

19 If you de-cumulate, if you don't cumulate India  
20 with Italy and Spain, then you're looking at whether exports  
21 from India or imports from India are entering the U.S.  
22 industry. And the facts as we've tried to portray them  
23 today, is that they are not because there's a genuine lack  
24 of competition. The Indian imports are in a different  
25 market segment than the domestic industry and so you could

1 have, you know, volumes through the roof, but the fact is  
2 if they're not competing they're not a source of injury.

3 MR. CORKRAN: Well, with that, I want to thank  
4 all the witnesses. Let me look around the Panel one last  
5 time to see if there are any additional questions. No?  
6 Yes? Yes.

7 MS. MCNAMARA: I just have one comment and it's  
8 actually not directed to you all, but if I can just ask Mr.  
9 McConkey if you could respond to the volume price impact,  
10 not just of cumulated imports, but of India as well in the  
11 post-conference brief that would be helpful. Thank you.

12 MR. CORKRAN: Thank you. With that, we will,  
13 with our thanks, dismiss the Panel. And before we go to  
14 closing, I'd like to allow five minutes recess for everybody  
15 to collect their thoughts before closing comments.

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

17 MR. CORKRAN: Thank you. Welcome back, Mr.  
18 McConkey, and you may begin when you are ready.

19 CLOSING REMARKS OF MATTHEW J. MCCONKEY

20 MR. McCONKEY: Thank you. It's late in the  
21 afternoon. I don't want to take ten minutes. Though I'm  
22 going to be a little scattershot here because I'm still  
23 trying to wrap my head around the last presentation. So  
24 I've just got some notes here, so I'm just going to try to  
25 address a few issues.

1           Because it kind of went down a rabbit hole there  
2           trying to figure out what the argument was--are we making a  
3           like-product argument? And I don't know. So I'm going to  
4           be very interested, as interested as you are in seeing their  
5           post-conference brief. So I'm just going to address a few  
6           issues here.

7           A couple of things. One, let's notice that we  
8           filed Petitions against Italy, Spain, and India. We only  
9           heard from India today. Our friends from Spain and Italy  
10          didn't show up. But we did hear from India today that they  
11          believe that we're competing directly with India--or with  
12          Italy and Spain. So obviously the Italians and the Spanish  
13          have been thrown under the bus here a little bit, but I will  
14          take that.

15          So let's focus on India, which is where the  
16          Respondents talked to. And a couple of issues I want to  
17          address. One, I heard this several times in the last--  
18          and I hope I can calm my voice down a little bit--every--and  
19          this was stated this way a couple of times--every product  
20          the domestics sell, or every product Weldbend sells, is  
21          approved.

22          That is not true. That is simply not true. That  
23          is this concept that there is some master approval list out  
24          there that companies apply to, that some entity has created  
25          this approval list. That is not true.

1                   Different companies have approval lists. We are  
2                   on some. We're not on others. Okay? So if Weldbend, by  
3                   way of example, is selling a flange to a company who doesn't  
4                   have an approval list, it is not true that that's an  
5                   approved product. That's simply false. Okay? Same thing  
6                   goes for Weldbend. So not everything we sell is approved  
7                   product.

8                   Basically we've heard today that these products  
9                   are sold in three general buckets. Right? You've got your  
10                  oil and gas industry. You've got your petrochemical  
11                  industry. And you've got your construction industry. Okay?  
12                  There are approval lists, yes. My clients noted that.  
13                  There are approval lists in all three of those categories.

14                  Not every entity in the oil and gas industry has  
15                  an AML. Not every entity in the petrochemical industry has  
16                  an AML. Not every company in the construction business has  
17                  an AML. And not every oil and gas industry requires--that  
18                  has an AML requires--and so there's companies in all three  
19                  of those buckets that don't have AMLs and don't care.

20                  And as one of the Respondents from India talked  
21                  about a little bit ago, there's no AML and they don't have  
22                  to be on an AML, of course they're going to buy Indian  
23                  product. Why? Because of price. Okay? We sell in all  
24                  three markets. Right? We sell approved. We sell  
25                  non-approved. There's competition in all those areas.

1           India? We know that there's Indian competition  
2           on AMLs. We know that there's an Indian company on an AML.  
3           So I don't know how they expect you to slice and dice those  
4           to break it out when there is an Indian company on an AML in  
5           the oil and gas industry.

6           There's also some--there's this--and I get it,  
7           again. I get it. I've sat on that side of the table before  
8           and you go with what you can try to--with what you've got.  
9           This idea of the construction trying to say that there's  
10          critical and noncritical. That's not really a  
11          differentiation here. To say that a piping system that's  
12          taking water from the basement up to the 10th floor is not  
13          critical? The flange on the 10th floor breaks and you flood  
14          all those apartments, or you flood, right, or, God forbid,  
15          you flood a law firm, or whatever, that's a critical  
16          situation. So there's no critical/noncritical, like saying  
17          the construction industry isn't critical. That's not true.

18          Again, we compete in all these markets, approved  
19          and non-approved. Not all of our sales, or not all of our  
20          customers or the end users are on AMLs, and we sell to them.  
21          We're competing. We're all over the place, as are the  
22          Indians as a whole.

23          I think we have several things we did establish  
24          today. There are no differentiations in this product.  
25          Maybe there is a perception--maybe there's a perception

1 issue, but physically they've stated these things are  
2 interchangeable. They are made to the same ASTM  
3 specifications. They are the same sizes. Everything we've  
4 got. We're selling to the same types of distributors,  
5 whatever, the same constituent material. It's all ASTM, so  
6 we really don't have issues there.

7 Listen, we compete with each other. We compete  
8 with India. You know, I ain't cheap. The clients came to  
9 us. We included India for a reason: Because we are  
10 competing with them and they are taking market share, and  
11 they're taking market share because of their low price.

12 It is injuring my clients. They are laying off  
13 workers. They are shutting down capacity. This is not a  
14 blip. This is real. It is hurting them. And we are asking  
15 you for a preliminary determination to make this more of a  
16 level playing field.

17 Thank you.

18 MR. CORKRAN: Welcome back, Mr. Schutzman, you may  
19 begin when you are ready.

20 CLOSING REMARKS OF MAX F. SCHUTZMAN

21 MR. SCHUTZMAN: Thank you, Mr. Corkran.

22 The fact is that Weldbend and Boltex are approved  
23 products. They are approved by certain key buyers. If I'm  
24 a contractor and I need to buy flanges for some job and I  
25 know that Weldbend and Boltex have been approved by Shell,

1 by ExxonMobil, and it's an approved product by them, then I  
2 want to buy that product. I have potential liability  
3 issues, regardless of the application. I'm in a better  
4 position to buy that product than I am an unapproved  
5 product. Simple.

6 This is just my own perception. I mean I think  
7 this is the way people think. In the final analysis, this  
8 case principally is about the problems--this investigation  
9 is principally about the problems experienced in the market  
10 in demand, the drop in prices for oil and gas, the  
11 contraction of the oil and gas industry.

12 This was not related to imports. Imports had  
13 nothing to do with that. This became the problem, and this  
14 became the *raison d'etre* for this petition, because the  
15 bottom fell out of the market. Not just in the United  
16 States but worldwide, as Mr. Jakob mentioned.

17 So that was the principal problem, without any  
18 nexus to imports. I would just like to comment on some of  
19 the things Petitioners' witnesses mentioned during the  
20 course of the testimony.

21 One of them said most end users do not care who  
22 manufactures the flange as long as it conforms to ASTM.  
23 That is not true. It's just not true. They do care.  
24 Certainly for approved products they care. If you're  
25 looking for approved product, they care.

1           Next, purchasing decisions are based largely on  
2 price. Well, not for approved product they're not. A  
3 flange is a flange is a flange? Well, it's not. Because,  
4 again, there are approved flanges and there are unapproved  
5 flanges. So they're not the same.

6           Products are fungible. All producers compete  
7 with all other producers? Wrong. They don't. There are  
8 markets, as you've heard, where the Indian producers cannot  
9 compete with Weldbend and Boltex, principally in the oil and  
10 gas industries, and perhaps in the chemical industries as  
11 well. We will develop that a bit more in the  
12 post-conference brief.

13           Customers never ask, we heard this morning from  
14 Petitioners' panel. Customers never ask if we're on an  
15 approved list. Well, no, they don't have to. They know.  
16 Everyone knows in the industry that Weldbend and Boltex are  
17 approved by the large oil and gas purchasers.

18           Next, approved/unapproved, it doesn't make a  
19 difference, it doesn't matter. Yes, it does. The  
20 approved/unapproved distinction no longer is valid? That is  
21 incorrect. We heard time and time again from Respondents'  
22 witnesses that it does exist, and that is very real, and  
23 that purchasers request it, and that they maintain  
24 segregated inventories of approved and non-approved.

25           Does that mean it's irrelevant? It doesn't

1 exist? If it didn't exist they wouldn't maintain segregated  
2 inventories. They wouldn't refer to it in their purchase  
3 orders. They wouldn't buy from approved sources. So it  
4 matters.

5 It's all fungible? It's not. Approved lists are  
6 no longer an important factor in the market? We heard that  
7 this morning, too, but they are. They are. And they will  
8 continue to be.

9 Anybody's flanges that meet the ASTM spec are  
10 acceptable to anybody? They're not. They're not. Indians  
11 can't sell into certain markets. It matters.

12 Non-price. You asked about non-price factors, as  
13 you normally do in these conferences. Petitioners'  
14 witnesses said there are none. Well, yes, of course there  
15 are. Of course there are. The approvals are non-price  
16 factors. The product may be technically the same under  
17 ASTM, but that's a non-price factor. That's a condition of  
18 competition. They're different.

19 One of the witnesses said the majority of all  
20 these companies don't have any approved lists. I don't know  
21 what that means, "the majority." How many customers are out  
22 there? We do know that the principal large buyers do have  
23 approved lists, certainly in oil and gas and probably in  
24 chemical as well.

25 It's all the same standard, they said. Approvals

1 don't matter. Incorrect.

2 And finally, the point that you all made this  
3 morning, they said it's just a price-sensitive commodity.  
4 It's all that matters. Nothing else matters. Well, again,  
5 if nothing else matters then the Indian product which is  
6 selling for 150 percent lower than the Italian product or  
7 the Spanish product would have a monopoly on the market. It  
8 doesn't. It never will, for that reason. The Indian  
9 product is not approved. It makes a difference.

10 Thank you.

11 MR. CORKRAN: Thank you, very much. Ms. Levinson?

12 CLOSING REMARKS OF LIZBETH LEVINSON

13 MS. LEVINSON: I am Lizbeth Levinson. I want to  
14 emphasize the critical nature of the cumulation argument in  
15 this case. We firmly believe that India should not be  
16 cumulated with Spain and Italy. We believe that all the  
17 criteria which are basically fungibility, substitutability  
18 under the statute, they are not met here. That in the  
19 approved market, and even in the unapproved market, if a  
20 customer is buying from a domestic supplier or is buying  
21 from an approved supplier from Italy or Spain, they're not  
22 going to buy from India because the customer perception is  
23 that the products are not interchangeable.

24 Now there's been a lot of discussion of price,  
25 and of course naturally the Petitioners have responded to

1 that discussion by saying, well, yes, of course the Indians  
2 are low priced because they're dumping. But in fact the  
3 differential in price doesn't show dumping. What it shows  
4 is the premium that's attached to being approved.

5 If you're approved, you can simply command a  
6 higher price. And that higher price has led to higher  
7 profits. And with the shrinkage of that market, the  
8 Petitioners have had to start looking at the market in which  
9 India has dominated. But we have to--I think there's a lot  
10 of indication that their credibility should be somewhat  
11 viewed skeptically here. The Weldbend claims that it sells  
12 into the commercial market, and yet its own economist, Mr.  
13 Klett, every presentation, every slide he had referred to  
14 the pipeline industry. They never even addressed the  
15 commercial sector. And if AML were non-AML issues, and only  
16 price was the issue, if it wasn't a criteria of being  
17 approved or not approved, then Boltex and Weldbend basically  
18 would have been out of business a long time ago. Because as  
19 Mr. Schutzman said, the Indians would have dominated this  
20 market. But that's just not the case. They don't dominate  
21 the market. They're not even in the largest segment of the  
22 market, large enough so that their economist feels when he's  
23 discussing the industry as a whole it's efficient to just  
24 concentrate on the pipelines.

25 Thank you very much for your attention today, and

1 I appreciate all the work you have done.

2 MR. CORKRAN: Thank you very much. I will take  
3 this one last opportunity to thank you all once again for  
4 your attendance today, and close with this statement. On  
5 behalf of the Commission and the staff, I would like to  
6 thank the witnesses who came here today and the counsel for  
7 helping us gain a better understanding of the product and of  
8 the conditions of competition in the finished carbon steel  
9 flanges industry. Before concluding, please let mention a  
10 few dates to keep in mind. The deadline for submission of  
11 corrections to the transcript and for submission of  
12 post-conference briefs is Tuesday, July 26th. If briefs  
13 contain business proprietary information, a public version  
14 is due on Wednesday, July 27th.

15 The Commission has tentatively scheduled its vote  
16 on these investigations for Friday, August 12th, and it will  
17 report its determinations to the Secretary of the Department  
18 of Commerce on Monday, August 15th. The Commissioners'  
19 opinions will be issued on Monday, August 22nd. Thank you  
20 all for coming, and this conference is adjourned.

21 (Whereupon, at 2:04 p.m., Thursday, July 21,  
22 2016, the conference was adjourned.)

23  
24  
25

## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Finished Carbon Steel Flanges from India, Italy, and Spain

INVESTIGATION NOS.: 701-TA-563 and 731-TA-1331-1333

HEARING DATE: 7-21-16

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.

DATE: 7-21-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine