

# 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  
(FINAL)

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UNITED STATES OF AMERICA  
BEFORE THE  
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  
) (FINAL)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Tuesday, April 25, 2017

The meeting commenced pursuant to notice at 9:30  
a.m., before the Commissioners of the United States  
International Trade Commission, the Honorable Rhonda K.  
Schmidtlein, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8 Commissioner F. Scott Kieff

9

10

11

12 Staff:

13 William Bishop, Supervisory Hearings and Information

14 Officer

15 Sharon Bellamy, Records Management Specialist

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17 Drew Dushkes, Investigator

18 David Guberman, International Trade Analyst

19 Tana Von Kessler, International Economist

20 David Boyland, Accountant/Auditor

21 Patrick Gallagher, Attorney/Advisor

22 Douglas Corkran, Supervisory Investigator

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24

25

1 Opening Remarks:

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

3 Respondents (Lawrence W. Hanson, The Law Office of Lawrence  
4 W. Hanson P.C.)

5

6 In Support of the Imposition of Antidumping and

7 Countervailing Duty Orders:

8 Mayer Brown LLP

9 Washington, DC

10 on behalf of

11 Weldbend Corporation

12 Boltex Mfg. Co., L.P.

13 James J. Coulas, Jr., President, Weldbend Corporation

14 Frank Bernobich, President, Boltex Mfg., Co., L.P.

15 Carlyn Mattox, President, Mattsco Supply Company

16 Kevin Coulas, Vice President of Production, Weldbend

17 Corporation

18 Fabian P. Rivelis, Sr., International Trade Advisor,

19 Mayer Brown LLP

20 Dan Klett, Principal, Capital Trade, Inc.

21 Matthew J. McConkey and Simeon M. Kriesberg - Of

22 Counsel

23

24

25

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

3 The Law Office of Lawrence W. Hanson P.C.  
4 Houston, TX

5 on behalf of

6 Forgital USA, Inc.

7 Forgital Italy S.p.A.

8 Leo Spezzapria, Vice President, Forgital USA, Inc.

9 Lawrence W. Hanson - Of Counsel

10

11 Rebuttal/Closing Remarks:

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

13 Respondents (Lawrence W. Hanson, The Law Office of Lawrence  
14 W. Hanson P.C.)

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1 P R O C E E D I N G S 9:31 a.m.

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

3 CHAIRMAN SCHMIDTLEIN: Good morning. On behalf  
4 of the International Trade Commission I welcome you to this  
5 hearing on Investigation Nos. 701-TA-563 and 731-TA-1331  
6 through 1333 Final involving finished carbon steel flanges  
7 from India, Italy and Spain.

8 The purpose of these investigations is to  
9 determine whether an industry in the United States is  
10 materially injured or threatened with material injury or the  
11 establishment of an industry in the United States is  
12 materially retarded by reasons of imports of finished carbon  
13 steel flanges from India, Italy and Spain.

14 Schedule setting forth the presentation of this  
15 hearing, notices of investigation and transcript order forms  
16 are available at the Public Distribution table. All  
17 prepared testimony should be given to the Secretary. Please  
18 do not place testimony directly on the public distribution  
19 table. All witnesses must be sworn in by the secretary  
20 before presenting testimony. I understand that parties are  
21 aware of the time allocations and any questions regarding  
22 time allocations as we proceed should be directed to the  
23 Secretary.

24 Speakers are reminded not to refer in their  
25 remarks or answers to questions to business proprietary

1 information. Please speak clearly into the microphones and  
2 state your name for the record for the benefit of the court  
3 reporter. If you will be submitting documents that may  
4 contain information that you wish to remain classified as  
5 business confidential, your request should comply with  
6 Commission Rule 271.6.

7 Mr. Secretary, are there any other preliminary  
8 matters?

9 MR. BISHOP: Madame Chairman, I would note that  
10 all witnesses in today's hearing have been sworn in. There  
11 are no other preliminary matters.

12 CHAIRMAN SCHMIDTLEIN: Very well. Let us begin  
13 with opening remarks.

14 MR. BISHOP: Opening remarks on behalf of  
15 Petitioners will be given by Matthew J. McConkey of Mayer  
16 Brown.

17 CHAIRMAN SCHMIDTLEIN: Welcome Mr. McConkey, you  
18 may begin when you are ready.

19 STATEMENT OF MATTHEW J. MCCONKEY

20 MR. MCCONKEY: Good morning. Matthew McConkey of  
21 Mayer Brown for Petitioners Weldbend Corporation and Boltex  
22 Manufacturing Company. This case, as we all know, is about  
23 imports of certain carbon steel flanges from India, Spain  
24 and Italy rapidly taking market share from the Domestic  
25 Industry by drastic underselling.

1           In the preliminary investigation, the Commission  
2           unanimously ruled that there is a reasonable indication that  
3           an industry in the United States is materially injured by  
4           reasons of imports of finished carbon steel flanges from the  
5           three countries. There is nothing in the record of this  
6           final stage that suggests a finding other than material  
7           injury by reason of the Subject Imports.

8           The Department of Commerce has issued its finding  
9           of dumping of Spanish product. The Department of Commerce  
10          has preliminarily found dumping in India and Spain and the  
11          Department of Commerce preliminarily found subsidization in  
12          India, waiting for the finals in late June for those. In  
13          addition, the record unequivocally demonstrates that the  
14          conditions of competition make this Domestic Industry  
15          particularly susceptible to injury from unfairly priced  
16          imports.

17          First, carbon steel flanges are a price sensitive  
18          commodity-like product. Because these products are  
19          standardized in terms of ASTM; size, flange type, pressure  
20          rating etc, they are highly interchangeable regardless of  
21          source. In fact, the same flange may be sourced from  
22          various producers in the United States and the three Subject  
23          Countries. As a result, purchasing decisions are mainly  
24          based on price.

25          Second, this industry is highly capital

1 intensive. As the questionnaire responses show, fixed costs  
2 are high relative to variable cost. As such, the U.S.  
3 Producers have strong economic incentive to meet lower  
4 priced imports to avoid lost sales and underutilized  
5 capacity.

6 Third, U.S. demand for flanges has been declining  
7 and apparent consumption has fallen. As a result, the U.S.  
8 Producers have been forced to make painful decisions to cut  
9 prices to try to meet import competition. Applying the  
10 statutory factors of injury in the contest of these  
11 conditions of competition, the final record demonstrates  
12 that the Domestic Industry is materially injured by the  
13 reason of the Subject Imports.

14 First, the increase in the volume of the Subject  
15 Imports is significant both in absolute terms but especially  
16 relative to U.S. production and total market. Second the  
17 Subject Imports have had very negative price effects. Data  
18 in front of the Commission demonstrates the Subject Imports  
19 have consistently undersold the domestic-like product by  
20 significant margins. The increasing volume and decreasing  
21 prices of Subject Imports have both depressed and suppressed  
22 the U.S. prices. The U.S. prices in fact have declined from  
23 2013 through 2016 and the imports undersold the  
24 domestic-like product throughout the POI.

25 Finally, the Subject Imports and negative volume

1 and price effects have seriously impacted the domestic  
2 industry's market share, their output, their employment,  
3 their profitability and their capital investment. The two  
4 petitioning producers who are here today suffered  
5 significant and material declines in production, employment  
6 and profits.

7           The rapid increase of lower priced imports at the  
8 expense of U.S. production is accelerating. The Domestic  
9 Industry's disinvestment in U.S. production, assets and  
10 separation of its U.S. workers. Because the industry is  
11 already injured, there is no reason for the Commission to  
12 even look at the threat of injury but the persistent  
13 underselling, the excess capacity in the Subject Countries  
14 and government subsidies in India all in the context of  
15 declining U.S. demand made clear that future injury is also  
16 imminent if duties aren't imposed.

17           Finally, we know that in the preliminary phase of  
18 this investigation Indian producers and Importers of Indian  
19 product appeared before the Commission Staff and made  
20 attenuated competition arguments based on the existence of  
21 approved manufacturing lists. This argument has now been  
22 debunked via the questionnaire responses submitted in the  
23 final investigation.

24           Indeed, we believe that the absence of any of  
25 those parties at this hearing today and their decision not

1 to submit prehearing briefs on this issue speak volumes. In  
2 short, the Commission should reach an affirmative  
3 determination in each of these investigations. Thanks.

4 MR. BISHOP: Opening remarks on behalf of  
5 Respondents will be given by Lawrence W. Hanson of the Law  
6 Office of Lawrence W. Hanson.

7 STATEMENT OF LAWRENCE W. HANSON

8 MR. HANSON: I am Lawrence W. Hanson of the Law  
9 Office of Lawrence W. Hanson. We are in Houston Texas. We  
10 do a fair amount of work with oil field equipment and I'd  
11 like to share with you today about flanges, primarily about  
12 flanges. We certainly understand the role of the Commission  
13 today and we appreciate the important role that you play.  
14 Your job is to determine whether or not there has been  
15 injury to the Petitioners. We have no doubt that there have  
16 been injury by Petitioners but not by Forgital.

17 There are different levels of flanges in the  
18 industry as we outlined in our brief and that is the thrust  
19 of our argument today. There are significant differences  
20 between the flanges that are there. There is a Domestic  
21 Industry for high end flanges versus commodity flanges. We  
22 respect the Petitioners in this manner. Forgital sells  
23 forgings and non-heat treated or heat treated flanges to the  
24 Petitioners and I think that is why they were excluded of  
25 course from the scope that they sought here, that they have

1 concluded that they have believed before that there was more  
2 than one type of thing, flanges are basically flanges.

3 I think we will have a longer discussion in our  
4 general remarks but our general request will be that there  
5 is no possible way that the high-end flange market and the  
6 importation of the high-end flanges, the specialized flanges  
7 in any way interferes with or even competes with the same  
8 market as the commodity flanges or lower end flanges. It is  
9 not to say that flanges are in any way inferior. Boltex do  
10 a very good quality work, they have very good flanges but  
11 their flanges are fundamentally different from ours. The  
12 economics of those markets are completely different.

13 For that reason our request was simply that this  
14 Commission find that there in fact was no injury, that there  
15 could be no injury to the Petitioners by the Respondents in  
16 this matter here so we look forward to being able to express  
17 more fully our views on the differences in the flange market  
18 and why there has been no injury. Thank you.

19 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Hanson.

20 MR. BISHOP: Would the Panel in support of the  
21 Imposition of the Antidumping and Countervailing Duty  
22 Orders please come forward and be seated.

23 CHAIRMAN SCHMIDTLEIN: You may begin when you are  
24 ready, Mr. McConkey.

25 STATEMENT OF FRANK BERNOBICH

1           MR. BERNOBICH: Good morning, again. I am Frank  
2           Bernobich, President of Boltex manufacturing Company. It's  
3           a pleasure to be back in front of the Commission as I was  
4           here last summer for the staff conference. I have been with  
5           Boltex since its inception in 1989. I have over 39 years of  
6           experience in the carbon steel flange business.

7           I'm here today to address three topics. First, I  
8           will describe Boltex operations. Second, I will describe  
9           flanges and the way flanges are produced. Third, I will  
10          review the difficult conditions of our company as a result  
11          of unfairly priced imports.

12          Boltex began as a machining operation in 1989 and  
13          started forging in 1996. Boltex has two manufacturing  
14          facilities in Houston, Texas. In 2013, Boltex had 227  
15          employees working six days a week, 58 hours per week as  
16          compared to 177 employees working 4 days, 40 hours per week  
17          at the end of 2016. Our 315,000 square foot forging plant  
18          sits on 16.5 acres and was open in 1996. Our 195,000 square  
19          foot machine facility sits on a 35 acre site.

20          Our land and facilities will permit us to grow  
21          and expand if allowed to compete at a level playing field.  
22          We are a fully integrated carbon steel flange manufacturer,  
23          which means that we produce flange forgings from carbon  
24          steel billets bars and then machine those flange forgings  
25          into finished flanges. Our equipment is state-of-the-art

1 and our integrated process allows us to manage our in-house  
2 forging, heat treatment, automatic machining process,  
3 metallurgical testing to ensure the timely delivery of  
4 quality flanges. We also produce and sell some of our flange  
5 forgings to other U.S. machining facilities who then  
6 manufacture those flange forgings into a finished product.

7 In a minute I will provide some background on how  
8 flanges are produced however let me first explain a bit  
9 about what a flange is and what they are used for. A flange  
10 is an article to connect a pipe, valve, pumps and other  
11 equipment to form a piping system. It also provides easy  
12 access for cleaning, inspection or modification. Flanges  
13 are usually welded. Flanges are manufactured in all  
14 different kinds of materials like stainless steel, cast  
15 iron, aluminum, brass, bronze, plastic, etc.

16 However the most commonly used material is forged  
17 carbon steel. The material the pipe is made from determines  
18 the material the flange is made of as the flange will  
19 invariably be of the same material as the pipe. Carbon  
20 steel piping systems are connected by carbon steel flanges.  
21 The production process to produce flanges out of carbon  
22 steel is different from the production process to produce  
23 flanges of any other material. Earlier this spring we were  
24 visited by various representatives from the Commission  
25 including Commissioner Williamson and we provided a tour of

1       our production facility and our process.

2                   At this point I would like to spend a few minutes  
3       to explain how flanges are produced and what Commissioner  
4       Williamson and his staff witnessed. The production of  
5       flanges starts with the forging of carbon steel billet bar  
6       into a forging. The general forging production process  
7       begins with the preparation of forging dies that ultimately  
8       form the forged flanges. The billet bar is pushed through  
9       automated induction heating oven into the shearing press  
10      where it is gauged and cut. The cut billet is pushed into  
11      the forging press and into the dies where it is formed into  
12      a shape.

13                   The piece is then moved to the next set of  
14      forging dies where it is shaped into the approximate final  
15      appearance and then subsequently moved into a trim press  
16      where the flanges are trimmed and punched. The flanges  
17      undergo subsequent heat treatment if required. At that  
18      point, the part is ready for the machining process.

19                   The machining process includes several stages.  
20      The face and the internal diameter are machined first and  
21      then the back face and outer diameter are machined. The  
22      next step is the drilling and the deburring of the flange  
23      and finally the flange is stamped for identification and  
24      traceability purposes. Each flange is unique. Then the  
25      flanges are painted and ready for sale.

1           Now, let me describe the marketplace. Almost all  
2 flange companies, both foreign and domestic sell their  
3 products through distributors in the United States who then  
4 sell the flanges to end users. We do not sell directly to  
5 the end users. Our customers do that and our customer's  
6 distributor buys from us, from India, Italy and Spain.

7           Unfairly low-priced imports from India, Italy and  
8 Spain have had an increasingly negative effect on our  
9 company. We have lost significant sales due to these  
10 unfairly priced imports. By any measure, this has caused us  
11 serious, serious economic harm. Due to the rapid growth in  
12 the imports from India, Italy and Spain our capacity  
13 utilization rate significantly decreased in 2015. This  
14 trend worsened in 2016 significantly.

15           Imports from India, Italy and Spain have been  
16 consistently underselling us. As you know, a flange is a  
17 fungible good and our customers are always looking for the  
18 best price as price is the determining factor upon the  
19 selection of the flange. Let me tell you what happened  
20 during 2016. At the beginning of the year we were losing  
21 significant volume because of the price gap between us and  
22 the Subject Import was so large. Therefore we reduced our  
23 prices by approximately 25 percent.

24           Our distributors told us that the decline was not  
25 sufficient enough to reduce the gap between us and imports

1 and we continued to lose volume. On November 2016 we  
2 decided therefore to reduce prices by additional 25 percent.  
3 We saw volume rebound but our profit margins suffered  
4 dramatically. To further compound these difficulties, I  
5 would like to remind you that we have not had a price  
6 increase in our industry in the flange industry since 2008  
7 in light of accelerating costs in many other areas.

8 Let me take a few minutes to comment on the  
9 impact of unfairly low-priced imports on Boltex. Over the  
10 years, Boltex has made significant investments in its plants  
11 to increase efficiency and provide the highest quality  
12 flange in the market. However, the unfairly low priced  
13 imports have undermined our efforts.

14 For example, two years ago we purchased 30  
15 million dollars of new equipment. As mentioned in our  
16 questionnaire response and as seen by the representatives of  
17 the Commission during their visit, 18 million of it is still  
18 in packing crates while the remaining equipment is idle.  
19 The deteriorating economic conditions resulting from the  
20 low-priced imports have made it necessary for Boltex to lay  
21 off a substantial number of workers.

22 Left unchecked, imports will continue to seize  
23 market share, push prices down and force us to lay off  
24 additional workers. Bluntly speaking, the survival of our  
25 company is at risk unless we get relief from low-price

1 imports. Indeed, as detailed in our questionnaire response  
2 to the Commission, imports from India, Italy and Spain have  
3 had a negative impact on our flange business.

4 U.S. shipments, production, capacity utilization,  
5 employment, prices and profits for flanges have plunged.  
6 The industry is being injured by dumped and subsidized  
7 imports from India, Spain and Italy. Yes, there has been a  
8 significant decline in demand over the past three years in  
9 part because of the weakness in oil and gas segment of the  
10 market. Even though this did have some negative impact on  
11 our operation, imports had a much greater adverse effect.

12  
13 I can tell you that our customers explicitly  
14 refer to the lower prices of Subject Imports to force our  
15 prices down so again our declining prices cannot be  
16 attributed to a weaker market. The only argument that we  
17 have heard from any Foreign Producers or Importers is that  
18 the Indian imports don't hurt us because they are not on  
19 Approved Manufacturers Lists or AMLs. I note that the  
20 respondents seem to have abandoned that argument, not having  
21 filed the prehearing brief nor appear today in front of the  
22 Commission and to respond to their questions but let me  
23 address the AML issue in any event. Let me start by laying  
24 out some facts about AMLs. Some end users have AMLs, some  
25 do not. Indeed, I believe the majority of end users do not

1 have AMLs.

2 Boltex is on some AMLs but not on others. When  
3 an end user has an AML how he gets on the AML is completely  
4 subjective to the end user. There is and there is no  
5 industry standard or norms about how one qualifies for an  
6 AML. It is completely at the discretion of the end user.  
7 Indeed the distributor that sells to the end user has a  
8 significant influence on the manufacturers placed on the  
9 approved lists.

10 MR. BERNOBICH: -- while I cannot quantify the  
11 exact percentage, my belief is that well over half of the  
12 U.S. flange market is not for -- is for none AML products  
13 because most end users don't have AMLs and only care that  
14 the flanges meet the ASTM and ASME standards.

15 Also because of the pressure on end users to  
16 obtain flanges as cheaply as possible, foreign companies,  
17 including Indian producers, have been placed on approved  
18 manufacturers lists. When U.S. distributors and end users  
19 are able to obtain foreign flanges at such low prices, they  
20 have an incentive to add them to their approved user list or  
21 buy them regardless of the approved list.

22 We compete head to head with imported Indian  
23 products for customers that do not have AMLs. Also, it is  
24 simply not true that we do not compete with Indian companies  
25 for customers who have AMLs. There are Indian companies on

1 AMLs. And we compete with them head to head when we are  
2 both on a particular end user's AML.

3 In short, it is simply not true that there's a  
4 line, let alone a bright one, between those producers who  
5 sell into the generic market and those who sell into the  
6 approved market. Both Boltex and the Indians sell to both.

7 Commissioners, I'd like to make it clear that  
8 it's not the AML. It's not the delivery. It's not the  
9 quality. It's the price that drives our marketplace.

10 Finally, we file these petitions with Weldbend  
11 because we believe there are no other options for us. I'm  
12 here to ask the Commission to help remedy these unfair trade  
13 practices by Indian, Italian, and Spanish producers and give  
14 our industry the opportunity to compete on a level playing  
15 field. Thank you for listening to me.

16 STATEMENT OF KEVIN COULAS

17 MR. COULAS: Good morning. I am Kevin Coulas.  
18 I'm the vice president of production at Weldbend  
19 Corporation, one of the two petitioners in this  
20 investigation. I am here today as a representative of the  
21 third generation of the Coulas family to own and operate  
22 Weldbend. I am joined today by my father James Coulas,  
23 Junior, president and CEO of Weldbend. In addition, my mom,  
24 my brother, my two aunts, my sister, and a cousin all work  
25 at Weldbend. My brother Jimmy presented testimony at the

1 ITC staff conference, but could not be us today, as him and  
2 his wife just had a new baby boy, growing the Coulas family.

3 I'm here today representing our Commission and our  
4 workers. I would like to discuss three main topics. First,  
5 I'd like to introduce the company to my company Weldbend.  
6 Second, I'd like to describe the very difficult market that  
7 we face due to unfairly low priced -- low traded [[ priced  
8 imports. Finally, I'd like to talk about the  
9 approved manufacturer list argument that the Indian  
10 producers raised when this case was first filed.

11 By way of background, Weldbend was founded in  
12 the late 1940s by my grandparents James and Irma Coulas.  
13 Now eight family members and three generations later, the  
14 company has grown to become the largest, if not the largest,  
15 manufacturer of finished carbon steel flanges in the United  
16 States.

17 My father began working for the family business  
18 in 1967 and has been in the finished carbon steel flange  
19 business for 50 years. During his five decades of -- in the  
20 finished carbon steel flange business, he has visited  
21 facilities of several other domestic producers of finished  
22 carbon steel flanges and has visited foreign producers of  
23 the product in India, Italy, and Spain.

24 I began working for the company in 2003 and have  
25 visited facilities of several other domestic producers of

1 finished carbon steel flanges. And I have also visited  
2 foreign producers of the product in India and Italy.

3 Over the last seven decades while being  
4 committed to producing the highest quality flanges  
5 available, we have built a culture that respects our  
6 customers, and workers alike. Speaking of our employees,  
7 Weldbend currently has about 170 employees. We have over  
8 1,000 years of combined experience at Weldbend.

9 I can confidently say that my family and I know  
10 the name of virtually every one of our employees. Many of  
11 them personally trained me on our machines. There are very  
12 numerous connections among our employees: fathers and sons,  
13 mothers and daughters, siblings and cousins. Employees are  
14 trusted to work under the honor system. There are no time  
15 clocks at Weldbend. In addition, Weldbend has provided free  
16 health care to our employees and have done for years.

17 Weldbend is also committed to the safety of our  
18 employees with our safety team, safety meetings, and  
19 specific safety training. With respect to our production  
20 operations, our facility is spread through four buildings  
21 with 315,000 square feet under roof on our 36 and a half  
22 acre plot in Argo, Illinois. Our acreage gives us room to  
23 grow if allowed.

24 We have the largest inventory of domestic carbon  
25 steel flanges enabling us to serve our customer needs. All

1 of our flanges are marked to provide the customer with the  
2 required information including, the manufacturer, size,  
3 class, the bore if it's required, the material  
4 specification, the heat code, and our production code for  
5 traceability.

6 We are also dedicated to the quality of our  
7 product through our bi-annual ISO audits, which is more than  
8 what ISO requires. We conduct two internal audits annually  
9 as well with our four trained in-house auditors. There are  
10 currently seven people in our Weldbend sales department,  
11 which my brother Jimmy manages. In 2015, we began sending  
12 out surveys with every order asking our customers if they  
13 were satisfied. If not, why?

14 To this day, we have earned over a 99 percent  
15 customer satisfaction rating through these surveys, well  
16 above the national average. For that 1 percent that does  
17 not respond favorably, one of our family members personally  
18 reaches out to that customer and asks them what happened.  
19 To show them we care, we want to make things right, and we  
20 appreciate their loyalty to Weldbend.

21 Everything we do is ensure our customers have  
22 the best service and product available. We want the whole  
23 experience from start to finish to be seamless, so it keeps  
24 our customers coming back. My cousin Mike is personally  
25 involved with industry trade magazines, brochures, mailing,

1 literature, website updates, and smart phone apps. He has  
2 also been involved with streamlining our order entry process  
3 and is looking into ways to improve our customer service.

4 Due to the nature of the flange business, we  
5 sell our product through distributors in the United States.  
6 Likewise, the product imported from India, Italy, and Spain  
7 is also sold through the same distributors.

8 Those same distributors in turn sell both U.S.  
9 made and imported product to end users. There is no  
10 difference between the types of specifications of carbon  
11 steel flanges produced in the United States and imported  
12 from India, Italy, and Spain. The producers in India,  
13 Italy, and Spain make all the common types of flanges in the  
14 same class, size, and the same facings.

15 They are also required to meet the same ASTM and  
16 ASME standards that we are if they wish to sell in the  
17 United States. Although I wish it were otherwise, the sale  
18 of this product are based primarily on price, because as  
19 long as the flanges meet the same ASTM, and ASME  
20 requirements, the carbon steel flanges are a commodity  
21 product.

22 Carbon steel flanges from any of the subject  
23 countries are interchangeable with those from Weldbend and  
24 any other U.S. flange producers. All of our customers  
25 source from more than one supplier. They can and do switch.

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Since flanges from different producers are interchangeable, it is easy for purchasers to switch suppliers with very little lead time and no supply disruptions. As a result, price is the primary consideration in purchasing decisions.

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I would now like to spend a few minutes on the state of the flange industry in the United States. As detailed in our questionnaire response to the Commission, imports from India, Italy, and Spain have continued to have a negative impact on our U.S. shipments, production capacity, employment, prices, and profits, for flanges.

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The Commission found that in the preliminary phase and our recently submitted questionnaire response demonstrates, that injury continued unabated. The U.S. market demand for flanges has been down since 2014 due to the decline in the oil and gas industry. Despite this continued decline, the U.S. market will remain an attractive market for imported flanges due to its size. The U.S. market is the largest market for carbon steel flanges in the world.

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The high prices in the United States relative to foreign markets, the strength of the dollar, and the reduced demand globally. In short, the future of the U.S. industry

1 producing carbon steel flanges is bleak unless duties are  
2 imposed to offset the dumped prices and subsidized  
3 production of the subject imports.

4 Let me stress that the injury we have suffered  
5 since 2013 is not primarily due to the decline in the oil  
6 and gas industry. We have been through oil and gas industry  
7 declines in the past. What makes this period different is  
8 the imports from India, Italy, and Spain have taken an  
9 increasingly large domestic market share through aggressive  
10 pricing.

11 Indeed over the POI, margins by which imports  
12 undersell our product is significant. Our facilities that  
13 produce carbon steel flanges are highly capital intensive  
14 and require significant investment to maintain.

15 Our pricing -- the pricing pressure from imports  
16 has prevented us from making important capital improvements.  
17 Imports will continue to seize market share, push down  
18 prices, and drive out domestic producers. We reduced our  
19 prices during 2016 in an attempt to stem the market share  
20 loss.

21 We also expect that the unfair price competition  
22 from the subject import sources will continue. We  
23 anticipate continued sales and production declines, lower  
24 capacity utilization, reduced employment, reduced  
25 profitability, and an inability to justify investment in our

1 flange manufacturing assets.

2           These are the harsh realities our industry  
3 faces. As noted in the start of my presentation, it is not  
4 uncommon for generations of families to work at Weldbend.  
5 Indeed, while overall demand for carbon steel flanges had  
6 been low, it's the rapid rush of imports grabbing market  
7 share and their aggressive price undercutting that have  
8 pushed our industry over the brink.

9           Finally, I'd like to spend a few minutes on this  
10 issue of Approved Manufacturer Lists or AMLs. In the  
11 preliminary investigation, three Indian producers and a U.S.  
12 importer of Indian product spoke at the staff conference and  
13 argued that they don't compete with American flanges,  
14 because all American flanges are on approved lists, while no  
15 Indian companies were. It's interesting that none of them  
16 are here today to take your questions. However, I don't  
17 blame them. Why? Because their argument does not hold up.

18           What is true about AMLs? Some companies have  
19 AMLs. Some companies do not have AMLs. Weldbend is on some  
20 AMLs, Weldbend is not on some AMLs. Numerous Indian  
21 producers are on various AMLs. Numerous Indian producers  
22 are not on other AMLs.

23           There is no AML standard or master list.  
24 Instead, each end user that decides to have an AML, makes up  
25 their own criteria and decides on its own who is on his AML

1 and who is not on their AML.

2 What is not true about AMLs? The idea that all  
3 U.S. producers are on all AMLs, the idea that no Indian  
4 producers are on any AMLs, the idea that Indian producers  
5 don't compete in the AML market, the idea that U.S.  
6 producers do not compete in the non-AML market.

7 The fact of the matter is that Weldbend competes  
8 in the AML market as well as the non-AML market. There --  
9 and that there are Indian companies in both of these  
10 markets.

11 In conclusion, if action is not taken to stem  
12 the tide of imports, return rational pricing to the market,  
13 and restore a level playing field, I do not know where our  
14 industry will be six months from now.

15 We filed these petitions because we have no  
16 other option. I mentioned earlier in my testimony that we  
17 are celebrating beginning of the next generation of the  
18 Coulas family. We hope that that generation will choose to  
19 go into the family business of making carbon steel flanges.

20 Your decision in this proceeding, Commissioners,  
21 will have a lot to say about whether there is business for  
22 the next generation to go into. My father and I are  
23 available for any questions the Commission may have.

24 STATEMENT OF CARLYN MATTOX

25 MR. MATTOX: Good morning. I am Carlyn Mattox

1 and I'm president of Mattsco Supply Company. I'm here today  
2 as representative of the second generation of the Mattox  
3 family to own and operate Mattsco. Mattsco was founded in  
4 1975 by my father John Mattox. And today, I run the company  
5 alongside with my two brothers Bob and Kyle Mattox. Mattsco  
6 is a certified minority owned company, PVF supply and  
7 distributor, and is headquartered in Tulsa, Oklahoma.

8 Mattsco offers industrial and oil field pipe  
9 valves and fittings in carbon, stainless, and special  
10 alloys. We specialize in fabricated and specialty machined  
11 products made to meet our customer specifications. We pride  
12 ourselves in placing the needs of our customers above those  
13 of the company. In doing so, we strive to provide the best  
14 products and services to those whom we serve. So Mattsco is  
15 a distributor of carbon steel flanges. We purchase products  
16 from domestic producers of carbon steel flanges.

17 In addition, we purchased imported carbon steel  
18 flanges, including from countries: India, Spain, and Italy.  
19 Indeed, when we purchase foreign flanges, we typically  
20 purchase that from an importer and do not specify the  
21 country of origin that's to be supplied, whether it's Indian  
22 or Spanish or Italian.

23 So we sell both domestic products and imported  
24 products to the end users in the United States. I  
25 understand in this case, an argument's been raised that

1       there are two separate flange markets in the U.S.: one  
2       flange sold into end users who have AMLs and two, flanges  
3       sold to end users who do not have AMLs.

4               Yes, it is true that some end users have AMLs  
5       and some do not. However, it is not true that all U.S.  
6       flange producers such as Boltex and Weldbend are on those  
7       AMLs. Indeed, there are numerous AMLs that do not contain  
8       either Boltex or Weldbend. Second, it is not true that  
9       Indian producers do not appear on the AMLs. Indeed in my  
10      questionnaire response, I provided several AMLs that listed  
11      Indian flange producers.

12             In short, if a customer comes to me and asks for  
13      flanges from a producer that appears on a customer's AML,  
14      and that's assuming they have one, and many do not, I  
15      normally have the option of supplying a product from both  
16      domestic and Indian producers alike. However, again, many  
17      times, my customers do not have the AML and in that case, I  
18      can sell either domestic or imported products.

19             In addition, some of our customers have -- do  
20      have AMLs. There have been times that these prices of  
21      carbon steel flanges from imports have been so low, that  
22      they have opted to divert from those AMLs. In short, if the  
23      Commission's looking for that bright line between who  
24      appears on the AMLs and those who do not, you're probably  
25      not going to find it, because it just doesn't exist. I'm

1 available for questions.

2 STATEMENT OF DAN KLETT

3 MR. KLETT: Good morning, I am Dan Klett, an  
4 economist with Capital Trade, testifying on behalf of  
5 petitioners. I will address five issues. First,  
6 interchangeability between U.S. flanges and subject imports  
7 and the role of AMLs in the market; second, demand trends  
8 for carbon steel flanges; third, volume effects of subject  
9 import competition; fourth, price effects; and fifth, the  
10 impact of the subject imports on the U.S. industry. You  
11 should have a packet of slides in front of you, to which I  
12 will be referring.

13 Slide 1 summarizes information from purchaser  
14 questionnaires on the degree of interchangeability between  
15 U.S. producers and each of the subject country imports.  
16 Many more purchasers reported U.S. and subject imported  
17 flanges to be always, or frequently interchangeable than  
18 being sometimes or never interchangeable in total and for  
19 each of the subject countries individually.

20 As shown in slide 2, purchasers generally  
21 reported that factors other than price would include AML --  
22 other than price, which would include AML considerations  
23 were not reported to be significant. Thus the existence of  
24 AMLs does not significantly attenuate competition, even for  
25 imports from India.

1                   And as detailed in our brief, examples of Indian  
2 producers on AMLs include Bebitz, Balkrishna, Tube Line, and  
3 CHW Forge. And there are many others. In addition, both  
4 U.S. producers and subject imports participate in the  
5 commercial and construction segment of the market that does  
6 not require AMLs.

7                   Regarding demand, a major market for carbon  
8 steel flanges is for the oil and gas pipelines. Drilling  
9 rig activity reported by Baker Hughes is a useful proxy for  
10 demand in this segment of the market. As shown in slide 3,  
11 the sharp decline in U.S. apparent consumption for carbon  
12 steel flanges corresponds to the drop in drilling rig  
13 activity, and in particular, the sharp decline in 2016.

14                   This decline in demand clearly had an adverse  
15 effect on the U.S. industry's shipment volume, but so did  
16 competition from subject imports. Slide 4 shows the market  
17 share gains by subject imports. Particularly from 2014 to  
18 2015, four U.S. producers reduced their prices in an attempt  
19 to stem their share and volume losses. They lost 13  
20 percentage points of market share, all of which was to  
21 subject imports.

22                   From 2014 to 2015, the loss of market share  
23 accounted for 80 percent of U.S. producers' shipment volume  
24 losses. From 2015 to 2016, the adverse effects were much  
25 more price than volume-related, although U.S. producers'

1 share of the market was still nine percentage points lower  
2 in 2016 than in 2014.

3                   There is no question that U.S. producers'  
4 prices were depressed. The Commission collected -- were  
5 depressed. The Commission collected price data for six  
6 pricing products. Products 2 and 6 were two of the largest  
7 volume pricing products. Slide 5 shows price trends for  
8 Product 2. Imports from India undersold U.S. producers  
9 throughout the POI, and India's price declines began in the  
10 fourth quarter of 2015, preceding the price declines of U.S.  
11 producers.

12                   Prices for Italy and Spain are confidential,  
13 but they also undersold U.S. producers and their price  
14 declines also preceded that of U.S. producers. As shown in  
15 Slide 6 for Product 6, India undersold U.S. producers  
16 throughout the POI and led prices down with a \$2 price  
17 reduction for flanges from the second quarter to the third  
18 quarter of 2016. The other four pricing products show  
19 similar relationships and patterns.

20                   For all the pricing products, underselling was  
21 significant. Slide 7 shows 188 instances of underselling  
22 and only 26 instances of overselling for cumulated imports.  
23 Underselling dominated for each of the subject countries  
24 individually. Also, most of the overselling for Italy and  
25 Spain was post-petition at the end of 2016.

1                   U.S. producers' prices were suppressed. The  
2 normal measure used by the Commission is the ratio of costs  
3 of goods sold to sales. Slide 8 shows that the increase  
4 from 70.2 percent in 2014 to 86.3 percent in 2016,  
5 reflecting a cost-price squeeze. The Commission stated in  
6 its preliminary views that it wanted to investigate further  
7 the effect of the demand downturn on U.S. producers' prices.

8                   The Commission has collected or provided the  
9 necessary information to estimate the effects of the demand  
10 decline on price using standard economic tools. Slide 9  
11 illustrates demand and supply for flanges with rough  
12 approximations of the slopes of these curves using the  
13 midpoints of the staff's elasticity estimates, which is five  
14 for supply and negative one for aggregate demand.

15                   The leftward shift of demand from 2015 to 2016  
16 reflects the change in U.S. apparent consumption from your  
17 data. Using the formula for the elasticity supply, it is  
18 possible to calculate the price decline associated with the  
19 demand decline, which I calculated to be ten cents per  
20 pound. The total price decline experienced by the U.S.  
21 industry from 2015 to 2016 was 42 cents per pounds.

22                   Thus, the demand downturn explains less than  
23 one-quarter of the observed price reductions experienced by  
24 U.S. producers from 2015 to 2016. Moreover, purchasers  
25 confirm that they bought subject imports instead of domestic

1 flanges on the basis of imports being lower priced, and also  
2 used lower prices of subject imports to force price  
3 reductions from U.S. producers.

4 Slide 10 summarizes for each of the 17  
5 responding purchasers those that bought subject imports  
6 rather than U.S. flanges, whether subject imports were lower  
7 priced and if price was the primary reason for purchasing  
8 subject imports. For each subject country individually and  
9 in the aggregate, most purchasers displaced U.S. flanges  
10 with purchases of subject imports and did so because subject  
11 imports were lower priced.

12 Purchasers also responded to the question of  
13 whether they forced U.S. producers to reduce prices in order  
14 to compete with subject imports. The details of their  
15 responses are confidential and are Table 5-14 of the staff  
16 report. However, what is public is that 10 of 16 responding  
17 purchasers said that U.S. producers had reduced their prices  
18 in order to compete with the lower prices of subject  
19 imports. Moreover, the six purchasers that did not respond  
20 yes to this question stated that they just did not know.

21 The price declines and volume reductions  
22 associated with the competition from subject imports has  
23 resulted in adverse effects for the U.S. carbon steel flange  
24 industry. Slide 11 shows that U.S. producers experienced  
25 significant declines in production, a 25 percent reduction

1 in the number of production and related workers, and an even  
2 greater 32 percent reduction in wages paid.

3 Slide 12 shows that U.S. producers' operating  
4 profits declined throughout the POI and in 2016 turned to  
5 operating losses, reflecting in large part a combination of  
6 lost sales volume and a significant reduction in sales price  
7 from 2015 to 2016.

8 It is possible that these numbers may change  
9 very slightly with some changes in data from the  
10 verification, but the story will remain essentially the  
11 same. Thank you.

12 MR. McCONKEY: You know you're getting towards  
13 the end when the lawyer speaks, so let me talk about a few  
14 issues here. Domestic like product and the domestic  
15 industry. Starting with the scope of the investigation, it  
16 covers carbon steel flanges, and because an identical  
17 product is made here in the U.S., and that there are clear  
18 dividing lines between carbon steel flanges and flanges made  
19 from other types of material such as stainless steel, the  
20 Commission, as it did in the prelim, should continue to  
21 define a like product that matches the scope.

22 Indeed, until the final phase, our like  
23 product definition was not contested by any of the  
24 respondents. We recognize that in this final stage,  
25 Forgital has filed a prehearing brief that requests the

1 Commission define two separate like products, one for  
2 specialized and custom flanges and a second for standard  
3 flanges.

4 We're going to have to address most of this in  
5 our post-hearing briefs substantively, because a lot of the  
6 crucial data was deemed proprietary in that prehearing  
7 brief, and also suffice it to say it made it a little  
8 difficult for my clients to understand exactly what product  
9 was trying to be defined there.

10 Cumulation. A couple of words about  
11 cumulation. The imports from all three subject countries of  
12 course should be cumulated as the petitions were filed on  
13 the same day, and there's a reasonable overlap of  
14 competition among the domestic like product and the subject  
15 imports.

16 The subject imports from each country and the  
17 domestic like product are highly interchangeable as  
18 reflected in the questionnaire responses, and as highlighted  
19 in Dan Klett's first slide. All U.S. and subject producers  
20 focus their production on carbon steel flanges in the  
21 standard size, standard set of sizes, configurations,  
22 pressure ratings, etcetera. And finally, subject imports  
23 from each country and the domestic like product are sold  
24 simultaneously through the United States through the same  
25 channels of trade distributors. So the criteria for

1 cumulation is clearly satisfied.

2 With respect to conditions of competition, the  
3 witnesses today testified that the conditions of competition  
4 make this domestic industry highly susceptible to injury  
5 from unfairly priced imports. Purchasing decisions again  
6 are largely based on price, as highlighted in Dan Klett's  
7 second slide.

8 In the eye of most consumers, a carbon steel  
9 flange is a carbon steel flange, and there's almost no  
10 price, non-price reason to choose one over the other. Also,  
11 production is capital intensive. Lost sales not only reduce  
12 revenues, they also increase the per unit fixed cost of  
13 remaining sales. Third, we see that demand has been  
14 declining.

15 It would be one thing if subject imports were  
16 entering the U.S. to meet surging demand conditions. But  
17 here, the subject imports have stolen domestic market share  
18 in a declining market. While those aligned with Indian  
19 producers, Indian suppliers floated a trial balloon in the  
20 preliminary phase with respect to AMLs, and an attenuated  
21 competition argument, they have clearly abandoned that  
22 argument.

23 Looking at the statutory injury factors, the  
24 Commission analyzes whether the subject imports are a cause  
25 of material injury. So let's look at volume of the imports

1 of the subject merchandise. The volume of the subject  
2 imports are significant, and import penetration increased  
3 over the POI. The growth in this import penetration  
4 occurred in a market characterized by declining demand, but  
5 related in large part to the decline in the energy sector,  
6 and I refer you to Dan's third slide.

7 In a commodity-type business, our witnesses  
8 described falling import prices have had the predictable  
9 effect of both underselling domestic product and resulting  
10 in price depression and suppression. This is also  
11 documented in the questionnaire responses and Dan's number  
12 five, number six and number seven slides.

13 The Commission also considers both, whether  
14 there has been a significant price underselling by the  
15 imported merchandise as compared with the price of the  
16 domestic like product, and whether the subject merchandise  
17 otherwise depresses prices to a significant degree, or  
18 prevents price increases which otherwise would have  
19 occurred.

20 The facts in this case, as attested to by our  
21 witnesses and documented in the questionnaire responses  
22 confirm both significant price underselling and significant  
23 price depression and suppression, and I refer you to Slides  
24 7 and 8 of Dan, Dan's Slides 7 and 8.

25 The third factor examined by the Commission,

1 the impact of the merchandise, such merchandise on the  
2 domestic producers of the domestic like product. The  
3 testimony of our witnesses and the questionnaire responses  
4 show that the domestic industry is reeling from the surge in  
5 import penetration, and that's reflected in declining  
6 capacity, production, shipments, market share, employment,  
7 prices and profits, every criteria you want to look at.

8 In a declining demand environment, U.S.  
9 producers could have expected that their shipments would  
10 have declined, but consistent with declining overall demand.  
11 Instead, those subject imports took an increasing market  
12 share. For these reasons, we ask that the Commission make  
13 an affirmative finding of material injury.

14 A couple of issues on threat. Clearly, we're  
15 also threatened with material injury from these imports. We  
16 suggest that the Commission should continue to assess threat  
17 based on cumulated subject imports. They clearly meet the  
18 requirements for cumulation. They're fungible, they're sold  
19 through the same channels of distribution, and they compete  
20 in the same geographical markets.

21 Moreover, subject imports from each country  
22 compete under the same conditions of competition. Producers  
23 from all sources compete to supply carbon steel flanges.  
24 Applying these statutory criteria, the threat of injury from  
25 cumulated imports is real and it's imminent. With that,

1 this completes our panel's presentation and we are all  
2 available for questions. Thank you.

3 CHAIRMAN SCHMIDTLEIN: All right. Thank you  
4 very much. I'd like to take the opportunity to thank all  
5 the witnesses for being here today. It's very helpful for  
6 us in understanding the issues in the case, so we do  
7 appreciate your time. I will begin the questioning today,  
8 and I guess we'll start with that subject of AMLs.

9 If I understand, and I know that India has not  
10 chosen to participate in the final phase here, but  
11 nonetheless I'd like to understand how the division between  
12 an AML purchase versus a non-AML purchase affects the  
13 overall dynamics of the market. And so listening to your  
14 testimony, it seems like, and correct me if I'm wrong, if  
15 the distributor or an end user has an approved list, do they  
16 then not purchase from a non-approved manufacturer?

17 In other words, is it exclusive that you have  
18 to be on the approved list to compete for that business?  
19 Mr. Bernobich.

20 MR. BERNOBICH: Frank Bernobich. No, there's  
21 a lot of latitude. There's a lot of latitude, and  
22 invariably they're given direction to use AMLs, but they're  
23 not gospels, and they do not necessarily use them.  
24 Sometimes they'll deviate from what they've been told and  
25 we've seen this repeatedly.

1                   CHAIRMAN SCHMIDTLEIN: So and you're talking  
2 about distributors and end users?

3                   MR. BERNOBICH: Yes, yes.

4                   CHAIRMAN SCHMIDTLEIN: So they'll maintain an  
5 AML, but then when they go out and you can remind me, are  
6 these -- are these sales done on transaction by transaction  
7 basis or request for proposal? How exactly are they  
8 executed?

9                   MR. BERNOBICH: There -- in many cases they're  
10 requests for proposal.

11                  CHAIRMAN SCHMIDTLEIN: A request for proposal.  
12 So the request for proposal will go out. It will have  
13 listed that you have to be approved, but notwithstanding  
14 that, some non-approved manufacturers will compete anyway.

15                  MR. BERNOBICH: Right. In other words, people  
16 will simply say or distributor will say well look, you know.  
17 We'll give you ^^^^ here is the prices we have from the AML.  
18 Lte me give you an alternative, a non-AML. Flanges are  
19 exactly the same. They'll perform the same function, but  
20 these flanges cost 20 or 25 percent below.

21                  CHAIRMAN SCHMIDTLEIN: So how often do you see  
22 that happening?

23                  MR. BERNOBICH: Oh, we see it frequently.

24                  CHAIRMAN SCHMIDTLEIN: Can you give me a  
25 percentage of your business that you think --

1                   MR. BERNOBICH: I couldn't do that, no.  
2                   Unfortunately, I cannot do that but I can say we see it  
3                   frequently.

4                   CHAIRMAN SCHMIDTLEIN: Okay. Mr. Coulas, does  
5                   Weldbend have the same experience?

6                   MR. KEVIN COULAS: Kevin Coulas. Yeah,  
7                   Weldbend sees the same issue with proposals. We submit  
8                   our pricing. The distributor will propose to the end user  
9                   our product and then, like I said, we're on the AML and  
10                  someone who's not on the AML and they're significantly  
11                  cheaper, so a lot of times they'll come back to us with hey,  
12                  you need to come down 25, 30 percent on your pricing if you  
13                  want to get the order. Otherwise, it's going to -- this  
14                  other person is not on the AML.

15                  CHAIRMAN SCHMIDTLEIN: And is that a recent  
16                  phenomenon that they've been deviating from the AMLs or --

17                  MR. BERNOBICH: It has been more recent. We  
18                  think that there's been a cataclysmic change in the way  
19                  people purchase. By the way, Frank Bernobich. The way  
20                  people purchase products. In the past, there has been a  
21                  significant reliance on so-called domestic products and that  
22                  has changed with this last downturn in oil and gas. People  
23                  have been adamant about bringing the cost, to bring welds  
24                  in, to tie lines in, to bring, to push gas, oil down the  
25                  line. It has been and it's changed dramatically yes,

1 recently.

2 CHAIRMAN SCHMIDTLEIN: And so when you're  
3 talking about where you see this frequently, is it mostly in  
4 the oil and gas segment of the market that you're seeing  
5 this?

6 MR. BERNOBICH: Well, that's what we basically  
7 -- that's what we basically supply.

8 CHAIRMAN SCHMIDTLEIN: That's what you supply?

9 MR. BERNOBICH: Yes, yes.

10 CHAIRMAN SCHMIDTLEIN: Okay, and is that true  
11 for Weldbend as well?

12 MR. KEVIN COULAS: We supply both the oil and  
13 gas and the commercial side, and we've seen it in those  
14 segments where now that they've used, let's say a  
15 non-approved product in the commercial side, they'll start  
16 saying we've had good success with that. We'll push it  
17 through the oil and gas side as well. So it's -- there's  
18 been a fundamental change in the way both distributors and  
19 end users are operating with the downturn, with everything  
20 being very price-sensitive.

21 If you can start saving 25, 30 percent on your  
22 material cost, the end users are looking at very significant  
23 savings.

24 CHAIRMAN SCHMIDTLEIN: So did that really  
25 start in 2016 then, with a drop off in --

1 MR. BERNOBICH: In 2015, maybe a little bit  
2 sooner than that. This is again Frank Bernobich. 2014,  
3 '15, '16. '16, 2016 reached its apex, okay.

4 CHAIRMAN SCHMIDTLEIN: 2016 reached the apex  
5 of this happening?

6 MR. BERNOBICH: Right.

7 CHAIRMAN SCHMIDTLEIN: And is it continuing  
8 til today?

9 MR. BERNOBICH: Oh absolutely.

10 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Mattox,  
11 you're shaking your head. Is this your experience as a  
12 distributor?

13 MR. MATTOX: Yes, this is Carlyn Mattox. It's  
14 happening, the same thing. We'll get a list of material and  
15 people will give us an AML, and then we find out we're not  
16 competitive, and then we end up providing prices from  
17 countries like India, and then we find ourselves competitive  
18 again.

19 So you know, they deviate after they see.  
20 There's significant price decreases. I mean it's not just a  
21 little bit of money. We're talking about a lot of money.

22 CHAIRMAN SCHMIDTLEIN: Okay. I'm not sure if  
23 this -- I was going to ask a question about a table on the  
24 staff report which, let's see here. Yeah, I guess this is  
25 -- in the staff report, and Mr. McConkey maybe this is a

1 question for you, at Table 2-5 it talks about the  
2 interchangeably of flanges on AMLs and not on AMLs, and  
3 they're asking producers, importers, purchasers whether  
4 these two are interchangeable.

5 For purchasers, you know, out of the -- you've  
6 got six saying never, five saying sometimes. Based on the  
7 answers of the purchasers that were included in this table,  
8 it looks like they're not interchangeable. And so I guess  
9 my question is, you know, based on the testimony that we've  
10 just heard, how should we consider this information based on  
11 the purchaser questionnaires?

12 MR. KLETT: Commissioner Schmidtlein, I think  
13 I can answer that.

14 CHAIRMAN SCHMIDTLEIN: Sure.

15 MR. KLETT: I mean I think there's a couple of  
16 things you have to consider. One is that in terms of AML  
17 being interchangeable with non-AML, first of all India has a  
18 lot of producers that qualify under AML. So that their  
19 argument from the prelim that the AML versus non-AML  
20 distinction, it completely attenuated competition between  
21 India and U.S. producers, is not valid because Indian  
22 producers are on AMLs.

23 So I think first of all the table to which you  
24 refer needs to take that into account. Secondly, the U.S.  
25 producers and Indian producers both sell into the commercial

1 market, which for the most part do not require AMLs. I  
2 think going to what Frank says, that you know, there may be  
3 instances where the AML versus non-AML does -- does create  
4 an elimination of certain suppliers for consideration.

5 But I think what Frank and Kevin said was that  
6 -- or James, was that -- was that that is being -- that  
7 distinction in being -- is not applying in the most recent  
8 years.

9 CHAIRMAN SCHMIDTLEIN: Okay, and so is that --  
10 just let me back up for a second. So on the commercial  
11 side, historically have AMLs been an issue on the commercial  
12 side of the market? Do most purchasers maintain AMLs?

13 MR. KEVIN COULAS: Kevin Coulas, Weldbend. On  
14 the commercial side, most do not maintain an AML and so that  
15 is all based on price.

16 CHAIRMAN SCHMIDTLEIN: Okay. So it's mostly  
17 in the oil and gas industry that you have these approved  
18 manufacturers list; is that correct?

19 MR. BERNOBICH: That is in fact correct.

20 CHAIRMAN SCHMIDTLEIN: Okay, and so once the  
21 oil and gas industries started hitting rock times, they  
22 started becoming more lenient in terms of how they applied  
23 their AMLs, that's what you're saying?

24 MR. BERNOBICH: That's in fact correct, yes.

25 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Coulas.

1                   MR. KEVIN COULAS: Kevin Coulas with Weldbend.  
2           As the end users, as the oil and gas declined, the end users  
3           pushed back on the distributors, I need to start cutting  
4           material cost. The distributor may have had an experience  
5           with an Indian flange on the commercial side, and then said  
6           hey, I have a flange.

7                   It's 40-50 percent cheaper than a  
8           domestic-approved flange, and therefore that would -- that  
9           price savings would allow the end user to -- that would  
10          justify in the end user's mind to make the switch at that  
11          point. If you're talking \$100,000 worth of flanges, to save  
12          \$50,000, that's hard to say no to.

13                   CHAIRMAN SCHMIDTLEIN: Uh-huh, okay. My time  
14          is up, but one quick question. There's an Appendix D in the  
15          staff report that lists manufacturers and what AMLs they  
16          have been included on and it's confidential, right. So I  
17          wonder, Mr. McConkey or Mr. Klett, if you could take a look  
18          at that. I'm curious whether you could tell us if you think  
19          that is a relatively complete list?

20                   CHAIRMAN SCHMIDTLEIN: The section in there with  
21          the Indian manufacturers and what AMLs they are approved  
22          for. So you don't have to do it now. Maybe in the next  
23          round, but I'd be curious whether you think that's an  
24          accurate compilation.

25                   Alright, Vice Chairman Johanson.

1                   VICE CHAIRMAN JOHANSON: Thank you, Chairman  
2                   Schmidtlein, and I would like to thank all of you for  
3                   appearing here today.

4                   Average unit values for imports from India are  
5                   far less than average unit values for imports from Italy and  
6                   Spain. And this can be seen at Table C-1 and C-2 at pages  
7                   C-3 and C-5 of the Staff Report.

8                   To what do you attribute this difference in unit  
9                   values between Italy and Spain and India? And do  
10                  differences in AML certification explain these differences?

11                  MR. DAN KLETT: Commissioner Johanson, this is Dan  
12                  Klett. You also see that that same kind of pattern in your  
13                  underselling data. In other words, for specific prices you  
14                  tended to see greater margins of underselling for India than  
15                  you did for Spain and Italy. I mean the AUVs and the pricing  
16                  data both show the same types of relationships.

17                  And I think Frank and Kevin can corroborate this,  
18                  but I think the Indians have just been much more price  
19                  aggressive in the market than Italy and Spain. I mean they  
20                  have a much larger market share. They have--I think their  
21                  increase in market share has been greater. You see  
22                  underselling from all three sources, but I think the  
23                  greater margins of underselling and the fact that Indian is  
24                  lower priced than Spain and Italy just reflects a greater  
25                  level of competitiveness on their part in the marketplace.

1           VICE CHAIRMAN JOHANSON: Okay. Would anyone else  
2 like to comment on that? If not, that's fine.

3           MR. COULAS: James Coulas, Weldbend. The price  
4 difference also has to do with the environment that India  
5 has compared to the U.S. manufacturers.

6           They don't have all the regulations and  
7 everything we do. And we're glad that we have the  
8 regulations, but there has to be some price put on what we  
9 have to provide our employees and the environment and  
10 everything else that we go through to make a safe  
11 workplace.

12           We were at a factory in India, and the employees  
13 were walking around without safety shoes. In fact, they  
14 were walking in sandals. And the word got going on how you  
15 do this, how you do that, and the one company said they lost  
16 somebody in an accident, and they said all we had to do was  
17 pay them \$10,000 to the family and they were happy that they  
18 got it. So there's a lot of differences that we're not  
19 talking here of what an American manufacturer has to go  
20 through compared to a offshore, and Indian especially,  
21 manufacturer goes through.

22           VICE CHAIRMAN JOHANSON: Would the level of  
23 certification, or percentage of certifications for AMLs for  
24 India impact the prices? In other words, if product in  
25 India is less likely to be under AMLs, does that lower the

1 price of that product?

2 MR. COULAS: The AMLs lately have been--James  
3 Coulas, again, Weldbend--have been--back in the '80s, all  
4 the major oil companies had AMLs, and they had groups of  
5 people that went out and did audits on a company like  
6 ourselves, and like on Boltex. And back in the early '80s  
7 when there was a downturn in oil, the oil companies and some  
8 of the larger distributors got together and says, if you  
9 approve the product we'll buy the product from you. We  
10 don't want to send our people out as much as we do.

11 So the oil companies cut costs. So now some of  
12 the larger distributors have groups that go out and do their  
13 own audits. But it's like the tail wagging the dog. If a  
14 company is selling Exxon, and Exxon tells them that we want  
15 you to cut your price by 15 or 20 percent, the distributor  
16 will go out and do an audit on the company and say they're  
17 good, just to keep the Exxon business.

18 And I know for a fact that one company did go out  
19 to approve an Indian company and within two months one of  
20 the oil companies took the company off themselves because of  
21 the product's failing. So I mean you have to look at it in  
22 two different things, two different ways that the end user,  
23 the oil companies, or the gas companies, and then the  
24 distributors that want to keep that business. They'll do  
25 things that maybe the oil companies wouldn't.

1                   MR. BERNOBICH: It used to be--Frank Bernobich--it  
2                   used to be that we would get visits directly, when we first  
3                   started and we first started getting approvals and we first  
4                   started being AMLs, that we would have visits from quality  
5                   control people from the various Exxons and Shells and the  
6                   Chevrons, and it would be their quality control people that  
7                   would come and approve us.

8                   That's been many years. The approvals that we  
9                   have achieved subsequent to the most of them have come from  
10                  the distributors who has told the end user, look, we'll take  
11                  care of you. Don't worry about it. We'll provide the  
12                  quality. We'll make sure the quality is there, and  
13                  therefore they approved whoever they wanted. And to my way  
14                  of looking at it, they approved people that would be more  
15                  remunerative to them than let's say people like ourselves.

16                  VICE CHAIRMAN JOHANSON: Does the--if a product is  
17                  not under AML, let's say such as a product from India, does  
18                  that generally mean it's of lower quality? Mr. Coulas, you  
19                  had mentioned that there were some problems apparently when  
20                  companies had put AML product under--pardon me, Indian  
21                  product under AMLs.

22                  MR. BERNOBICH: I don't think that Indian products  
23                  have been under the same scrutiny as we have been. We are  
24                  in the States. People come--our place is open 24 hours a  
25                  day. I know Jimmy's place is open 24 hours a day. You can

1 walk in and walk out any time you want.

2 We don't think that we can have the same services  
3 and the same possibilities in India. I've been there. I  
4 know how they produce. We would be shut down if we produced  
5 in any way similar to that.

6 Now that doesn't mean necessarily that the  
7 quality is so inferior, but on the other hand you have to  
8 look at the environment in which the people survive and  
9 thrive in there.

10 VICE CHAIRMAN JOHANSON: Okay. Thanks for your  
11 responses, if no one else wants to reply.

12 Okay, Forgital has argued that there are two  
13 separate domestic like products, specialized and custom  
14 flanges on the one hand, and standard flanges on the other  
15 hand. And this can be seen at page 2 of the Respondent's  
16 brief.

17 How do you all respond? And are there clear  
18 dividing lines between different types of finished and  
19 carbon steel flanges?

20 MR. McCONKEY: So Matthew McConkey of Mayer Brown  
21 again. We feel we're going to have to address most of this  
22 in a post--in our posthearing brief, because a lot of it was  
23 BPI and I just don't want to make a mistake with this.

24 Having said that, I think you're going to have a  
25 very difficult--unfortunately, there's going to be a

1 difficult time trying to make this dividing line and trying  
2 to define what is a specialized or custom flange. You know,  
3 these guys can make a special flange if somebody calls and  
4 asks them to bore it differently or something like that; you  
5 would do that, and that would be a "special" flange.

6 So I think it will be, unfortunately, difficult  
7 again, and especially at this stage of the proceeding,  
8 trying to make that dividing line. But again, we'll address  
9 most of this in our posthearing brief.

10 VICE CHAIRMAN JOHANSON: Okay, Mr. McConkey. And  
11 while you're doing that, can you make a point to focus on--  
12 at the Staff Report at page 57, note 8, which talked about  
13 prices?

14 MR. McCONKEY: Okay.

15 VICE CHAIRMAN JOHANSON: I think that would factor  
16 into your analysis on that issue. Thanks.

17 To what extent do Boltex and/or Weldbend produce  
18 flanges to specific customer orders, as opposed to producing  
19 standard products for their own or their distributors  
20 inventories?

21 MR. BERNOBICH: Well for us--Frank Bernobich again  
22 with Boltex--to give you an exact, we produce approximately  
23 60 to 70 percent for standard products, and the rest of them  
24 would be considered specialized products, or nonstandard  
25 products.

1                   VICE CHAIRMAN JOHANSON: So about 30 percent or  
2                   so?

3                   MR. BERNOBICH: I would say 30 percent. Maybe a  
4                   little bit more so, yes, sir.

5                   VICE CHAIRMAN JOHANSON: Okay. And does that  
6                   impact prices of those products?

7                   MR. BERNOBICH: Sometimes. The marketplace has  
8                   gotten to be so crazy that the specialized products actually  
9                   command a lesser of a price than the standard products do.  
10                  And I know that's hard to understand, but because that's  
11                  where the demand was coming from there was more demand for  
12                  specialized products, what we call "high yield products"  
13                  primarily, okay, there was that much more demand on that  
14                  than there were on standard products, so people started  
15                  concentrating on the specialized products and started  
16                  bringing the prices down, even though those products should  
17                  have brought prices up.

18                  Maybe it's confusing, but that's exactly--it's  
19                  contrary to what it should have happened, but that's what  
20                  happened.

21                  VICE CHAIRMAN JOHANSON: Well we've seen all sorts  
22                  of crazy things in the market, so I wouldn't necessarily be  
23                  that surprised by anything.

24                  (Laughter.)

25                  VICE CHAIRMAN JOHANSON: That being said, did this

1 situation occur during the Period of Investigation?

2 MR. BERNOBICH: Yeah, I think so. It started  
3 occurring really with the downturn in oil and gas. That's  
4 when it really started. And then you can put your own dates  
5 on that, okay? It started beginning in 2015.

6 VICE CHAIRMAN JOHANSON: Alright. Well thank you  
7 for your responses. My time has expired.

8 CHAIRMAN SCHMIDTLEIN: Commissioner Williamson?

9 COMMISSIONER WILLIAMSON: Thank you. I'd express  
10 appreciation to all the witnesses, and my particular thanks  
11 to both. The visit was very interesting. Very dramatic,  
12 too, I think.

13 MR. BERNOBICH: Thank you.

14 COMMISSIONER WILLIAMSON: I was watching forging.  
15 Following up on that last question about the customized  
16 products, I was curious whether or not the Indian, the  
17 subject firms, did they also probably have the same mixture  
18 of shall we say specialized or customized products as would  
19 a domestic firm?

20 MR. BERNOBICH: I think they could. Yeah, I think  
21 they could. They could certainly make them. I think they  
22 could.

23 COMMISSIONER WILLIAMSON: Well I was just  
24 wondering. But do the customers, or the distributors, do  
25 they say okay, it's going to be a little bit different,

1       therefore I'll go to the guy around the corner as opposed  
2       to--

3                   MR. BERNOBICH: It depends. It all depends. It  
4       depends upon how he bid this contract. How much money he  
5       wants to make. There's all kind of things that are very  
6       strange that occur. And there are some jobs that I've been  
7       familiar with that have been strictly, strictly operating  
8       under AMLs and you go there and you witness the flanges, and  
9       none of the flanges are on the AML list.

10                   For instance, if you go to a fabricator who  
11       produces product for an Exxon or a Shell, and that happens  
12       constantly.

13                   COMMISSIONER WILLIAMSON: Okay. Mr. Mattox, do  
14       you want to add something to this?

15                   MR. MATTOX: When you're talking about specialized  
16       flanges and stuff, you know the specifications are governed  
17       under ANSI B-16, which has dimensional data, and ASTM is  
18       mechanical data that's produced. So when a flange is stamped  
19       ANSI B-16, it's already got a--that's a commodity product,  
20       and we'll take some of those products and bring 'em in, and  
21       maybe bore a hole in it, tape it, drill and tap it, and we  
22       call that "specialized." So we just modify something that's  
23       already standard. And sometimes you can have that modified  
24       right at the manufacturer. So it just depends on what the  
25       quality is.

1                   COMMISSIONER WILLIAMSON: Could you repeat that?  
2                   The ANSI is--that's the dimensional?

3                   MR. MATTOX: ANSI is dealing with dimensional  
4                   data.

5                   COMMISSIONER WILLIAMSON: And ASTM is quality--oh,  
6                   the steel itself?

7                   MR. MATTOX: The steel, yes.

8                   COMMISSIONER WILLIAMSON: I see. So the  
9                   specialized might come because you take an ANSI standard and  
10                  put some extra holes in it or something?

11                  MR. MATTOX: You just modify it a little bit, or  
12                  you do something to machine it just a little different. But  
13                  the basic dimension of the thing is still the same. It's  
14                  made up to a standard, and that's the standard.

15                  COMMISSIONER WILLIAMSON: Okay. I'll ask this  
16                  question. I'm just going to ask you why you are here. And  
17                  the reason why I'm asking that is, a distributor who is  
18                  importing as well as buying domestic, often is going to say,  
19                  gee, I don't want any duties on the imported product. But--

20

21                  MR. MATTOX: Well that's the reason I deal with  
22                  the trading companies and importers. We're not the importer  
23                  of record, so we buy through those trading companies and  
24                  have our prices set. I don't set the price. They mark it  
25                  up to a degree. So it's just--but the prices are so

1 significantly cheaper that when we see that we're losing  
2 some business we--it doesn't take us long to figure out  
3 what's happened. And you'll see somebody on an AML list.

4 For instance, Bebitz would be on an AML, and  
5 forever everybody though that was Germany. Well Bebitz has  
6 got a plant in India, as well. Well all of a sudden you're  
7 seeing that stuff come through here and you're wondering why  
8 you're getting beat, thinking it's coming from a different  
9 country and it's coming from India.

10 COMMISSIONER WILLIAMSON: Okay. Thank you.

11 MR. MATTOX: We're clearly a small distributor in  
12 a big industry, and I ask the same question: Why do you want  
13 me here?

14 (Laughter.)

15 COMMISSIONER WILLIAMSON: Okay. Thank you. I was  
16 just curious. On this question of in terms of building all  
17 these pipelines and things and something goes wrong and  
18 there's exposure, is the fact that people are no longer  
19 sticking to the AMLs, is there any switch in the liability?  
20 I mean it seems like if you say it wasn't on an AML list and  
21 you bought it, aren't you running an additional liability  
22 risk?

23 MR. BERNOBICH: Frank Bernobich again. I know for  
24 Boltex and I believe for Weldbend also, we carry a  
25 substantial amount of product liability for just such

1 potential problems.

2 I can't speak to the various strange and unusual  
3 companies that all of a sudden appear on pipelines. I don't  
4 know what kind of liability they assume. Look, we've got  
5 over half a million square feet of manufacture--you saw it,  
6 of manufacturing facilities, have close to \$200 million  
7 worth of equipment. I mean, you know where to find me if  
8 something goes wrong.

9 I don't know that--

10 COMMISSIONER WILLIAMSON: Plus I also saw the  
11 wreckage that you keep--

12 (Laughter.)

13 MR. BERNOBICH: Right. And you also--but the  
14 problem is, if you've got some kind of an Indian supplier, a  
15 potential Italian supplier, or a Spanish supplier, I don't  
16 think you have that possibility. They have paper offices  
17 here in the States, and they can disappear in the background  
18 like there's no tomorrow, unless you want to chase them  
19 somewhere else. So there is a significant difference there  
20 in the type of service and the type of commitment that we  
21 both--we and Weldbend--have made to the marketplace.

22 I hope that answers your question.

23 COMMISSIONER WILLIAMSON: Yes. I was just  
24 wondering why the end users, especially these big guys, are  
25 willing to run that risk.

1                   MR. BERNOBICH: Well they roll the dice. They do  
2                   it all day.

3                   COMMISSIONER WILLIAMSON: Okay. They're used to  
4                   rolling the dice.

5                   MR. BERNOBICH: They roll the dice all day long.  
6                   A lot of time the end users will allow a fabricator to  
7                   perform a lot of their functions, and even though the end  
8                   user may have an AML, the fabricator may have a completely  
9                   different AML. And he says I will guaranty my work based  
10                  upon my AML. So there's a lot of times there's conflicting  
11                  AMLs and you have that situation occurring.

12                  There's been many instances of problems occurring  
13                  because of that.

14                  COMMISSIONER WILLIAMSON: Okay, thank you.

15                  What advantages do integrated producers have over  
16                  firms that purchase their flanges and forging, what  
17                  advantages do the nonintegrated producers have over the  
18                  integrated ones?

19                  MR. BERNOBICH: We are an integrated producer.  
20                  That means we actually forge. And theoretically the fact  
21                  that we forge and produce our own product, we have certain  
22                  price efficiencies that permit us to have better, in some  
23                  cases better pricing than the individual that purchases his  
24                  forgings.

25                  Sometimes that's not necessarily true. The other

1 advantage we have, of course we control our process. We  
2 control our quality. Okay? And so those are other  
3 advantages that we have, versus a person who buys forgings  
4 who may not be able to control extensively the kind of  
5 quality that they get--although they could certainly  
6 control quality.

7 But integrated suppliers, I mean we make stuff  
8 when we need it. We have the steel there. We make it when  
9 we need it. And theoretically we have better costing than  
10 somebody that buys flanges. Because whoever buys flanges  
11 also has to buy not only the flange but has to buy the  
12 markup of the individual making it.

13 COMMISSIONER WILLIAMSON: Okay. Mr. Coulas?

14 MR. COULAS: Since we buy forgings and we're not--  
15 Kevin Coulas, Weldbend. We buy forgings. We don't actually  
16 forge flanges in-house. Some of the advantage to that is we  
17 have the ability to go around and pick our forging companies  
18 that we do business with.

19 I will say most of our suppliers are in the  
20 United States. And I know, just because they forge flanges  
21 does not mean they have to be in the forging business. Some  
22 of our forging companies are primarily in the automotive  
23 business, and they use their down time to produce our flange  
24 forgings for us.

25 Likewise, on the larger sizes their primary

1 business is the railcar business where they forge the wheel  
2 hubs, and in their down time for that business they produce  
3 our flange forgings.

4 Some of the advantages, we can choose  
5 best-of-breed on the forging companies. The machining  
6 process, we're able to master that and leverage that. I  
7 know in our machine shop we have 27 fully automated machines  
8 that can take a flange forging on one side and print out a  
9 finished mark flange on the other side, all run by four  
10 operators. That type of efficiency I have not seen anywhere  
11 else in the world.

12 On the larger sizes, we have 11 machines that are  
13 CNC controlled, and then even larger than that we have 2  
14 machines that can go up to a 72-inch outside diameter  
15 flange. And so our expertise is in the finished flange  
16 business.

17 I think the forging business is a completely  
18 different animal that we have not tackled at this time.

19 COMMISSIONER WILLIAMSON: Okay, thank you. My  
20 time has expired. When I come back, I want to find out why  
21 you located where you are.

22 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent?

23 COMMISSIONER BROADBENT: Thank you. I want to  
24 welcome the witnesses and thank you all for hosting a group  
25 of us out in Houston a while back. I'm sorry I missed that

1 trip, but we got a good trip before that that was helpful.

2 Mr. Boltex--I mean, Mr. Bernobich, could you  
3 respond to Forgital's description of the specialized, custom  
4 made flanges? For example, to what extent do you produce  
5 flanges for specific customer orders, as opposed to  
6 producing standard products for inventories for  
7 distributors?

8 MR. BERNOBICH: I have a very difficult time in  
9 responding to that because conceivably there's a whole host  
10 of different flanges that can be considered "special." I  
11 don't know if I'm answering your question.

12 COMMISSIONER BROADBENT: I mean the way that  
13 Forgital defines it.

14 MR. BERNOBICH: Well everybody makes specialized  
15 flanges, I mean that could be considered specialized or  
16 custom flanges. Let me give you an example.

17 This is not necessarily what Forgital does, and  
18 I--but you can take a 4-inch 150--a 4-inch 150 blind, and  
19 you put a 1-inch NPT hole in it, and we consider that a  
20 special flange. That's not what they do.

21 COMMISSIONER BROADBENT: Right. I don't think  
22 they would consider that specialized, right?

23 MR. BERNOBICH: But we would consider it  
24 specialized. I mean that's where we get into this  
25 description of what is "specialized"? What is "custom"?

1       What isn't specialized? I think that is a difficult hurdle  
2       to hop over because somebody's got to define it to me. I  
3       can't define what specialized is and what standard is. I  
4       guess standard I guess would be strictly out of the book.  
5       But anything that you do, if you put a special bore in it,  
6       if you put a special face on it, if you do a special heat  
7       treatment on it, if you do something--there's innumerable  
8       things that you can do to consider something "special."

9                COMMISSIONER BROADBENT: Mr. Coulas, could you  
10       respond to that with respect to Weldbend?

11               MR. COULAS: James Coulas, Weldbend. Our  
12       specialized we figure is something like 65 commodity and 35  
13       special. There's nowhere in any of the ASTM books, or ASME  
14       books that define "specialty flanges."

15               COMMISSIONER BROADBENT: But you have a sense,  
16       just in the--

17               MR. COULAS: Pardon me?

18               COMMISSIONER BROADBENT: You clearly have a sense  
19       in the industry of what would be specialized versus--

20               MR. COULAS: For Weldbend it's 65/35 roughly.

21               COMMISSIONER BROADBENT: Okay.

22               MR. COULAS: And as Boltex has testified, that  
23       anything that is considered not in the normal flange range  
24       would be considered a special flange. A bore, a facing,  
25       heat treatment, anything like that would be a specialized

1 flange. Material would be specialized flange. And I think  
2 we have evolved on that in our years of production.

3 COMMISSIONER BROADBENT: Mr. Bernobich, you've  
4 argued that in a market where demand is declining rapidly,  
5 end users are trying to cut costs by switching to non-AML  
6 flanges in certain applications. To me, it's a little  
7 counterintuitive. I mean if demand is declining, wouldn't  
8 there be substantial increase in available supply of flanges  
9 from approved suppliers?

10 MR. BERNOBICH: Could you repeat that question?

11 COMMISSIONER BROADBENT: If demand is declining  
12 in the market --

13 MR. BERNOBICH: There's been somewhat of a  
14 decline in demand -- somewhat of a decline.

15 COMMISSIONER BROADBENT: So wouldn't there be  
16 more specialized flanges available? AML?

17 MR. BERNOBICH: No. There would be -- I think  
18 they go hand-in-hand in some cases, right? I think that if  
19 you have standard as here, you've got 60 to 70% standard,  
20 and you've got 30%, let's say 35 to 40% specialized, I would  
21 think as the demand for standard flanges decline, the  
22 specialized flanges decline. Am I answering your question?

23 COMMISSIONER BROADBENT: No, that's okay. It's  
24 all right.

25 MR. MCCONKEY: Matthew McConkey, just want to

1       jump in a little bit. Just the -- and it gets confusing  
2       with the AML -- like, these guys don't produce an AML  
3       product. They produce product, some of their customers put  
4       them on an AML, some don't, so it's all the same product.  
5       So it's not like somebody has a spot that says, "We're  
6       producing this to AML specifications," because again, AML is  
7       completely subjective to each customer, right? So it's --

8                   COMMISSIONER BROADBENT: Okay.

9                   MR. BERNOBICH: What we do know, and if I may  
10       add, what we do know is that when our prices decline  
11       precipitously, the demand for product went up for us.

12                   COMMISSIONER BROADBENT: Okay.

13                   MR. COULAS: Weldbend Corporation. Just to  
14       maybe clarify a little bit, Weldbend has its own AML that we  
15       have for our suppliers. So we look at pipe companies and  
16       forging companies and billet companies and we have our own  
17       that we want or don't want. It's just our preference.

18                   COMMISSIONER BROADBENT: Okay. On Page 219 of  
19       the staff report, it states the purchasers generally  
20       reported that they separate their inventories into flanges  
21       based on whether they were on AMLs or not on AMLs, and also  
22       generally indicated that they separate their inventories by  
23       domestic import-approved and generic imports. Doesn't that  
24       indicate that distributors and their downstream end-users  
25       recognize and utilize these distinctions within their own

1 sales?

2 MR. MATTOX: This is Carlyn Mattox. We do keep  
3 our inventories separated, but we've got a LIFO system we're  
4 on, so when we're buying different product from different  
5 manufacturers, we keep them separated by manufacturer, but  
6 no necessarily for country reason. We just keep them  
7 separated by manufacturer. We keep all that -- when we're  
8 buying again, the prices are going down, you know, obviously  
9 that affects our LIFO. If I was buying domestic product,  
10 keeping it the same place with the import and it went  
11 significantly down, we'd have a major problem.

12 COMMISSIONER BROADBENT: Okay.

13 MR. KLETT: Commissioner Broadbent, this is Dan  
14 Klett. I think also for record-keeping purposes, it  
15 wouldn't be unusual for distributors to maintain inventories  
16 by supplier and some may be on AMLs, some may not.

17 But the same purchasers that responded to your  
18 question also responded to questions on the degree of  
19 interchangeability in Slide 1 of my PowerPoint, and also  
20 whether nonprice factors are significant or not, which is on  
21 Slide 3 of my PowerPoint. And so those same purchasers said  
22 there's a high degree of interchangeability and, for the  
23 most part, nonprice factors were not as important as price  
24 factors. So I think there's that element as well.

25 COMMISSIONER BROADBENT: Okay. Mr. Klett, you

1 showed two graphs, I think on Slides 5 and 6 showing that  
2 U.S. profit has declined in 2016. However, given the  
3 importance of price in this market and the significantly  
4 lower Indian price, I'm struck by the fact that U.S. prices  
5 didn't decline earlier. I also note that apparent  
6 consumption declined significantly in 2016.

7 I know that you've done an economic analysis  
8 which rebuts the notion that demand drove the price  
9 declines. But how do we contend with the lack of  
10 correlation between the subject import pricing and domestic  
11 pricing?

12 MR. KLETT: I can let Frank and Kevin respond to  
13 that, but I think the dynamics are that, with the high fixed  
14 costs, if you look at the patterns through 2015, that they  
15 were reluctant to reduce prices to subject imports. And you  
16 see a significant decline in market share.

17 So basically in 2014 and 2015, there was a price  
18 gap and that they saw significant decline in volume, and  
19 given that decline in volume and the high fixed costs, they  
20 came to the realization the in order to maintain production  
21 and capacity utilization, they had to react on a price  
22 basis. And that's what you see in 2016 with the price  
23 declines coming down to meet subject imports. I mean I  
24 think Frank discussed what happened in 2016 earlier in the  
25 year and later in the year, and I think that dynamic was in

1 play.

2 Now, on your second part on demand declines,  
3 yes, demand decline would put downward pressure on price,  
4 and you see that in 2016 and based on your apparent  
5 consumption data, the apparent consumption declined from  
6 2014 to 2015, but not as significant as the big drop from  
7 2015 to 2016, so I think there is a correlation to the  
8 extent that when you see the big price drop is also when you  
9 see the largest decline in U.S. apparent consumption, much  
10 more so from 2015 to 2016 than from 2014 to 2015.

11 COMMISSIONER BROADBENT: But isn't the  
12 correlation more between domestic pricing and domestic  
13 consumption?

14 MR. KLETT: Yeah, there is a correlation to the  
15 extent that, because of apparent consumption did not decline  
16 as much from 2014 to 2015, you didn't see as much of a price  
17 decline, and you saw the biggest price decline from 2015 to  
18 2016. But I don't think you can infer from that that  
19 imports didn't have an effect on price.

20 I mean your purchasers were fairly adamant or  
21 consistent in saying, Number One, that when they did switch  
22 from U.S. to subject imports, it was on the basis of price,  
23 and Number Two, that they used prices of subject imports to  
24 force down prices of U.S. producers. So demand did have an  
25 effect on price, did have an effect on the market. But so

1 did subject imports.

2 COMMISSIONER BROADBENT: Okay. Thank you, Mr.  
3 Klett. Commissioner Kieff.

4 COMMISSIONER KIEFF: Thank you. I join my  
5 colleagues in thanking each of the panels for coming and  
6 presenting and I guess I would just start by saying to Mr.  
7 Coulas what a fun occasion I had as you're first describing  
8 your family story. I thought perhaps the second syllable of  
9 your last name was a Fonzarelli reference, E-S-T.

10 And it certainly is a cool story to hear a  
11 family success story and to hear the management and labor  
12 success relationship and collaboration. And I also think  
13 we've already seen demonstrated today a cool  
14 professionalism, cool in a good way, professionalism by Mr.  
15 Hanson offering as opposing counsel, a copy of a document.  
16 That's the good advocacy, combined with good cooperation and  
17 professionalism that we all appreciate and should always be  
18 applauded.

19 Let me ask, if I could, just some questions for  
20 both sides, recognizing -- and it's probably going to be the  
21 post-hearing brief in which you're going to have to respond,  
22 in part because the question I think either boils down to  
23 very proprietary information that we're allowed to discuss  
24 here, or very legal lawyerly arguments of the type that are  
25 hard to really grasp in an oral argument and, in effect,

1 will boil down to the precedence you each can point to us.

2           So for me, I wanted to ask the lawyers to focus  
3 in the post-hearing some of their attention on the question  
4 of how we should think about what is often called attenuated  
5 competition in a case like this. So as I understand the  
6 argument and I think Mr. Bernobich was getting at this with  
7 his remarks earlier about special, and he was, I think to  
8 some extent, evoking the Lake Wobegon problem that we're all  
9 special in our way and --

10           But nonetheless, we at the ITC do have some case  
11 law in which we recognize that there may be various segments  
12 of a domestic industry and that those segments can be  
13 affected differently by different streams of imports. And  
14 as I understand your opponent's argument, it's basically  
15 that there is a difference and that the difference is of a  
16 degree and of a type that is enough that the impact that his  
17 product has on what he sees as his domestic competing  
18 products, is not injury.

19           So I take it that, where the rubber's gonna hit  
20 the road on that argument is, you each are going to need to  
21 explain to us some of what you've already done, which is in  
22 effect -- even if he's right, you're in the domestic  
23 industry represented here, are in, consider yourselves to be  
24 in that same segment of the market.

25           And that the sameness for your lawyer is of the

1 type that, even if your opponent is correct on the facts, is  
2 illegally insignificant under the law. And I take it for  
3 your opponent, it's the opposite set of concerns. So as I  
4 understand it, that's where the rubber hits the road, at  
5 least with respect to this one particular segment. Let me  
6 just ask you, Mr. McConkey, is that a set of questions that  
7 is clear to you? Do you have any clarifying questions about  
8 it?

9 MR. MCCONKEY: No, I think we're good.

10 COMMISSIONER KIEFF: And am I right that your  
11 basic argument is Number One, on the facts that the  
12 differences aren't that great, and then Number Two, on the  
13 law, even if they were, it wouldn't matter legally?

14 MR. MCCONKEY: To be honest, we're still  
15 flushing through this. So I'm not, you know, to call us an  
16 opponent of this right now may be a little strong.

17 COMMISSIONER KIEFF: That's fair.

18 MR. MCCONKEY: We're looking at the brief and,  
19 to the extent that there's information we can share with our  
20 clients and that counsel for Forgital has been able to share  
21 with us outside of the BPI process, and we're looking at  
22 that. So I'm not sure to even call them an opponent. We're  
23 looking at it and figuring out how this all works.

24 COMMISSIONER KIEFF: Am I correct in also  
25 understanding that, if you were--and again, these are

1 simplified terms, and in that sense, always inaccurate--but  
2 if you were to, let's say, lose--and that's a strong  
3 term--but if you were to lose with respect to the particular  
4 argument your opponent's making with respect to their  
5 particular segment of the market, am I correct in  
6 understanding that it would be your view that that should  
7 have no impact on your ability to win the rest of the case?

8 MR. MCCONKEY: Absolutely.

9 COMMISSIONER KIEFF: I have no further questions  
10 and, although I have to leave now, I look forward to the  
11 transcript and of course, to the post-hearing submissions by  
12 both sides, because I think it, for me, that post-hearing  
13 submission process will be especially important, and I thank  
14 you and the staff and my colleagues for following up on the  
15 rest of the case. Thank you.

16 CHAIRMAN SCHMIDTLEIN: Thank you. Just  
17 following up on that. So if I understand Commissioner  
18 Kieff, are you saying that you're looking into whether or  
19 not you would not oppose a scope exclusion for Forgital's  
20 product?

21 MR. MCCONKEY: Again, we've struggled a bit  
22 because a lot of that the prehearing brief is BPI. I'm not  
23 a flange guy, right? I'm a very good lawyer. I'm certainly  
24 a bad flange guy, so trying to convey to my client what's in  
25 there and what the impact of that is, and even in the

1 prehearing brief, the definition of what the domestic  
2 industry is, is proprietary. Right? So it's difficult --

3 And you know, obviously, it's our major concern  
4 as well as, listen--if you want to, and I even hate to go  
5 down this road--but on standard flanges, we are injured.  
6 I'm quite confident in that and I have a lot of faith that  
7 the Commission is going to come to that conclusion again as  
8 you did in the prelim.

9 You know, what happens with this  
10 request--basically we can call it a request for an exclusion  
11 or whatever. We ought to make sure this isn't something  
12 that can be manipulated by others, including those from  
13 India and whatever, to try to bring product in. So those  
14 are all things we're looking at and trying to see if we can  
15 agree with these definitions.

16 CHAIRMAN SCHMIDTLEIN: All right. The only  
17 other question I had was following up on some questions to  
18 Mr. Klett about the pricing graphs that you included in your  
19 presentation on Pages 5 and 6, and I listened to the answers  
20 you gave Commissioner Broadbent with regard to the  
21 correlation or lack of correlation between these. And so,  
22 between the two, prices of U.S. product and the Indian  
23 price.

24 And my question is, is there something about  
25 this market that would necessitate that U.S. prices would

1 follow Indian prices at a later time? So why is it that,  
2 for instance, well, in both of the graphs, and especially  
3 for Product 6, as Commissioner Broadbent pointed out, you  
4 see the underselling occurring throughout the period, but  
5 then you see a big dip, looks like around May of 2015,  
6 April-May, through September, August-September, that U.S.  
7 prices don't react to that in Product 6, right? They  
8 continue at the same level. It's not until around December,  
9 maybe, of 2015, that they started to react.

10 So my question is, is there something about the  
11 structure of how these transactions are done that would  
12 necessitate that prices wouldn't react right away?

13 MR. BERNOBICH: Here's what happened. I've been  
14 in the industry -- I've been with Boltex for almost thirty  
15 years and there's always been that kind of a bright line, if  
16 we use that term again, between foreign prices and domestic  
17 prices. And our distributors we've dealt with--distributors  
18 that purchased and processed and pushed domestic flanges.  
19 And we went on and on and on and on for thirty years.

20 All of a sudden, we started seeing a significant  
21 change in what's transpiring. The concept of so-called  
22 domestic was being lost. Because of the decreases in oil  
23 and gas, people started looking for much cheaper prices.  
24 They looked to drill holes faster, tie them in faster,  
25 complete them faster, do everything faster. And they really

1 were told by everybody, you will get cheaper pricing. At a  
2 certain point in time, the pricing that they looked at was  
3 primarily in, you know, Italian or whatever the case  
4 happens to be.

5 We should've reacted quicker. We should've  
6 reacted quicker. But I didn't want to overreact. Because I  
7 had never experienced this type of process before. I can go  
8 back to the overall economic decline in 2008, 2009, but it  
9 was different. It was different. We didn't drop our  
10 prices. We stayed there, we had reduced volume, but the  
11 prices stayed and we ended up being profitable at the end of  
12 that year.

13 This was a new situation, brand-new. And we  
14 were trying to be optimistic that this was going to change.  
15 Also, let me tell you something else. We had dealt with the  
16 same customers for thirty years. And they kept telling us,  
17 "Just stay where you are. It'll be fine. It'll come back.  
18 It'll continue," and we believed them. We believed them.

19 Unfortunately, they were not telling us the  
20 truth, or the whole truth. And so we stayed, stayed,  
21 stayed, stayed. So then at a certain point in time, when  
22 our volume was really decreasing dramatically--and I can  
23 tell you, I had a lot of gardeners and I had a lot of  
24 painters in my plant because, even though I had a 177  
25 people, I could of let another 100 go, but we kept them

1       there because many of them had been with me for over twenty  
2       years.

3                       I couldn't, in good conscience, let them go -- so  
4       we had a lot of good flowers, and we had a lot of nice,  
5       painted buildings and nice equipment. We're the same way as  
6       Weldbend, you know, we're fond of our people. We also pay  
7       100% of their health insurance. And we also provide  
8       benefits that other companies don't. But of course, we've  
9       gone -- at the end of the day, we say we provide benefits to  
10      them -- at the end of the day, we've gotten the benefits,  
11      because they're good employees.

12                      So what happened is, at a certain point in time,  
13      that whole argument collapsed, and we started seeing  
14      warehouse after warehouse after warehouse of our clients  
15      full of foreign flanges and ours were way in the back and  
16      they were becoming insignificant, and that's when -- so I  
17      had dropped the price 25%, that did absolutely nothing.

18                      Finally, when I dropped the price another 25% to  
19      approximate the prices of Indian, Italian and Spaniards,  
20      then we saw huge uptick in volume. Created a disaster in  
21      our balance sheet, but there was a huge dramatic increase in  
22      volume. And so we decided to keep people working, to keep  
23      people together, we would absorb the losses that we were  
24      incurring for a period of time -- hopeful again, that the  
25      marketplace would improve and we could start increasing

1 prices again.

2 To end that saga, we've started increasing  
3 prices again slightly--okay, slightly--back to, you know,  
4 maybe 20 or 25%, and all of a sudden, we've seen our volumes  
5 decline dramatically again. So, so far, we have had no  
6 effect on the market. So far our actions or your actions  
7 or whatever you want to consider them, have had no effect on  
8 our market place.

9 But what we're doing is, we're having to  
10 retroactively go back, reduce pricing one more time, to the  
11 lowest that we've had before to be able to get additional  
12 business. But we cannot, cannot continue to function. I'll  
13 drone on a little bit longer.

14 Had we not had the substantial financial  
15 resources that we have, I don't know what we would be doing  
16 today, because there was no way that a bank would've loaned  
17 money to a company that was bleeding red ink that way we  
18 were. Now, we've been in Houston for almost thirty years.  
19 We have never paid a dividend out.

20 We have reinvested everything into equipment and  
21 liquidity to permit us to function the way we function and  
22 to be able to continue to buy state-of-the-art equipment.  
23 But, again, if we don't get some relief somehow, I don't  
24 know how much longer this is going to last.

25 CHAIRMAN SCHMIDTLEIN: Mr. Coulas, is that also

1 your experience, in terms of when Weldbend reacted to  
2 pricing of subject imports?

3 MR. KEVIN COULAS: Kevin Coulas. Yes, we try to  
4 keep prices as high as possible to keep all of our employees  
5 working their full shifts. And when we came to the  
6 realization that we had to lower prices, we still kept  
7 everyone at the full shifts as much as we could, and the  
8 company as a whole took the hit, as opposed to letting the  
9 employees take the hit.

10 As stated in my opening statement, I've worked  
11 with the guys in the shop, on machines, in the paint room,  
12 and so you know that they're doing hard work every day and  
13 the last thing you want to do is start taking away, "Hey,  
14 you're going from 11 hours back to 8 hours, only working  
15 four days a week," that's the last thing we wanted to do to  
16 our employees.

17 So, as a family and as a company, we took the  
18 hit, as opposed to letting our employees take the hit. We  
19 were trying to keep our employees working, so therefore, we  
20 had to try to keep the prices high as long as possible.

21 CHAIRMAN SCHMIDTLEIN: Okay, all right. Thank  
22 you very much. I don't have any further questions, so Vice  
23 Chairman Johanson.

24 VICE CHAIRMAN JOHANSON: Thank you Chairman  
25 Schmidtlein. You all have stated that you don't know how

1 much longer you can operate due to the imports, unfairly  
2 traded imports. But looking at the dropping consumption in  
3 the United States, due to the situation in the oil and gas  
4 industries, isn't that really -- that's a big factor, right?

5 Consumption is way down, and I understand that  
6 you also contend that unfairly traded imports are impacting  
7 you negatively. But isn't it really the big issue, oil and  
8 gas?

9 MR. BERNOBICH: Oil and gas is the big issues  
10 if I may answer you there sir, but if you look at the  
11 statistics, in 2016 we had 36,000 metric tons of Indian  
12 flanges coming into the States. That's a huge amount of  
13 product, just from India out of your own statistics, huh,  
14 your own government statistics?

15 Yes, we understand things are down, but  
16 they're not dead. The problem has become is that the  
17 foreigners have taken a much more significant share of the  
18 marketplace because of pricing. That's where this stuff is  
19 coming from. Think about it, 36,000 metric tons of steel  
20 coming in and that's only a portion of it. That's 14 inches  
21 and larger, and that's not considering the lower  
22 diameters, probably another 10,000 metric tons.

23 That's a huge quantity of material coming in,  
24 and then you throw in China and you throw Italy and you  
25 throw a number of different places. The marketplace, the

1 U.S. is the largest marketplace for flanges in the world.  
2 When people have declines in their own countries, what do  
3 they do? They come to the States to dump their product.

4 So it's not necessarily a decline -- certainly  
5 oil and gas declined somewhat, okay, without a doubt. But  
6 the product keeps coming in. So it gets consumed somewhere.  
7 People are not putting on necklaces. I don't mean to be  
8 snide like that, I apologize for that comment.

9 MR. KLETT: Commissioner Johanson, this is Dan  
10 Klett. I mean I think you have enough information in your  
11 staff report to be able to, in a sense, separate out the  
12 effect of demand both on the volume side and on the price  
13 side, so that you can get some sense of the relative impact  
14 of the aggregate demand decline versus subject import  
15 competition, and we attempted to do that somewhat in our  
16 brief.

17 But obviously the demand decline was a factor.  
18 I think you have information to allow you to better kind of  
19 isolate the effect of one versus the other.

20 VICE CHAIRMAN JOHANSON: Do you know if the  
21 situations in other countries leading to increased imports  
22 into the United States? For example, are other countries  
23 imposing higher tariffs on imports of flanges, which causes  
24 them to come here? I didn't see anything like that in your  
25 briefs, but that was something in the back of my head,

1 because I know our tariff is quite low. I think it's like  
2 five percent or something like that.

3 MR. KLETT: I don't know, Commissioner  
4 Johanson. This is -- I think maybe a bigger factor is that  
5 the oil and gas demand decline has been worldwide.

6 VICE CHAIRMAN JOHANSON: Right. So I'm just  
7 wondering if that's the case, that you've got to ship it  
8 somewhere and there are less barriers to enter the U.S., and  
9 so it comes here. Is that what the situation might be?

10 MR. McCONKEY: Yeah correct. Matthew  
11 McConkey. Yeah, no it's correct, and as well I think -- I  
12 think both of our witnesses stated as well that the prices  
13 here, even though they're in the tank, tend to be higher  
14 than they are in other places of the world. And again, as  
15 Frank said, this is a big market.

16 MR. BERNOBICH: This is where everybody --  
17 this is where everybody comes to to dump flanges. I've been  
18 in this industry 40 years. I've seen all kinds of things,  
19 and this is where people come to deposit flanges.

20 VICE CHAIRMAN JOHANSON: And one thing that  
21 struck me about the three subject countries, India, Italy  
22 and Spain is that they have very little, if any, oil and gas  
23 production. I'm just kind of curious as to why they might  
24 be producers, and they might be the better people to ask,  
25 but I'm quite curious about that.

1                   MR. BERNOBICH: I can give you my poor answer.  
2           I think that with Italy, as I'm very familiar with it, it  
3           was just a place where they just -- flanges is a very easy  
4           product to forge, and they had a lot of different forging  
5           companies there, and in one manner, shape or form they found  
6           out that the United States, through American importers,  
7           found out that the U.S. market was significant, that it was  
8           profitable and so they started bringing it in.

9                   ULMA is, and those are the private companies.  
10          ULMA is a semi-private company. It's part of a cooperative  
11          out of Bilbao. I forgot how many -- it's called the  
12          Mondragon Group and they are the same thing there. They  
13          produce flanges, they produce some other fittings and so  
14          forth, and they produce them, and for them it's not a  
15          question of profit or loss. It's a question of keeping  
16          people employed.

17                   Again, these are just comments off the top of  
18          my head. And then India, the same thing. India is an area,  
19          and I've been there and essentially if you really want to  
20          make a flange, it's a very simple process, you know. As  
21          long as you have the manpower and I've seen the way they  
22          make them, that the logical place to sell the product is the  
23          United States. That's it.

24                   VICE CHAIRMAN JOHANSON: Thank you, yes.

25                   MR. MATTOX: Mr. Johanson, Mr. Williams (sic)

1 asked me a question while I was here earlier, and one thing  
2 I thought of here is I'm a company not in bankruptcy. I'm a  
3 distributor and we've had several large distributors in this  
4 country going bankrupt with the costs and stuff. They just  
5 can't get ahead of it.

6 Of course with the debt that they're running  
7 and they've mismanaged their companies, they're in trouble.  
8 These guys have managed their companies as manufacturers.  
9 Well, that's the reason they're still here. They've got the  
10 drive and the desire to keep on. We all go through storms  
11 in life, but when you're in debt and you've got all these  
12 other factors coming into play, that are coming against you,  
13 it sure breaks the spirit.

14 I'm telling you these guys have got the spirit  
15 to keep on, but they're dealing with a tsunami right now,  
16 and they need that. Something's got to change. So that's  
17 -- that's what from my perspective as a distributor, that's  
18 what we're seeing.

19 VICE CHAIRMAN JOHANSON: Mr. Mattox, as a  
20 distributor perhaps you could answer my next question. You  
21 might be familiar with it, but are there differences in  
22 channels of distribution, in which custom versus standard  
23 flanges are sold?

24 MR. MATTOX: Say that again?

25 VICE CHAIRMAN JOHANSON: Are there different

1 channels of distribution for customs versus standard  
2 flanges?

3 MR. MATTOX: No. All of us as distributors,  
4 we provide the same product to the same end users through  
5 fabricators or equipment builders and stuff that are in the  
6 industry. So and it's all coming through the same channels.  
7 We're using already designed and manufactured product and  
8 you make some insignificant changes to it and we call that  
9 special.

10 VICE CHAIRMAN JOHANSON: Does anybody -- do  
11 any of the other witnesses have a view on that, whether or  
12 not there are separate channels of distribution for custom  
13 versus standard flanges?

14 MR. BERNOBICH: I think the distribution  
15 channels are the same. The distributor, the same  
16 distributor that handles a six inch 150 slip on handles a 30  
17 inch 900 pound weld neck with a 65,000 yield with sharpie  
18 results. They're all -- it's all the same. We get, we get  
19 all the inquiries from standard through specials, all the  
20 way through.

21 MR. MATTOX: Now not necessarily. I'll say  
22 one thing, one caveat. Not necessarily everything.

23 VICE CHAIRMAN JOHANSON: Okay.

24 MR. MATTOX: There may be some issues where  
25 you may have some different designs or different

1 characteristics that people would prefer to go directly to a  
2 forger and buy those directly from that.

3 VICE CHAIRMAN JOHANSON: And we've heard a  
4 lot, of course, from the Italian respondents regarding the  
5 custom flanges, and the Italian respondents being in this  
6 case just one respondent, Forgital. Can you all give  
7 examples of custom flanges. Mr. Bernobich, you had stated  
8 your company makes them. I'm just curious as to how custom  
9 flanges are?

10 MR. BERNOBICH: Well, I guess it's very  
11 difficult -- I'm sorry, yeah. I wish I could give you, you  
12 know, how can I say it, a very clear description of it.  
13 Custom is a generic word. Special is a generic word.  
14 Theoretically one person can call it special; the other  
15 person call it standard, but I think any flange that  
16 deviates, any flange that deviates from standardized  
17 catalogue dimensions would be considered a specialized  
18 flange.

19 In other words, if you have a catalogue, a  
20 NANCI catalogue, an MSSB catalogue, anything that deviates  
21 from what's specified in there would be considered a special  
22 flange. But having said that, many people make special  
23 flanges.

24 VICE CHAIRMAN JOHANSON: All right, thank you.  
25 My time is about to expire. Did you want to add something,

1 Mr. McConkey? Okay, thank you.

2 CHAIRMAN SCHMIDTLEIN: Commissioner  
3 Williamson.

4 COMMISSIONER WILLIAMSON: Thank you. I just  
5 wanted to clarify something. Several of you have talked  
6 about the commercial side, and is that construction? What  
7 is that -- when you say "commercial," what are you talking  
8 about, non-oil and gas?

9 MR. KEVIN COULAS: You can say non-oil and  
10 gas, new construction, water systems and buildings,  
11 sprinkler systems, anything not oil and gas.

12 COMMISSIONER WILLIAMSON: Okay, good. Is  
13 there -- are there distributors who particularly service  
14 that side?

15 MR. KEVIN COULAS: All distributors would  
16 serve both, tend to serve both the oil and gas as well as  
17 the construction side.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. KEVIN COULAS: Or commercial side I should  
20 say.

21 COMMISSIONER WILLIAMSON: And what is the  
22 prospects for growth on that side? Anybody know?

23 MR. KEVIN COULAS: Locally in Chicago, we've  
24 seen good growth from our local distributors from the city.  
25 So we've seen, we've seen opportunity there. But once

1 again, we're competing with India, Spain and Italy when  
2 they're coming in and telling us our flange is for a dollar  
3 and they need it for 50 cents. That's the problem we have  
4 seen.

5 Weldbend's roots are in the mechanical or  
6 commercial industry, and we have expanded out through our  
7 automation to the oil and gas. So we have seen it on both  
8 ends of the spectrum in terms of the industry of the  
9 business where --

10 COMMISSIONER WILLIAMSON: You said through  
11 automation?

12 MR. KEVIN COULAS: Yeah. We've expanded. So  
13 where we used to have to have 60 people, we now have 26  
14 machines run by four operators, and so as the Coulas family,  
15 my grandfather and dad, they don't want to lay off those  
16 people.

17 So we took those people, instead of running a  
18 drill here or a chucker, they got put onto a new CNC, a  
19 larger machine where there would have to be an operator for  
20 that, or we expanded out in some other equipment where we  
21 were able to keep our employees at Weldbend.

22 COMMISSIONER WILLIAMSON: Now exactly where is  
23 your company located?

24 MR. KEVIN COULAS: 6600 South Harlem Avenue in  
25 Argo, Illinois, about ten minutes due west of Chicago Midway

1 Airport.

2 COMMISSIONER WILLIAMSON: All right, good.  
3 Now I've got it. Okay, and the location there, I mean is --  
4 no, the family lives there, but I'm just curious how -- is  
5 there anything about that area?

6 MR. KEVIN COULAS: Yeah. We have, obviously a  
7 lot of steel in the Midwest. We have good access to  
8 transportation. We are five minutes from Interstate 55,  
9 about ten minutes from 294, which is a major intersection  
10 through -- that goes all the way down south.

11 We have great access to where in terms of  
12 shipping, we're two days to the east coast, two days to  
13 Oklahoma-Texas. We're maybe four days out to the west  
14 coast. So logistically, we're in a prime location for  
15 shipping our product.

16 COMMISSIONER WILLIAMSON: Okay, good. Thank  
17 you. It helps to get that background. According to the  
18 prehearing report, domestically produced flanges were  
19 required for 32 percent of the purchases or sales. So is it  
20 fair to say that one-third of the U.S. market is unaffected  
21 by imports, or do subject imports affect the market segments  
22 where U.S. product is required?

23 MR. McCONKEY: Mr. Klett, do you have anything  
24 on that?

25 MR. KLETT: Commissioner Williamson, this is

1 Dan Klett. I'll have to look at that more closely. I mean  
2 I'm not sure I would agree with that inference, but I'll  
3 have to look in the response to that question in line with  
4 those same purchasers' response to other questions, to be  
5 able to fully respond. But I don't think -- I don't think  
6 it's a correct inference, that 32 percent of the market is  
7 protected from subject imports.

8 COMMISSIONER WILLIAMSON: Okay.

9 MR. KLETT: Yeah, post-hearing would be --

10 COMMISSIONER WILLIAMSON: I will do that,  
11 thank you. To what extent do changes in raw material costs  
12 impact the flange sales prices? To what extent do changes  
13 in raw material costs affect your end prices, flange sales  
14 prices?

15 (Off mic comments.)

16 MR. BERNOBICH: Well, they affect it  
17 significantly. It's probably the most significant, one of  
18 the most significant factors in our production. So it does  
19 make a difference.

20 COMMISSIONER WILLIAMSON: Okay.

21 MR. BERNOBICH: I don't know if that's  
22 sufficient enough to answer you but --

23 COMMISSIONER WILLIAMSON: Well, it gets back  
24 to Mr. Klett's chart, where I think he attributed what, ten  
25 cents to the fall in demand and the rest to --

1                   MR. KLETT: Well yes. I understand the  
2 question. I mean basically it was ten percent to the fall,  
3 ten cents per pound due to the fall in demand and 32 percent  
4 to everything else. So I guess your question is how much of  
5 that 32 cent residual is due to imports, due to maybe  
6 declines in raw material costs? I did that calculation in  
7 our brief, and even if you assume that the -- that the  
8 decline in raw material cost also contributed to that  
9 decline in the 32 cents, you still have a fairly significant  
10 residual left that is not explained, which would be due to  
11 subject imports.

12                   So even if you assume that the raw material  
13 cost decline on a per unit basis was fully passed through to  
14 price, which I think is a conservative assumption, I mean  
15 raw material costs affect price but they're not necessarily  
16 passed through completely in tandem, you still have a fairly  
17 significant price decline being unexplained.

18                   COMMISSIONER WILLIAMSON: Okay, thank you. I  
19 wanted you to kind of unpack that. Thanks. This is an  
20 unusual case in that we don't have an interim period, you  
21 know, 2016. I noticed on this Chart 5 where you do mention  
22 the post-petition price increase, but that was for one of  
23 the pricing products. Are there any other post-petition  
24 effects that you've been seeing with respect to any of the  
25 other products?

1                   MR. KLETT: No. I think as testified by Frank  
2 and Kevin, that even post-petition the competition from  
3 subject imports has remained relatively intense. I mean  
4 maybe they can take, talk more directly about their  
5 experience in the market post-petition, but that's what I  
6 was hearing.

7                   MR. BERNOBICH: Yes, I concur what he said.  
8 Look, we've tried. As you know, we dropped our prices 25  
9 percent. That didn't do any good. We dropped another 25  
10 percent more or less. I'm giving you some -- and that  
11 brought us the same level playing field, if you will, as the  
12 Indians and Italians and the Spaniards.

13                   At that point, we started to have some  
14 significant activity with regards to people ordering from  
15 us, because at the end of the day they would prefer to order  
16 domestic, as long as it was at the same price as foreign,  
17 because again, it's a price-driven issue.

18                   What transpired there was, I said okay, we sit  
19 there for a second and we get our breath. We get volume in,  
20 we get people working again. We get people motivated again.  
21 We start moving again and what started happening was that  
22 did increase the prices somewhat. That helped. That was  
23 all right. It was a modest increase. It was a modest  
24 increase. It was not enough to take the red ink away from  
25 our balance sheet, okay.

1                   When I increased the prices again to about 25  
2                   percent or about half of the total loss that we had, my  
3                   business dried up completely again.

4                   COMMISSIONER WILLIAMSON:   So what's the lead  
5                   time normally for --

6                   MR. BERNOBICH:   I'm sorry?

7                   COMMISSIONER WILLIAMSON:   What's the lead  
8                   time?

9                   MR. BERNOBICH:   Lead time in what sense.

10                  COMMISSIONER WILLIAMSON:   Normally for --  
11                  between the time somebody's going to place an order and --

12                  MR. BERNOBICH:   Oh generally they'll place an  
13                  order, you know.  They place orders on a continual basis, a  
14                  daily basis.  They would -- but that is -- that has  
15                  disappeared.

16                  COMMISSIONER WILLIAMSON:   Okay.  Mr. Coulas,  
17                  have you seen any post-petition effects?

18                  MR. KEVIN COULAS:   We're still seeing the  
19                  effects of the dumped product on customers coming back with  
20                  pricing requests back to us.  Likewise, just a little on the  
21                  lead time, we can normally ship out within 48 hours,  
22                  assuming it's in stock.

23                  MR. BERNOBICH:   I mean if you were asking  
24                  about -- if you were asking about lead time, it's the same  
25                  thing with us.  We ship out immediately.

1                   COMMISSIONER WILLIAMSON: Okay. No, I'm  
2                   trying to get an idea that -- whether or not you're going to  
3                   see a post -- how long does it normally take say before a  
4                   change like the impacted prices?

5                   MR. BERNOBICH: Well, that I don't know.  
6                   That's something I don't know.

7                   COMMISSIONER WILLIAMSON: Okay. Prior to  
8                   2016, how responsive were prices in the U.S. to changes in  
9                   supplier demand? In other words, what I'm trying to figure  
10                  out if subject imports changed the way prices have  
11                  responded, to the say drop in demand?

12                  And the comparable question had been given  
13                  that, you know, demand is so closely associated with oil and  
14                  gas, has a pattern of sales and profitability during 2014 to  
15                  '16 been atypical of this pattern in any significant way?

16                  MR. KLETT: Commissioner Williamson, this is  
17                  Dan Klett. I can start. I mean I think as Frank testified,  
18                  there were some sea change differences in 2014 and 2015 and  
19                  2016 in terms of the decline in demand and the impact of  
20                  that on their decisions on volume and pricing, versus  
21                  reacting to import competition.

22                  I think what Frank said was that in 2014 and  
23                  2015, as in past situations where they saw market demand  
24                  decline, they were still able to maintain a price premium  
25                  and not get killed on volume, even with the demand decline.

1 I mean obviously there was some adverse effect on volume.  
2 What changed in 2016 is that the loss in volume was so  
3 severe, given the increased sensitivity of the distributors  
4 and the end users to price, that they had to react on the  
5 basis of price on their own.

6 So that I think in that sense, in terms of  
7 supply and demand conditions and the effect on the industry,  
8 you know, there was a change in how they reacted in 2014-15  
9 and the situation in 2016, and you see that in your data as  
10 well.

11 COMMISSIONER WILLIAMSON: Okay, okay. Well  
12 thank you. No other questions.

13 CHAIRMAN SCHMIDTLEIN: Great. Commissioner  
14 Broadbent.

15 COMMISSIONER BROADBENT: Yeah. I think I'm  
16 getting towards the end of my questions here. Mr.  
17 Bernobich, you stated that you sell entirely to  
18 distributors, is that right?

19 MR. BERNOBICH: That's correct ma'am.

20 COMMISSIONER BROADBENT: Okay, and that you  
21 faced competition from the imports in sales to those  
22 distributors?

23 MR. BERNOBICH: Yes ma'am.

24 COMMISSIONER BROADBENT: Does the indicate  
25 that you are not injured by importers that sell high-priced

1 custom-made imports directly to end users, a channel where  
2 you don't sell?

3 MR. BERNOBICH: I guess when everybody sells a  
4 flange, I mean that I don't sell I'm injured. I mean there  
5 -- what they're doing is that they're eliminating the  
6 distributor so they can sell at somewhat of a higher price,  
7 right, because if I sell to a distributor, the distributor  
8 has his mark-up on it and then eventually sells to --

9 COMMISSIONER BROADBENT: But I think it's the  
10 made-to-order customized aspect of the thing you're selling,  
11 right, that goes directly to the end user.

12 MR. BERNOBICH: But I make to order all the  
13 time. I make to order all the time. But I don't sell to  
14 the end user. I do not sell to the Xcel Pipeline. I don't  
15 sell to the Dakota Pipeline, but I sell to the distributors  
16 that sell to those people.

17 COMMISSIONER BROADBENT: Right.

18 MR. BERNOBICH: You see, now I'm not saying  
19 that there aren't any flanges that are truly specific and  
20 extraordinary that I would not deal with, okay. But we do  
21 make specialized and I know Weldbend makes specialized  
22 flanges. Now again, the question becomes is the term that's  
23 difficult for me to absorb is exactly what a special and  
24 customized item is. Somebody's got to define that for me.

25 MR. BERNOBICH: And then we can move forward with

1 this. I'm not saying that there isn't, but I'm saying  
2 somebody's got to define that for me.

3 Jimmy?

4 MR. COULAS: James Coulas, Weldbend. You have to  
5 realize that the distributor is our sales force out in the  
6 field.

7 COMMISSIONER BROADBENT: Right.

8 MR. COULAS: So we don't--if we sold direct to an  
9 end user, we would get the reputation of going away from our  
10 distributor people. That would kill us. The Europeans have  
11 a different outlook. Always have. And they have it over in  
12 Europe. They do not have distribution like we do in the  
13 United States. They go direct to end users for the most  
14 part in Europe, and that's what they've done over, with what  
15 I understand, with this exception that they're looking for.

16 COMMISSIONER BROADBENT: Okay. And so you totally  
17 sell to end users. You don't sell directly?

18 MR. COULAS: We sell to distributorships.

19 COMMISSIONER BROADBENT: I mean, excuse me, yeah,  
20 to distributors.

21 MR. COULAS: Not to end users.

22 COMMISSIONER BROADBENT: Yes.

23 MR. BERNOBICH: Both of us do. We sell  
24 exclusively to distribution.

25 COMMISSIONER BROADBENT: Okay.

1           MR. COULAS: That's the supply chain that has been  
2 established in the United States.

3           COMMISSIONER BROADBENT: Okay. So then where is  
4 Gibson competing? As I understand, they make these  
5 specialized custom flanges somewhere that are very high  
6 priced. It's a domestic producer. Does anyone know?

7           MR. COULAS: I don't even know the name.

8           COMMISSIONER BROADBENT: Gibson?

9           MR. MATTOX: This is Carlyn Mattox. Yeah, we buy  
10 from Gibson. They've made some special products for us.  
11 Like I say, they're probably buying forging from somebody in  
12 Houston in order to make, you know--take stuff that's  
13 oversized, and they can make several different products out  
14 of the same forging. But that's probably what you're  
15 talking about.

16           COMMISSIONER BROADBENT: Okay. Alright, let's  
17 see. Then on another subject, on Buy America, on page 224  
18 of the Prehearing Report there is a discussion regarding the  
19 importance of purchasing domestic products. Specifically,  
20 purchasers indicated that 32 percent of their purchasers  
21 were required by the customers to be domestically produced.  
22 And that some purchasers reported that domestic product was  
23 required by law.

24           Can you address the importance of purchasing  
25 domestic product in the market? How did Buy America

1 policies or other legal requirements come into play in this  
2 market?

3 MR. COULAS: Kevin Coulas with Weldbend.

4 Typically we see Buy America requirements when the end user  
5 will be something connected with the Federal Government.

6 And that is pretty much it. Otherwise, it's up to the end  
7 user and the distributor to determine whether imported or  
8 domestically manufactured material is acceptable.

9 MR. BERNOBICH: We see it very infrequently, and  
10 again it's related towards when there's a government  
11 project. But let me also make the comment that there's so  
12 much confusion along those particular jobs that I would not  
13 be surprised if it comes down to the question of is the  
14 product machined in the States? Is the product forged in  
15 the States? Is the product, is the origin of the steel made  
16 in the States? And there's a lot of leeway there for  
17 people to misrepresent what goes into those projects.

18 I think if people looked into those things very  
19 carefully they would see that, while people are saying  
20 they're in compliance with the Buy America Act, in many  
21 cases they are not in compliance with the Buy America Act.

22 COMMISSIONER BROADBENT: How much of the market is  
23 governed by the Buy America Act?

24 MR. BERNOBICH: We see very little of it. We see  
25 very little of it.

1                   MR. COULAS: And I would like to echo that. The  
2 Buy America requirements are a very, very small percentage  
3 of our overall sales for Weldbend.

4                   MR. MATTOX: This is Carlyn Mattox. We do see  
5 some Buy American, but like they were talking about, what  
6 causes it to be an American-made product is typically 51  
7 percent of the cost of it is associated with the U.S.  
8 And we see a lot of manipulation of things done with that  
9 product.

10                   I mean we just recently saw some things about  
11 filters, water filters here in this country. They're being  
12 brought in from another country and nothing's being done.  
13 It's got a Made In America sticker on it. And again,  
14 there's a lot of manipulation goes on in that area.

15                   COMMISSIONER BROADBENT: Right. Okay. Thank you.  
16 That's all I have right now.

17                   CHAIRMAN SCHMIDTLEIN: Alright, I think that  
18 concludes questions from the Commissioners. Do the staff  
19 have any questions for this panel?

20                   MR. CORKRAN: Douglas Corkran, Office of  
21 Investigations. Thank you, Chairman Schmidtlein. Staff has  
22 no additional questions.

23                   CHAIRMAN SCHMIDTLEIN: Alright, thank you.  
24 Do Respondents have any questions for this panel?

25                   MR. GALLAGHER: No.

1                   CHAIRMAN SCHMIDTLEIN: Alright, I think that  
2 brings us to our lunch break. So we will recess for an hour  
3 and five minutes and we'll come back at one o'clock for the  
4 afternoon panel. We will stand in recess. Let me remind  
5 you to take your confidential papers as the hearing room is  
6 not secure over the lunch hour.

7                   (Whereupon, at 11:55 a.m., the hearing was  
8 recessed, to reconvene at 1:00 p.m., this same day.)

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1 A F T E R N O O N S E S S I O N

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

3 CHAIRMAN SCHMIDTLEIN: Yes, all right. Good  
4 afternoon. Mr. Secretary, can you please announce the  
5 second panel, the respondent's panel?

6 MR. BISHOP: Madam chairman, the panel in  
7 opposition to the imposition of the anti-dumping and  
8 countervailing duty orders have been seated.

9 CHAIRMAN SCHMIDTLEIN: All right. Thank you  
10 very much. Mr. Hanson, you begin when you're ready.

11 MR. HANSON: Thank you very much. We look  
12 forward to discussing this matter with you this afternoon.  
13 Appreciate the time of the Commission. I'd like to turn it  
14 immediately over to Leo Spezzapria, who is going to I think  
15 better share some knowledge about flanges, the flange  
16 market. And I will have after that, I will discuss some of  
17 the more legal issues that are relevant to our  
18 considerations here.

19 STATMENNT OF LEO SPEZZAPRIA

20 MR. SPEZZAPRIA: Good afternoon. My name is Leo  
21 Spezzapria. I'm vice president of Forgital, USA, which is a  
22 North American subsidiary of Forgital Group. Forgital's  
23 headquarters and main production site is located in Italy,  
24 about 60 miles northwest of Venice.

25 Forgital specializes in manufacturing highly

1       engineered, seamless hot road rings and complex forgings.  
2       Forgital also excels at forging a variety of material grades  
3       starting from carbon and alloy, steels, all the way up to  
4       stainless steels, titanium, aluminum, and super alloys.

5                 Forgital is a family-owned company, which  
6       started in 1873 and is currently managed by the fifth  
7       generation of Spezzaprias. I've been working with Forgital,  
8       excuse me, Forgital, USA for over 14 years. However, my  
9       introduction to the metal forging started at a very young  
10      age. As I got older while still in high school and college,  
11      my summers were spent at the plant knowing that this was  
12      something I wanted to be a part of. After receiving my  
13      business degree at Baylor University in Texas, it was back  
14      to Italy to continue my development for about six months.

15                We trace our family company back to 1873 when it  
16      was small owned mettle forge shop dedicated primarily to  
17      agricultural tools as iron wagon wheels, small hand tools,  
18      and railroad spikes. The real evolution of the company came  
19      after World War II when a small workshop named Fratelli  
20      Spezzapria, Spezzapria Brothers was created.

21                For decades, our continuing success has been  
22      attributed to our constant investments in research and  
23      development, modern production equipment, sophisticated  
24      monitoring systems, and last but not least, the ability to  
25      hire and retain qualified people which is fundamental to any

1       successful company.

2                   We currently have three main production sites,  
3       several machine shops, and a world class lab with the  
4       company employing approximately 1,000 people. Forgital is  
5       known worldwide and respected for specializing in highly  
6       engineered seamless hot rolled rings.

7                   In the earlier '80s after completing major  
8       capital investments, Forgital decided to explore and develop  
9       a market outside of Europe. In 1983, Forgital, USA, Inc.  
10      was created in Houston, Texas. This was a strategic  
11      decision as it will allow Forgital the opportunity to  
12      develop business in the North American market. What started  
13      with one person, my father, in a leased office space and a  
14      shared warehouse is now a company which imports 6- to 700  
15      containers per year, providing high quality forgings and  
16      service to nearly 100 different customers.

17                  For over a decade now, Forgital's focus has been  
18      geared towards adding value to our forgings. Thus we've  
19      invested heavily in technology, supporting equipment, and  
20      people. This includes highly sophisticated furnaces for  
21      precise heat treating state-of-the-art custom built machine  
22      centers and specialized testing facilities.

23                  Within the Forgital group, we also have one of  
24      the most highly accredited labs in Europe, allowing Forgital  
25      to continuously explore new materials and processes.

1 Forgital, USA stages a wide variety of inventory in its  
2 warehouse to support its U.S. based customers and  
3 complements Forgital, Italy's production by doing some post  
4 forge manufacturing such as heat treating, machining, and  
5 nondestructive testing.

6 Our goal is to provide our North American  
7 customers with highly engineered, high quality, forging  
8 solutions in a seamless customer service oriented manner.

9 Forgital is active in five primary markets,  
10 including aerospace, general mechanics, transmission, power  
11 generation, and oil and gas. What is common among the  
12 different markets we serve is the need for particularized  
13 high quality forgings for extreme end uses, such as nuclear  
14 power, aero-engines, launch vehicles, satellites, and oil  
15 and gas production.

16 In the oil and gas production market, the  
17 Forgital forgings and finished flanges are sought for  
18 specialized and custom end uses. For example, our sought  
19 after forgings include subsea connectors, drilling risers,  
20 surface well heads, housings, seal rings, and valve  
21 components. Similarly, our specialized and custom flanges  
22 are engineered and designed to meet the customer's strict  
23 mechanical requirements necessary for safe operation in some  
24 of the harshest conditions on earth.

25 A particularly challenging area in the oil and

1 gas sector is subsea applications. Forgital specialized  
2 and custom flanges are uniquely designed to facilitate safe  
3 and infallible operation at the depths of the ocean. As  
4 some companies have unfortunately learned in the recent  
5 past, component failures at depths can be catastrophic.

6 For other less demanding uses in the oil and gas  
7 industry, Forgital produces forged, but not further  
8 processed commodity flanges. Forgital Group's niche for  
9 this market is producing as forged flanges for Forgital,  
10 USA, where these items are sold to U.S. finished flange  
11 manufacturers who finish and further process the flanges.

12 It bears noting that Forgital provides as such  
13 forge flanges to the petitioners. These as-forged flanges  
14 are distinguished from our specialized and custom flanges,  
15 which are used in the most extreme circumstances and for  
16 which our customers have exacting mechanical requirements.

17 Our customers for these specialized flanges come  
18 to us not because we are a common name in the flange  
19 industry, but because they require unique, highly engineered  
20 component that must meet without fail very specific and  
21 demanding requirements.

22 This market is -- for specialized highly  
23 engineering flanges involves different physical  
24 characteristics such as metallurgy, design, and shape.  
25 These higher level physical characteristics allows us --

1 allows, excuse me, use under higher pressures and less  
2 hospitable environments and generally more demanding  
3 applications.

4 As a result, the manufacturing process for  
5 specialized flanges including the testing procedures and  
6 narrower tolerance are wholly different from those of  
7 subject commodity flanges. Accordingly, the ordering  
8 process, control over manufacturing, and delivery of  
9 specialized flanges differs from the process and commodity  
10 flange market.

11 Standard commodity flanges and specialized and  
12 custom flanges are also not interchangeable. And to even  
13 attempt to treat them as interchangeable would lead to  
14 catastrophic failure with disastrous consequences for our  
15 customers.

16 With thank you for the opportunity today to  
17 share with you our experience in the custom flange industry  
18 and in particular, the differences between standard and  
19 commodity flanges and high custom flanges that we are proud  
20 to provide to our U.S. customers.

21 Our manufacturer of specialized flanges does not  
22 compete and therefore does not injury the petitioners in  
23 this investigation. And we would respectfully urge the  
24 conclusion by this Commission. Thank you.

25 MR. HANSON: Thank you Leo. I want to address

1 some of the more legal perspective on this, some of the  
2 differences and based in part on some of the questions from  
3 this morning as well.

4 At the end of the day, it's our request to the  
5 Commission that they find that specialized and custom  
6 flanges are in fact a separate like product. There is a  
7 line between the commodity flanges and the specialized  
8 flanges that are there.

9 It is a varying -- industry, it's a very, very  
10 clear standard of the industry that there is wide disparity  
11 here between the commodity flanges and the high end and  
12 specialty flanges. A good example that's probably over your  
13 head right now. I counted during the break. You have six  
14 fire extinguisher -- it was by water by the fire and never  
15 been used here, I assume. There's a pipe connecting those  
16 things. And as the petitioners have accurately pointed out  
17 this morning, a pipe -- once you get by the Home Depot with  
18 a connector you might buy there, you're going to have a  
19 flange. A flange connects pipes. And that is the -- an  
20 entire definition of a flange that's provided by the  
21 petitioners. We don't disagree with that. A pipe does --  
22 is connected by flanges here.

23 But there's so much more to the flange industry  
24 than simply that. For example, I would invite you to  
25 compare the pipe and the flanges over your head right now

1 with a subsea pipe or a flange. A flange that is built to  
2 exacting specifications to a much greater tolerance and a  
3 much greater control, much greater detail than would ever be  
4 done in a commodity flange that's sitting over your head.

5 If a flange is going to be used in the subsea  
6 environment, for example, you have different pressures, you  
7 have different constraints, you have different environments  
8 you have to prepare for. And as a result, you will need a  
9 high end specialty flange. And that's what I want to speak  
10 to you today. The high end specialty flange and why it is  
11 in fact a distinct market. And a line has to be drawn  
12 between that and the commodity flanges that are there.

13 For one thing, interchangeability. Certainly,  
14 one of the tests -- the -- for the test of the like product  
15 is a six part test. So well established by this Commission  
16 here. And we think we meet all those six tests to identify  
17 the fact there should be a distinction between the commodity  
18 flange and the high end or specialized flange market here.

19 First, interchangeability. There's absolutely  
20 no possible way you would exchange the flange over your head  
21 right now with a flange that is 10- 5- 5- or 10,000 feet  
22 underneath the Black Sea in the middle of the winter or  
23 underneath the Caribbean when a hurricane's coming through.  
24 They are simply different products. They are different  
25 flanges entirely here.

1           That interchangeability is very clear. The lack  
2 of interchangeability between a high end flange and a  
3 commodity flange is very clear. We do not disagree with the  
4 petitioners. We think that there is a great deal of  
5 interchangeability within the commodity flange market, the  
6 more basic flange market. We have no doubt at all about  
7 what they're talking about this morning that there is a  
8 degree of interchangeability, a high degree of  
9 interchangeability, very influenced by price and everything  
10 else.

11           We don't disagree with that at all. Our point  
12 is simply that that market, for the commodity or lower end  
13 flanges is completely different than the high end flanges  
14 that our client brings in, thus the need for the line  
15 somewhere in between there, talking about the way a line  
16 should be.

17           So interchangeability would certainly be a test  
18 that was met. You -- no one in the industry would ever  
19 consider changing a flange overhead here with a deep sea sub  
20 -- a deep sea flange so it's there.

21           The uses are completely different. That's for  
22 the second test, the idea the use of a high end flange is  
23 very different.

24           More specifically, and it raises some questions  
25 from this morning, the channels of distribution. Because of

1 the difference of the high end flange and the commodity  
2 flange, you have an entirely different method of marketing.  
3 You have an entirely different approach to bringing a flange  
4 to market here. It is possible someone would approach the  
5 petitioners and ask for a flange. They would ask for --  
6 well, can you deliver these flange? It must meet certain  
7 ASTM specs. It must be maybe some minor modifications to  
8 those flanges here. And then they would be sold then of  
9 course as it was very clear this morning through a  
10 distributor. There's an entire chain of marketing here that  
11 is basically the same. It's for that market, for the  
12 commodity flange market.

13 None of that exists for the high end flange  
14 market. Completely different project, completely  
15 differently approach. For the high end flange market, for  
16 example, you would not start with a flange manufacturer. It  
17 starts with an oil company just to pick out one example out  
18 of many. An oil company say we're going to build a rig in  
19 the North Sea in 18 months. We will face these kind of  
20 constraints. We will find these set of problems. We have  
21 these risks that are there. We have these environmental  
22 concerns. We have these social concerns. We have safety  
23 concerns. We have all these concerns here. And then they  
24 begin the engineering process from literally the flange up.

25 At that point in time, those people would go to

1       our clients and say, "Can you build us this equipment?"  
2       Whether it is a forging or is flange, it is an extremely  
3       high end product dictated by the purchaser, not by the  
4       supplier or the flange. It is an entirely reversal of the  
5       process by which a flange would come to market.

6                 So once that is done, you have other differences  
7       that are getting driven by the high end nature of the  
8       flange. The petitioner's correctly pointed out this morning  
9       that in the commodity flange market, they describe how a  
10      flange is made. They start with a billet of steel. They  
11      slice it up and they will do some modifications to it. And  
12      we have no doubt the petitioners -- we in fact know that the  
13      petitioners do a very high quality product for the commodity  
14      flange market. That's how that market is done.

15                Completely different for the high end market,  
16      the high end and specialty flange market. A -- if you are  
17      going to be a oil company and you are going to develop an  
18      oil rig in the North Sea, you don't begin by looking at  
19      flanges. You begin one step before that and looking at the  
20      quality of the metal that is going to be made into the  
21      flange in the first place.

22                The description, the details, the testing occurs  
23      long before a metal -- the metals ever formed. The  
24      manufacturing process has ever begun.

25                Forgital, for example, has only one supplier of

1 metal. It is a particularly high grade of metal and only  
2 that metal can be used. So before there's an even order for  
3 the flange, there's an order for the metal. And there's  
4 testing done by the metal. And that testing is done at the  
5 direction of following the parameters of or at least a third  
6 party hired by the ultimate purchaser of the valve -- of the  
7 flange, which has not even been built yet. So there's a  
8 difference between how a flange comes to market here at the  
9 very, very beginning.

10           Then you have the design of the flange. This is  
11 another difference you have between the specialty high end  
12 flanges and the more generic or commodity flanges here.  
13 These are clearly built to spec. They will have a different  
14 shape. And some of those shapes are very minor, very small,  
15 a certain kind of bevel, a certain kind of weld end, a  
16 certain kind of shape of the flange, but it is made to  
17 order, a very specific shape at sometimes very considerable  
18 expense. It is not standard at all. There's none of these  
19 sitting on the shelf some place. There's no model for it.  
20 We have to create a new one to for that -- that very  
21 specific specification.

22           Another difference in the high end specialty  
23 market and the commodity market is the amount of testing  
24 that goes on. There's no doubt the petitioners do testing  
25 of their flanges. They are responsible builders of flanges.

1 They want their flanges to work in the environment for which  
2 they are intended.

3 We have a different scale. We have an entirely  
4 different market, entirely different environment. And  
5 therefore, we have different levels of testing. And some of  
6 these are spelled out in our confidential portion of our  
7 brief. I think that's Exhibits D and F, but it goes through  
8 great detail about the confident -- about the nature of how  
9 that testing occurs here.

10 It is not simply a matter of testing the flange  
11 and see if holds pressure. You will have to do destructive  
12 testing. You will have to be -- to actually destroy the  
13 thing -- destroy the flange, make sure it's actually going  
14 to work. You will do, instead of just doing one drill test  
15 to pull out a core of the metal, they will do a number of  
16 them at different angles and different things, different --  
17 to achieve different ends, to measure different things.

18 So it's very exacting specifications for the  
19 testing that must occur.

20 So further, the difference between the specialty  
21 flanges and the commodity flanges is the tolerances. As you  
22 can see in our confidential brief, we have an entirely  
23 different scale of confidences. You simply have to have a  
24 far greater tolerances in this high risk, high -- and highly  
25 specialized area.

1                   It is down to hundredths of a percent. So let's  
2 be exact, that's done there. Give you an example of that.  
3 When a flange is being completed, after all this testing and  
4 everything else, and all the testing that's done on the  
5 individual flanges, it's not completed until they marry it  
6 up with the actual pipe where that flange is going to be  
7 used. It is not simply here's the flange we met to your  
8 spec. We got to make sure it marries up to the actual pipe  
9 where it's going to be used here. This is an  
10 extraordinarily high end demand by the purchaser of a high  
11 end flange.

12                   Adds considerably to expense. Adds considerably  
13 to the time and clearly draws the distinction between a  
14 commodity flange and the high end flange that is there.

15                   And obviously, all that affects price, which is  
16 more to the point of our discussion here today and that all  
17 affects the price. In the end analysis, we believe, and we  
18 urge the Commission to find, that there cannot possibly be  
19 any damage by the high end flange market against the  
20 petitioners, because they don't simply make our flanges.  
21 They're completely different markets here. They don't make  
22 our flanges. If Forgital went out of business today, the  
23 petitioners would not be able to step in and do -- take  
24 these actions and do these things here. It's simply not  
25 competition at all here, so.

1           The -- our overall though here is that we meet  
2           the six part test for determining a special like kind. Now  
3           there's physical characteristics and uses that are  
4           completely different. So we spell those out, I think,  
5           fairly well in our written materials that are there.

6           The interchangeability is very clear. The  
7           channels of distribution are exactly the opposite of what  
8           they are in the commodity flange market here. Customer  
9           producer perceptions are very clear as well. We don't even  
10          entertain discussions about is an AML or non AML. It is  
11          particularly -- it's completely irrelevant to our analysis.  
12          We have one company who comes to one company, our Forgital,  
13          and says we want this, can you build it? And it goes to no  
14          one else. It's not an approved list or anything else. It's  
15          just the nature of our market here.

16          Now as I described, the manufacturing process is  
17          different here as well. And that was just the fifth and of  
18          course, the prices I mentioned here as well. So overall  
19          conclusion is that there -- this Commission has the  
20          difficult task of identifying the market. And we believe  
21          there are two markets that need to be reviewed here. The  
22          first market very distinct is the commodity market, which is  
23          wholly different from the high end flange market. And that  
24          is where we draw the line. And we ask this Commission to  
25          draw the line between them. It simply reached the

1 conclusion that the high end flange market does not injure  
2 the commodity flange market.

3 I think everything else is really in our brief.  
4 So I'm really going to stop right there. I mean, we have a  
5 number of questions we want to answer as well here.

6 CHAIRMAN SCHMIDTLEIN: All right. Thank you  
7 very much. I'd like to thank you both for being here this  
8 afternoon. We very much appreciate it, and we will begin  
9 the questioning with Vice Chairman Johanson.

10 VICE CHAIRMAN JOHANSON: Thank you Chairman  
11 Schmidtlein, and I would like to thank both of you for  
12 appearing here today. I understand you both came up from  
13 Houston, so my apologies for the frigid weather here. It's  
14 kind of surprising to us too.

15 MR. HANSON: It's the same humidity actually.  
16 It feels pretty good.

17 VICE CHAIRMAN JOHANSON: Okay. Well, I'm  
18 feeling a little cold these days. I'm drinking tea right  
19 now. But Mr. Spezapria, thanks for being here today. I  
20 appreciate you giving us a little background on your  
21 company. The first question I was going to ask is why is  
22 this product being produced in Italy, and you gave a good --  
23 you gave a good answer for that by giving a history of your  
24 company.

25 Mr. Hanson, it's good to see you again. We've

1 spoken a few times at the Georgetown University  
2 International Trade Conference, so it's good to see you at  
3 the Commission. I was wondering, have you all thought about  
4 trying to get Petitioners to agree to a scope exclusion?  
5 This would be at the Department of Commerce? That was  
6 discussed I believe briefly this morning.

7 MR. HANSON: It was discussed briefly, and we  
8 have done that. We have shared with counsel a scope that we  
9 could live with. It was very frankly written by us to  
10 specifically cover Forgital flanges. It was very, very  
11 specific. We have not made that part of the record yet  
12 because we frankly want to discuss that with counsel.

13 I think, we hope that they will find that we  
14 can ^^^ they can carve us out frankly because -- and do so  
15 with no harm to them whatsoever. They will still get the  
16 same margin for the flanges that competed against their  
17 product. We will not touch that all. It won't affect that  
18 in any way, shape or form.

19 It is a difficult line. It is -- and I think  
20 that was from the questions here this morning here. Where  
21 do we draw the line from that, and I began my career in  
22 Customs and I can tell you Customs would want to know where  
23 to draw the line between high -- it's a very fair question  
24 here. I think it's really two questions in one.

25 Question number one is should a line be drawn?

1 I think the answer to that unequivocally has to be yes.  
2 There is line somewhere here, because the high end flange  
3 market, the high end flange market clearly meets the six  
4 element test that's been well-established and followed by  
5 this Commission. I don't think there's really any question  
6 about should a line be drawn.

7 The more difficult question is where should  
8 that line be drawn, not only for the purpose of this  
9 Commission but for another agency and eventually to Customs,  
10 who has to enforce this. I do appreciate that is a  
11 difficult line to draw. We have proposed to counsel a line  
12 that would be acceptable to us, and it would cost them, we  
13 think, nothing. There would be no loophole here where  
14 someone could use the Forgital exception, if you want to  
15 call it that, and somehow intrude upon their market.

16 Our markets are so widely different and so  
17 different here that we don't think there would be a problem  
18 doing that. In all fairness, we do think there's a question  
19 of -- a question this morning was raised well, what is a  
20 specialized flange? We want to do -- we do disagree  
21 respectfully with the Petitioner on this.

22 A specialty flange such as I've outlined how  
23 it's produced by Forgital as an example is completely  
24 different than just a standard flange with some  
25 modifications. A standard flange, using a standard flange

1 model through some minor modifications would not be -- rise  
2 to the level of a specialized flange such as created in a  
3 Forgital type of process here.

4 So to answer your question, a very long-winded  
5 answer I'm afraid, but yes, we have proposed a line that  
6 could be drawn that we would find acceptable, we hope they  
7 would find acceptable, and then we would present that I  
8 think jointly, or at least without their objection in our --  
9 in our post-hearing submission.

10 VICE CHAIRMAN JOHANSON: Thanks for your  
11 answer, and I was wondering to what extent is Forgital's  
12 product representative of imports from Italy, in terms of  
13 let's say volume, because of course if an order were to be  
14 imposed, it would then cover imports of this product from  
15 Italy. How different is the product you produce from other  
16 producers in Italy?

17 And also while I'm at it, what percentage of  
18 your production comprises the total imports from Italy, and  
19 that might be proprietary. If it is, if you could get that  
20 to us afterwards in the post-hearing brief.

21 MR. SPEZZAPRIA: Yeah, that would be very  
22 difficult for me to answer.

23 VICE CHAIRMAN JOHANSON: Certainly. But the  
24 issue you have is trying to distinguish yourself from other  
25 producers.

1                   MR. SPEZZAPRIA: Correct. I agree that it's  
2 definitely -- it's not something that's easy to define.  
3 However, it can be definable and I also want to comment on  
4 the fact that for what we consider special flanges, they're  
5 not slight modifications. They're not slight differences.  
6 It's very different from the beginning to the end.

7                   There's no way that you could take a standard  
8 flange for a current project, for example, that we have  
9 going on, a standard flange. Choose any standard flange in  
10 the inventory of any United States distributor inventory  
11 would not work, because the shape would not work. Maybe you  
12 could find a shape that might work by doing enough  
13 modification. Mechanically, it would not work. So they're  
14 definitely not interchangeable and along with our other  
15 Italian forgers, market flanges, it's just not the same  
16 market. A completely different market.

17                   VICE CHAIRMAN JOHANSON: So you would argue  
18 that there are indeed standard producers of flange in Italy?

19                   MR. SPEZZAPRIA: Of course.

20                   VICE CHAIRMAN JOHANSON: But they do not  
21 include Forgital?

22                   MR. SPEZZAPRIA: Correct.

23                   VICE CHAIRMAN JOHANSON: Okay. That helps  
24 out. It also makes things a bit more complicated, but  
25 that's something you all are -- you are fully aware of?

1 MR. HANSON: Right.

2 MR. SPEZZAPRIA: Correct.

3 (Off mic comments.)

4 VICE CHAIRMAN JOHANSON: Yeah. The product  
5 description is the issue.

6 MR. HANSON: Yeah.

7 VICE CHAIRMAN JOHANSON: Okay. How should the  
8 Commission view the fact that the market share of imports  
9 from Italy has increased in ^^^^ did increase in 2016 when  
10 demand was declining in the United States? And this again  
11 is a problem of you all being swept in with the entire  
12 Italian industry.

13 MR. SPEZZAPRIA: No, I understand. But we're  
14 here focusing on specialized flanges, not commodity flanges.  
15 I mean so that's ^^^^ we're not in that business.

16 MR. HANSON: To some degree it's difficult for  
17 us to answer. We don't know that, and the staff, an  
18 outstanding staff report. But they didn't really go into  
19 that in terms of the detail comparing the nature of the  
20 market from Italy, and we certainly couldn't speak to Spain  
21 or India. But for Italy specifically, we think -- I would  
22 suspect that Forgital is very high end within Italy and  
23 within sometimes in Italy that would be -- it might be  
24 common flanges too.

25 We don't know that. We'll address that in our

1       brief. I mean that may actually -- some of that may  
2       actually be in the report. I want to double-check that.

3                   VICE CHAIRMAN JOHANSON: Okay, and the staff  
4       report includes a comment from one producer that flanges  
5       imported from Italy and Spain have transportation  
6       challenges. This can be seen in the staff report at page  
7       232. This comment appears to go to the competitive  
8       conditions in the United States. Has Forgital faced any  
9       transportation problems in shipping to the U.S.?

10                   MR. SPEZZAPRIA: Not that I'm aware of, no.

11                   VICE CHAIRMAN JOHANSON: Okay.

12                   MR. HANSON: The only issue I was aware of is  
13       high end flange require different shipping mechanisms. You  
14       don't just throw these on a pallet and throw it on a shrink  
15       wrap line and send it over. It is -- it's got to be packed  
16       in a certain way to avoid any scratches or anything. It is  
17       tested again after leaving Italy. It's tested in Italy.  
18       It's also tested when it arrives in the United States, if it  
19       somehow marred or anything else.

20                   So there is special transportation  
21       requirements. That's not really a barrier to entry when  
22       you're paying this much for the flanges. The transportation  
23       has not been -- although it's unique, it's not very  
24       difficult.

25                   VICE CHAIRMAN JOHANSON: And given the various

1 specialized product of Forgital, have you all encountered  
2 the same problems struggling in the U.S. market with the  
3 decline in oil production, or are you specialized enough  
4 that you are able to meet special needs and perhaps not be  
5 as heavily impacted by downturns in oil and gas prices?

6 MR. SPEZZAPRIA: We have been impacted.  
7 However, we're diversified enough there hasn't been a huge  
8 impact. So you know, we've definitely seen a little bit of  
9 that.

10 VICE CHAIRMAN JOHANSON: Okay. That completes  
11 my questions for now. I appreciate your answers and I will  
12 turn back to Chairman Schmidtlein.

13 CHAIRMAN SCHMIDTLEIN: All right, thank you.  
14 Commissioner Williamson.

15 COMMISSIONER WILLIAMSON: There we go. Thank  
16 you for coming today. I'm sorry I missed your opening. Do  
17 you also produce flanges that would not fall in this  
18 specialized category?

19 MR. SPEZZAPRIA: Correct. We do import a  
20 small portion of our business as as-forged flanges.

21 COMMISSIONER WILLIAMSON: Okay. That would be  
22 what you would call standard flanges?

23 MR. SPEZZAPRIA: Correct.

24 COMMISSIONER WILLIAMSON: Okay. Now also, so  
25 do you do any forging here, or is that all done in Italy?

1 MR. SPEZZAPRIA: No, all in Italy.

2 COMMISSIONER WILLIAMSON: Okay, thank you. I  
3 take it the reason why you didn't raise this earlier in time  
4 for questionnaires to be sent out or questions regarding the  
5 product was because you weren't aware of the investigation  
6 or the impact or I don't know whether -- is that addressed  
7 early or not?

8 MR. SPEZZAPRIA: No. That's a great question.  
9 In our minds, the product we are supplying is so far  
10 different that we didn't put the two together. However, at  
11 that point we had not imported any in the three years that  
12 they asked about.

13 COMMISSIONER WILLIAMSON: Okay. So when did  
14 you just get started? I'm sorry. I missed your opening.

15 MR. SPEZZAPRIA: When did we get started?

16 COMMISSIONER WILLIAMSON: In the U.S.

17 MR. SPEZZAPRIA: In 1983.

18 COMMISSIONER WILLIAMSON: Oh.

19 MR. SPEZZAPRIA: But however, importing  
20 finished machine flanges that fell under the scope, over the  
21 last three years we did not.

22 COMMISSIONER WILLIAMSON: Okay. So a large  
23 part of your business is outside of the scope of this  
24 investigation?

25 MR. SPEZZAPRIA: Correct. The majority of it

1 is, yes.

2 COMMISSIONER WILLIAMSON: Okay, okay, that  
3 helps.

4 MR. HANSON: For example, forgings that we  
5 would sell to the Petitioners would be included in that, and  
6 there are two different things. One was there's the -- on  
7 the questionnaire. We weren't counseled by the Italian  
8 companies at that time, so we didn't see that questionnaire.  
9 But also we didn't know about this until -- or they didn't  
10 know about this until after Customs informed them that  
11 they're subject to the scope, and that's when we got  
12 involved.

13 COMMISSIONER WILLIAMSON: Okay. So you say  
14 forgings that you sell to the Petitioners would not be  
15 covered by the scope or would be?

16 MR. HANSON: This is only carbon finished  
17 flanges.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. HANSON: So not forgings.

20 COMMISSIONER WILLIAMSON: Good, okay, good.  
21 Gotcha.

22 MR. HANSON: Specifically not ones that are as  
23 so well carved out. Finished carbon steel flanges, but not  
24 just -- but mere heat treating would not be, put it within  
25 the scope, and that's good to know because of course we --

1 that's what we sell to them. So you know, but why that got  
2 carved out that way.

3 COMMISSIONER WILLIAMSON: Okay, good. So why  
4 is it appropriate for us to rely solely on the information  
5 that you provide here in making this decision, given that  
6 we, you know, we didn't get to do it in the questionnaires?

7 MR. HANSON: That's all that we have here, and  
8 we do recognize that not participating at the ITA was -- is  
9 a challenge here now. We do think that the application of  
10 the six part finding for a distinct separate like product  
11 analysis is squarely before this Commission. It's still in  
12 the rubric of this Commission to draw that distinction. We  
13 would hope for it, would request a decision that specialty  
14 high-end flanges are not -- are separate like products.

15 COMMISSIONER WILLIAMSON: Okay, and you  
16 acknowledge that there are other companies other than  
17 Forgital that also produce products that would fall in this  
18 category; is that correct?

19 MR. HANSON: There is one domestic company  
20 that is, that is in our filing under confidential  
21 information.

22 COMMISSIONER WILLIAMSON: Yeah, okay, I'm  
23 sorry. I've been here around ten years and we've had a lot  
24 of what I call continual products and there may be  
25 difference, like a two inch pipe and a four inch pipe, it

1 would still fall within the same case, or pipe going to oil,  
2 in an oil field and a pipe that might be used in a chemical  
3 plant still could fall within the same case. So why isn't  
4 this different?

5 MR. HANSON: I think it's different because  
6 the -- in a pipe versus two inch and a four inch pipe for  
7 example, or a pipe of structural steel versus oil field or  
8 drill pipe, if they tried to advance the argument before  
9 this Commission that it had passed the six-part test, it  
10 would fail, you know.

11 This six part test is a very clear and  
12 litigated matter. I think it's a very clear type of thing.  
13 We think that high end specialty flanges meet the six part  
14 test and therefore is eligible for that distinction to be  
15 drawn specifically by this Commission.

16 COMMISSIONER WILLIAMSON: Do you want to go  
17 over those quickly again?

18 MR. HANSON: Pardon me?

19 COMMISSIONER WILLIAMSON: The six parts and  
20 how you fit?

21 MR. HANSON: I'm sorry?

22 COMMISSIONER WILLIAMSON: Do you want to go  
23 over again briefly the six parts and how you fit it? I  
24 think you probably did it in your testimony but --

25 MR. HANSON: I'm not sure if I understand the

1 question here.

2 COMMISSIONER WILLIAMSON: You said the six  
3 part test makes your product as different.

4 MR. HANSON: Yes, yes.

5 COMMISSIONER WILLIAMSON: And I wanted you to  
6 go quickly through them again.

7 MR. HANSON: Okay. Well very quickly, in the  
8 order that the court has always quoted, or the Commission  
9 has always quoted here and the courts as well, are there  
10 different physical characteristics? Yes, there are. They  
11 are physically, we do -- we have pictures of them frankly in  
12 our private, in our non-public submission here, physical  
13 differences that are there, beveling and certain things that  
14 are done that are different physical characteristics that  
15 are there just in terms of shape. There are physical  
16 characteristics that are different in terms of metallurgy.

17 COMMISSIONER WILLIAMSON: But it's still  
18 carbon steel?

19 MR. HANSON: Oh, it's still carbon steel, but  
20 we're down to specific chemicals which we kept private as  
21 well.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. HANSON: Specific chemicals there. Those  
24 aren't drawn by us; those are demanded by the end user. So  
25 those are physical characteristics, just two of the main

1 physical characteristics that are different there.

2 Interchangeability. The flange over your head --

3 COMMISSIONER WILLIAMSON: Okay, got that one.

4 MR. HANSON: Okay, channel of distribution,  
5 and I briefly mentioned before, and that is the marketing is  
6 entirely different. An oil company comes in and says can  
7 you create this product? This is exactly the opposite of do  
8 you have this product or have you done this product before?  
9 It is a different way of approaching the thing. It is very  
10 much a spec made-to-order type of thing. It's a different  
11 method of distribution here.

12 COMMISSIONER WILLIAMSON: I mean do you go to  
13 a customer and maybe say hey, if you -- we can design this  
14 thing in a way that would meet a certain problem for you?

15 MR. HANSON: Do you do that? I don't know if  
16 you'd do that.

17 MR. SPEZZAPRIA: No. So typically the  
18 customer will come to us. I mean it starts from far away,  
19 and then we talk about standard material standards. We use  
20 the word "standard" a lot. They almost don't even start  
21 with what material will be used. They say I need it to do  
22 this. I need it to perform under these conditions. I need  
23 it to bend here, not crack here, and then we create  
24 something that will say okay, here is what we can do to meet  
25 what you want.

1                   So we're coming into these asking about these  
2 flanges from the, you know, from very far away from  
3 standard.

4                   COMMISSIONER WILLIAMSON: Yeah, I know. I  
5 understand that. But basically they tell you what they need  
6 done, and you say here's a product that can do it.

7                   MR. SPEZZAPRIA: They don't even tell me what  
8 they need done. They tell me what they need it to do,  
9 that's correct.

10                  COMMISSIONER WILLIAMSON: Yeah.

11                  MR. SPEZZAPRIA: Correct, and then we -- we  
12 almost work together, co-engineer, correct.

13                  COMMISSIONER WILLIAMSON: Okay. Okay, good.

14                  MR. HANSON: That ties into the last two  
15 elements of the six part test, and that is the manufacturing  
16 process, the tolerances that are required by that same  
17 purchaser, that test ^^^^

18                  COMMISSIONER WILLIAMSON: One of the things  
19 I've learned being here a long time, every product nowadays,  
20 the specs are so much tighter than what people, than what  
21 they might have been before.

22                  MR. HANSON: Oh yeah. We're not talking about  
23 --

24                  COMMISSIONER WILLIAMSON: And that's part of  
25 the competitive advantage, is being able to sort of meet

1 narrower and narrower specs. Isn't that true about  
2 manufacturing general though?

3 MR. HANSON: People want high quality products  
4 here, but as we indicated more and more, we have the actual  
5 numbers of the tolerance that are in our confidential  
6 discussion. The tolerances, I guess, are completely on a  
7 different scale as would be applied in the commodity market,  
8 completely different scale, and that's the difference that  
9 was there. The last of the six is simply the price, and as  
10 we have the price information in our brief as well.

11 COMMISSIONER WILLIAMSON: Okay, thank you.  
12 That's helpful, and did Commissioner Johanson ask you about  
13 whether, how the decline in oil and gas has affected your  
14 product? If he has -- if he hasn't --

15 MR. SPEZZAPRIA: Yes, he did but --

16 COMMISSIONER WILLIAMSON: Okay, fine. Well  
17 let's not repeat it. I'm sorry. Okay. That's all I have  
18 for now. Thank you.

19 CHAIRMAN SCHMIDTLEIN: Okay, thank you.  
20 Commissioner Broadbent.

21 COMMISSIONER BROADBENT: Thank you. Thanks  
22 for coming today. I appreciate having you here. Just to  
23 continue on the same line of questioning, I mean we're going  
24 to really struggle here for a clear dividing line, and I  
25 mean I get the point that, you know, the deep sea flange is

1 not interchangeable with the sprinkler system flange.

2 But you know, as Commissioner Williamson  
3 mentioned, I mean there's lots of specifications to every  
4 product that we look at, and a lot of these products are on  
5 a continuum. I mean if you talk about automobiles, I mean  
6 there's a difference between a Ferrari and a Geo Metro or  
7 something.

8 So against, we're very curious to see what  
9 this bright line and is it something you can talk about  
10 here, or do we need to see your submission to understand it?

11 MR. HANSON: We can talk a little bit about it  
12 here. It is -- if a specification's required by a  
13 particular client for a particular product, a particular  
14 project that's in process here --

15 COMMISSIONER BROADBENT: So is this one  
16 project then?

17 MR. HANSON: Pardon me?

18 COMMISSIONER BROADBENT: You said particular  
19 -- no, no, it's different products for different projects.

20 MR. HANSON: Different products, yes.

21 COMMISSIONER BROADBENT: Yeah, okay. Sorry to  
22 interrupt you. Go ahead.

23 MR. HANSON: So we do appreciate that. There  
24 is -- it is a difficult task. It is probably the biggest  
25 challenge here. That's why I usually suggest that the

1 question number one is should a line be drawn, and we do  
2 think that the six-part test being met, a line should be  
3 drawn. The next question is how, where to draw that line  
4 here?

5 We can probably help with that a little bit  
6 and we have shared, like I said, with the opposing counsel  
7 to see if we can draw that line and we anticipate, and we  
8 would hope that they will simply say we would not oppose our  
9 distinction that we would draw. At that point in time, I  
10 think that would have to be public because now the  
11 Commission would have to publish a line, and it would have  
12 to be the line that we suggest and the Petitioners  
13 hopefully do not disagree with.

14 COMMISSIONER BROADBENT: Okay, and then how --  
15 how can we be confident, sort of given the timing when this  
16 information entered our process here, how do we know that  
17 there's not another domestic producer out there that hasn't  
18 been able to participate?

19 MR. HANSON: We don't know of another domestic  
20 producer. The staff of the Commission didn't find one  
21 either. They found one. It is referenced in the APO  
22 material and that was it. So, and that -- I'm not an  
23 expert, but certainly the people we have spoken with, they  
24 have found none either. I think it was in our interest to  
25 find another domestic company that was doing the high end

1 material. We have found the one. I guess we don't know,  
2 to answer the question.

3 COMMISSIONER BROADBENT: Okay. I just want to  
4 check here to see -- I think that's pretty much all my  
5 questions. Yeah, I think I'm done. Thank you very much.  
6 Madam Chairman.

7 CHAIRMAN SCHMIDTLEIN: Okay, thank you. Are  
8 there competitors in other countries that you compete with?

9 MR. SPEZZAPRIA: In the--as forged and custom?

10 CHAIRMAN SCHMIDTLEIN: In the custom.

11 MR. SPEZZAPRIA: Well, let's put it this way.  
12 Typically when we do these high-end flange projects the  
13 bidding pool, the amount of participants is very small,  
14 three or four. For example, one of the last projects we did  
15 we were the only vendor who was able to meet every  
16 requirement the customer had.

17 So, world-wide, the only vendor that was able to  
18 meet the requirements the vendor had with no deviations. So  
19 that in itself made it special. And then we worked together  
20 and co-engineered. However, all these are closed, so we  
21 don't know who we were competing against.

22 CHAIRMAN SCHMIDTLEIN: You don't know who you're  
23 competing against?

24 MR. SPEZZAPRIA: No. And typically that  
25 information is not available at this level.

1           CHAIRMAN SCHMIDTLEIN: That's interesting. So do  
2 you know--can you tell us--and if this is proprietary, you  
3 can do it in the posthearing--but how many countries do you  
4 export to, I guess, from Italy? Italy is your only place of  
5 manufacture, right?

6           MR. SPEZZAPRIA: We have two facilities in France,  
7 but they're minor. So that's the main production site. I  
8 would have to tell you how many countries we export to, but  
9 we can get that information.

10          CHAIRMAN SCHMIDTLEIN: Okay. Alright. And do  
11 you--Mr. Hanson, this is probably a question for you--do you  
12 have a position on the rest of the case, if you will?

13          MR. HANSON: Not really at all. We have the one  
14 particular issue here. We don't dispute anything that  
15 Petitioner was saying on things like the AML or anything  
16 else. The culmination, really there's no issue that we take  
17 issue with on what the Petitioner was saying. We think that  
18 everything they said was true for the commodity flange  
19 market. Just none of that really applies to us.

20          CHAIRMAN SCHMIDTLEIN: I see.

21          MR. HANSON: Which is the high-end flange market.

22          CHAIRMAN SCHMIDTLEIN: So even with respect to  
23 commodity flanges that are coming from Italy, you're not  
24 taking a position that those are not injurious?

25          MR. HANSON: No, no. We just haven't addressed

1 that. We aren't defending that, or anything else here. We  
2 would have no objection--our distinction is separate from  
3 theirs, so we haven't really weighed in on any of that.

4 CHAIRMAN SCHMIDTLEIN: Okay. Okay, I don't have  
5 any further questions, either. It looks like Vice Chairman  
6 Johanson has stepped out, so Commissioner Williamson, do you  
7 have any further questions?

8 COMMISSIONER WILLIAMSON: No.

9 CHAIRMAN SCHMIDTLEIN: It just keeps going for two  
10 more minutes. Three times. He's getting closer. Okay,  
11 sorry, I sort of surprised you there.

12 VICE CHAIRMAN JOHANSON: Thank you, Chairman  
13 Schmidtlein. Yeah, you did surprise me. You spoke for two  
14 minutes and thirty-one seconds. I'm not used to that. I'm  
15 used to my full 10 minutes to go get a drink.

16 But I do have two more questions for you. And I  
17 apologize that these have already been asked, but I just  
18 wanted to check up on these issues.

19 First of all, we've heard a lot today about AMLs.  
20 Is your product subject to AMLs? Or is that just not--are  
21 you so specialized it's not--

22 MR. SPEZZAPRIA: It's not the way it works, so  
23 it's irrelevant.

24 VICE CHAIRMAN JOHANSON: Okay. So you're not  
25 impacted by this AML issue. Okay, thank you.

1                   And also, just out of curiosity, how do your  
2 other export markets compare to the U.S. market in terms of  
3 size and scale?

4                   MR. SPEZZAPRIA: You mean from the Forgital Group,  
5 how do they compare to the rest of the world?

6                   VICE CHAIRMAN JOHANSON: Right, right. How does  
7 the U.S. market compare?

8                   MR. SPEZZAPRIA: The U.S. market probably is about  
9 20 percent of the Group's exports.

10                  VICE CHAIRMAN JOHANSON: Have you noticed--are you  
11 having similar problems in other countries, as far as the  
12 consumption going down?

13                  MR. SPEZZAPRIA: Not as far as--

14                  VICE CHAIRMAN JOHANSON: Not as far as AE, right.

15                  MR. SPEZZAPRIA: Yes, we saw a little bit of slow  
16 down for the overall Group over the last three years.

17                  VICE CHAIRMAN JOHANSON: Okay. Alright, that  
18 concludes my questions. I appreciate you all appearing here  
19 today.

20                  CHAIRMAN SCHMIDTLEIN: Okay. Commissioner  
21 Williamson?

22                  COMMISSIONER WILLIAMSON: Just one question.  
23 Looking out forward, what do you see for the demand for  
24 these products? And how does that compare with the demand  
25 for standard forges?

1           MR. SPEZZAPRIA: I think the demand for--not  
2 think, the demand for specialized custom flanges is  
3 different. They're infrequent. It's very project-based,  
4 and they're only required when there are special  
5 requirements.

6           So when there's no special requirements, there's  
7 no need for anything special, we do not compete. So if I  
8 had to predict when the next one will come, it could be a  
9 year. It could be two. It could be three. It could be  
10 next months.

11           COMMISSIONER WILLIAMSON: And they could be used  
12 outside of the oil and gas industry, too? Is that correct?

13           MR. SPEZZAPRIA: Hypothetically, yes. But rarely.  
14 You start going--out of the oil and gas, you start to go to  
15 different materials, but that's probably not relevant to the  
16 conversation.

17           COMMISSIONER WILLIAMSON: But what I'm saying,  
18 like if we go into a massive infrastructure build--

19           MR. SPEZZAPRIA: If you start going to power gen,  
20 and things like that, typically you're dealing with  
21 different materials, so the carbon aspect goes away.

22           COMMISSIONER WILLIAMSON: Okay. That is helpful,  
23 because as I say we have a massive infrastructure project, a  
24 massive construction boom, that's not going to affect the  
25 demand for these products.

1                   MR. SPEZZAPRIA: It won't affect me because I  
2                   don't participate, other than when it's extremely  
3                   specialized. So if somebody else can do it, I will probably  
4                   not be able to participate.

5                   COMMISSIONER WILLIAMSON: Okay. Good. Thank you.

6                   CHAIRMAN SCHMIDTLEIN: Vice Chairman Johanson?

7                   VICE CHAIRMAN JOHANSON: I have yet one more  
8                   question. Do you all even know if the domestic industry  
9                   makes the specialty flanges that you all are speaking about?  
10                  If so, if there's no domestic production there's not a  
11                  like-product. If there's no like-product--if there's no  
12                  domestic production, there's no domestic like-product.

13                  MR. HANSON: There is one mentioned by name in the  
14                  material. There's just the one that we know of.

15                  VICE CHAIRMAN JOHANSON: Okay, then I'll shut it  
16                  down there then. Okay, thanks a lot.

17                  CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent, do  
18                  you have any further questions?

19                  (Commissioner Broadent indicates no.)

20                  CHAIRMAN SCHMIDTLEIN: Alright, that completes  
21                  questions from the Commissioners.

22                  Staff, do you have any questions for this panel?

23                  MR. CORKRAN: Douglas Corkran, Office of  
24                  Investigations. Thank you, Chairman Schmidtlein. Staff has  
25                  no additional questions.

1           CHAIRMAN SCHMIDTLEIN: Okay. Petitioners, do you  
2 have any questions for this panel?

3           (Negative indication.)

4           CHAIRMAN SCHMIDTLEIN: Thank you, very much. We  
5 will now move to closing statements. Petitioners, you have  
6 15 minutes from direct, and 5 minutes for closing, for a  
7 total of 20 minutes.

8           Respondents, you have 41 minutes from direct and  
9 5 minutes for closing for a total of 46 minutes. You do not  
10 have to take all of your time.

11           (Laughter.)

12           CHAIRMAN SCHMIDTLEIN: We will begin with  
13 Petitioners. Certainly, why don't we break until two  
14 o'clock.

15           (Whereupon, at 1:49 p.m., a break was taken.)

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

18           CHAIRMAN SCHMIDTLEIN: Mr. McConkey, you may  
19 begin when you're ready.

20           CLOSING REMARKS OF MATTHEW J. MCCONKEY

21           MR. MCCONKEY: Good afternoon. Again, Matthew  
22 McConkey for Petitioners. So in the preliminary phase of  
23 this investigation, Commission unanimously found a  
24 reasonable indication of injury. Since that time, the  
25 Department of Commerce has been conducting its investigation

1 and found significant dumping and subsidization. The final  
2 dumping duties as high as 24.43% were found for Spain.  
3 Preliminary dumping duties as high as 204% were found for  
4 Italy. Preliminary dumping duties as high as 12.56% for  
5 found for India, and the Indian government has preliminarily  
6 been found to subsidizing its flange industry.

7 The record in this final phase, which builds  
8 upon that of the preliminary, demonstrates that Indian,  
9 Spanish and Italian flanges compete directly with domestic  
10 flanges, and that they primarily compete on price. While  
11 demand has declined over the period, subject imports as we  
12 heard today have taken a large share of the domestic market,  
13 which was demonstrated through the questionnaire responses.

14 The subject imports have undersold the domestic  
15 industry, which suppressed U.S. producers' prices. The  
16 impact of these factors is that the economic indicators  
17 examined by the Commission for the domestic industry, your  
18 capacity utilization, your production quantities, your  
19 workers employed, your profits, your sales, they're all  
20 down.

21 In the preliminary phase, three Indian producers  
22 and a U.S. importer of Indian product appear before the  
23 Commission staff, presented testimony and filed  
24 post-conference briefs. And they presented two basic  
25 arguments.

1                   First, they argued that the declines in our  
2                   economic indicators were due to declines in demand, not  
3                   subject imports. And second, they argued that there's  
4                   attenuated competition between Indian and domestic flanges  
5                   due to the existence of AML.

6                   Please note that no Spanish or Italian  
7                   producers, or importers of Spanish or Italian products, made  
8                   those arguments, or bothered to appear at either the prelim  
9                   or the final phases. Those are arguments set forth by those  
10                  aligned with India only, and the fact even Forgital today  
11                  noted that it doesn't have any arguments that we've  
12                  presented so far.

13                  It's interesting to note that none of those  
14                  parties are here today, or even bothered to file pre-hearing  
15                  briefs. Indeed, one of the parties that appears at the  
16                  Commission's pre-hearing, at the staff conference, and  
17                  submitted a brief, didn't even respond to your questionnaire  
18                  in the final phase.

19                  Nonetheless, we're petitioners. So to assist  
20                  the Commission, we assembled our witnesses today, because we  
21                  want to make sure it's important that the Commission has a  
22                  full record in front of it. So with respect to the  
23                  previously raised issue of what impact the decline in demand  
24                  has had, clearly the decline in demand has been negative.

25                  But as testified today, the domestic industry

1 has weathered demand declines in the past without having to  
2 resort to undertaking an action as time-consuming and as  
3 costly as the Title VII action. The difference this time  
4 around is that the same time that demand declined, subject  
5 imports flooded into the market place and grabbed additional  
6 market share via radically reduced prices.

7 With respect to AML, well, we understand why the  
8 Commission felt compelled to look into the issue, and you  
9 did. We submit that the issue can now be laid to rest.  
10 Even the Indians have walked away from it. Second, the  
11 questionnaire responses on interchangeability don't support  
12 their argument.

13 Also, as set forth in our pre-hearing brief and  
14 today's testimony, the domestics compete with Indian product  
15 for end-users that have AML. But the domestic also compete  
16 with Indian product for end-users that don't have AML.

17 So we recognize the presence of Forgital here  
18 today and their pre-conference brief. And again, we  
19 appreciate their support of our position on what they call  
20 commodity flanges. Their issue is trying to carve out a  
21 separate like product for something they call specialized  
22 and custom flanges, or sometimes today referred to as  
23 high-end flanges.

24 Listen, it's a difficult issue as they  
25 themselves recognize and made, especially difficult at the

1 timing that it's been raised, you guys were not able to  
2 collect information that you would actually need to make  
3 such a bright line demarcation between separate like  
4 products in questionnaire responses, and we really don't  
5 have information on the U.S. industry that may or may not  
6 produce these products and what their economic indicators  
7 might be.

8           Again, because the vast majority of their  
9 pre-hearing brief was designated proprietary, there's little  
10 I can say about it in an open forum. We will address it in  
11 our post-hearing brief, but as you have heard today, and  
12 some of our witnesses stated, and I will reiterate.

13           There is no industry definition of specialized  
14 and custom flanges. I simply don't see how this Commission  
15 is going to create some bright line when the definition is  
16 so amorphous. Listening to -- clients listening to the  
17 Forgital presentation today -- the words that kept being  
18 whispered into my ears, "We can make that. We can do that.  
19 There's nothing special about that."

20           Even if one were to interpret the phrase  
21 "specialized and custom flanges" to mean a specialty flange,  
22 go into Google, so type in the search "specialty flange" and  
23 you will come up with scores of companies and scores of  
24 different products, they're in theory, "specialty." There's  
25 nothing to grab onto here.

1                   Again, I go back. It's unfortunate that this  
2 timing of this issue being raised, when you guys weren't  
3 able to collect information that you would actually need to  
4 create a separate like product and then make a decision on  
5 economic injury for that separate like product. With that,  
6 I do appreciate everybody's attention, the Commission and  
7 the staff's, and throughout this entire investigation, I  
8 think we have a good record in front of us, and we look  
9 forward to the final. Thank you.

10                   CHAIRMAN SCHMIDTLEIN: Thank you very much.

11                   MS. BELLAMY: Rebuttal and closing remarks on  
12 behalf of Respondents will be given by Lawrence W. Hanson of  
13 The Law Office of Lawrence W. Hanson, P.C. Mr. Hanson, you  
14 have a total of forty-six minutes.

15                   CLOSING REMARKS OF LAWRENCE W. HANSON

16                   MR. HANSON: Thank you. I will not take forty-six  
17 minutes. I don't have forty-six minutes of things to tell  
18 you here. We have a very basic case and we recognize that.  
19 Most of the discussion today has been about stuff that we  
20 apparently do not find relevant to our particular case or  
21 our particular product. So we don't feel a need to debate  
22 and there's no reason to debate all these different issues  
23 that were discussed here.

24                   Ours is very simple. We have just one issue  
25 here. And that is, we believe that the Commission has the

1 authority, and we go so far to say, the responsibility to  
2 find that there is a specialized custom flange industry.  
3 There is somewhere there a line. We do appreciate the  
4 difficulty of the line. We don't sugarcoat that at all.

5 But the first question I asked before was that,  
6 should a line be drawn? And the answer's very clearly, yes,  
7 there to equate all the flanges in the world into one  
8 category of just flanges or not flanges would be a mockery  
9 of the actual industry, which I know the Commission and the  
10 staff wants to fully understand here.

11 So there is a need for a line. I don't think  
12 there's really a question of a need for the line. The  
13 difficult question is where to draw that line. And we do  
14 appreciate that that is a difficult question that's here.

15 Some guidance is appropriate here. One, we may  
16 be able to help with that as we discussed in my general  
17 remarks, and that is, we do have a line that we will share  
18 with the counsel, and we think that they -- one or two  
19 things will happen -- they will simply not oppose that  
20 definition and I think that will be helpful to the  
21 Commission. It's the only line that you have there.

22 And we certainly go with that here. But even if  
23 they don't here, we think there's ample evidence on the  
24 record of where that line is. What are the criteria? And I  
25 think to some degree, the six-part test gives us some

1 guidance in that regard and tell us what things we look to  
2 to define where you are, on which side of the line.

3 Our point is very simple, that the flanges we  
4 talked about are so far at the extreme of one end of this  
5 situation, they are marketed differently, they are used  
6 differently. They are not interchangeable with the  
7 Petitioners' flanges. They are completely different. So  
8 very clearly, the line is somewhere between the Petitioners  
9 and the Respondents in this case.

10 Getting guidance going forward will be  
11 difficult. Maybe we can help a little bit with that in our  
12 post-hearing brief here. And that's all we will have to say  
13 here, except thank you. And I thank the staff in  
14 particular. We have not frequently been here, the staff has  
15 been extremely helpful and we certainly appreciate their  
16 time, as well as your time here this afternoon. Thank you.

17 CHAIRMAN SCHMIDTLEIN: All right. Thank you  
18 very much, Mr. Hanson. Again, we'd like to thank all the  
19 parties for their participation today. Post-hearing briefs,  
20 statements responsive to questions and request of the  
21 Commission and corrections to the transcript must be filed  
22 by May 1st, 2017. Closing of the record and final release  
23 of data to parties will be May 16th, 2017. And final  
24 comments are due May 18th, 2017. And with that, this  
25 hearing is adjourned.

1                   (Whereupon, at 2:08 p.m., the hearing was  
2 adjourned.)

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## 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: 4-25-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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

DATE: 4-25-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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

SIGNED: Duane Rice  
Signature of Proofreader

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: Larry Flowers  
Signature of Court Reporter

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