

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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**In the Matter of:**  
**STEEL PROPANE CYLINDERS FROM CHINA,  
TAIWAN, AND THAILAND**

**) Investigation Nos.:**  
**) 701-TA-607 AND 731-TA-1417-1419**  
**) (PRELIMINARY)**

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1 APPEARANCES:

2 Staff:

3 William R. Bishop, Supervisory Hearings and  
4 Information Officer

5 Tyrell Burch, Program Support Specialist

6 Sharon Bellamy, Records Management Specialist

7

8 Douglas Corkran, Acting Director of the Office of  
9 Investigations

10 Craig Thomsen, Supervisory Investigator

11 Lawrence Jones, Investigator

12 Karl Tsuji, International Trade Analyst

13 Amelia Preece, Economist

14 Karl von Schrittz, Attorney/Advisor

15 Roop Bhatti, Attorney/Advisor

16 David Boyland, Accountant/Auditor

17

18

19

20

21

22

23

24

25

1 APPEARANCES:

2 Opening Remarks:

3 In Support of Imposition (Paul C. Rosenthal, Kelley Drye &  
4 Warren LLP)

5 In Opposition of Imposition (Jay Campbell, White & Case LLP)

6

7 In Support of the Imposition of Antidumping and

8 Countervailing Duty Orders:

9 Kelley Drye & Warren LLP

10 Washington, DC

11 on behalf of

12 Worthington Industries

13 Manchester Tank & Equipment Co.

14 Mark Komlosi, Director of LP Gas Products, Worthington  
15 Industries

16 James Bowes, Director of Finance, Worthington  
17 Industries

18 Dale Brinkman, General Counsel, Worthington Industries

19 Robert Graumann, President and Chief Operating Officer,  
20 Manchester Tank & Equipment Co.

21 Nancy Chamblee, Vice President, Finance, Manchester  
22 Tank & Equipment Co.

23 Michael T. Kerwin, Economic Consultant, Georgetown  
24 Consultant Services LLC

25 Paul C. Rosenthal, R. Alan Luberda, David C. Smith and

1 APPEARANCES (Continued):

2 Brooke M. Ringel - Of Counsel

3

4 In Opposition to the Imposition of Antidumping and

5 Countervailing Duty Orders:

6 White & Case LLP

7 Washington, DC

8 on behalf of

9 Sahamitr Pressure Container Plc ("SMPC")

10 YSN Imports Inc. (dba "Flame King")

11 Sam Newman, President, Flame King

12 Jay Campbell and Allison Kepkay - Of Counsel

13

14 DeKieffer & Horgan, PLLC

15 Washington, DC

16 on behalf of

17 Shandong Huanri Group Co., Ltd.

18 Worldwide Distribution, LLLP

19 Brad Cancelosi, VPO, Worldwide Distribution, LLLP

20 Alexandra H. Salzman - Of Counsel

21

22 Interested Party in Opposition

23 RV Industry Association ("RVIA")

24 Reston, VA

25 Michael Ochs, Director, Government Affairs

1 Rebuttal/Closing Remarks:

2 In Support of Imposition (Paul C. Rosenthal, Kelley Drye &  
3 Warren LLP)

4 In Opposition of Imposition (Jay Campbell, White & Case LLP;  
5 and Alexandra H. Salzman, DeKieffer & Horgan, PLLC)

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9:30 a.m.

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

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's Conference in connection to the Preliminary Phase of antidumping and countervailing duty Investigation 701-TA-607 and 731-TA-1417 through 1419 concerning steel propane cylinders from China, Taiwan and Thailand.

My name is Douglas Corkran and I'm the Acting Director of the Office of Investigations and I am presiding over this Conference. Among those present from the Commission Staff are to my far right Craig Thomsen the Supervisory Investigator, Lawrence Jones the Investigator, Karl Von Schrittz who will be joining us very shortly, Amelia Preece the Economist, David Boyland the Accountant and Karl Tsuji who will likewise be joining us very shortly and also Roop Bhatti our Attorney.

I understand that the parties are aware of the time allocations. Any questions regarding time allocations should be addressed to the Secretary. I would remind speakers not to refer in their remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your

1 presentation or answering questions for the benefit of the  
2 court reporter. All witnesses must be sworn in before  
3 presenting testimony.

4 Are there any questions?

5 Mr. Secretary, are there any preliminary matters?

6 MR. BISHOP: No Mr. Chairman.

7 MR. CORKRAN: Very well. Let us begin with  
8 opening remarks.

9 MR. BISHOP: Opening remarks on behalf of those  
10 in support of imposition will be given by Paul C. Rosenthal  
11 with Kelley, Drye and Warren. Mr. Rosenthal, you have 5  
12 minutes.

13 OPENING STATEMENT OF PAUL C. ROSENTHAL

14 MR. ROSENTHAL: Good morning Mr. Corkran, Members  
15 of the Commission Staff. I'm Paul Rosenthal of Kelley, Drye  
16 and Warren on behalf of the Domestic Industry Worthington  
17 Industries and Manchester Tank. The product at issue in  
18 this case, steel propane cylinders is well-known to you. If  
19 you own a barbeque, ever benefitted from an outdoor heater  
20 or driven a recreational vehicle you will readily recognize  
21 a steel propane cylinder. While the sizes may  
22 vary, the cylinders that are the subject of this case look  
23 the same and have the same uses. That is no coincidence.  
24 They are all made to the same standards and are made to be  
25 interchangeable. As you know from the data thus far,

1 imports of sealed propane cylinders from China, Thailand and  
2 Taiwan have increased significantly in volume over the  
3 Period of Investigation which begins in 2015.

4           Unfortunately the increase in imports over the  
5 last few years is not a new phenomenon. As your witnesses  
6 will tell you, imports of steel cylinders first made  
7 significant in-roads into the U.S. Market following the  
8 great recession when they targeted the recreational vehicle  
9 customers. At that time RV manufacturers were anxious to  
10 reduce their costs and one way they did so was to buy  
11 low-priced imports of steel propane cylinders.

12           Imports captured the vast majority of the sales  
13 to the RV industry and have maintained their grip on that  
14 part of the propane cylinders customer base. Production of  
15 sealed propane cylinders is capital intensive and requires  
16 sufficient capacity utilization to control costs.

17           Having lost significant sales in the RV part of  
18 the customer base the Domestic Producers cannot afford to  
19 lose more volume. The domestic sealed propane cylinder  
20 producers have watched as in recent years imports have  
21 targeted other customers including retailers and exchangers.  
22 And U.S. Producers have begun to lose U.S. Sales to these  
23 and other customers as well.

24           In order to combat further volume declines the  
25 Domestic Producers have done everything they could to manage

1 their costs and keep their prices low. In some instances  
2 they've had to reduce prices to maintain volumes. In other  
3 instances they have not increased prices for several years  
4 despite rising costs.

5 Some of their customers have told them not to  
6 even propose a price increase because doing so would risk  
7 losing sales to imports. The result of the low-priced  
8 import competition is obvious in the Domestic Producers'  
9 financial results, inadequate and declining profits. With  
10 competition from Subject Imports keeping a lid on prices,  
11 rising steel and healthcare costs cannot be offset.

12 As the record will show, the high volumes and low  
13 prices of imports have materially injured the Domestic  
14 Industry and the injury will only deepen unless the unfair  
15 trading practices of the Foreign Producers are addressed.  
16 Industry witnesses look forward to expanding on these key  
17 points and explaining why an affirmative determination in  
18 these cases are warranted. Thank you.

19 MR. BISHOP: Thank you, Mr. Rosenthal. Opening  
20 remarks on behalf of those in opposition to the imposition  
21 will be given by Jay Campbell of White and Case. Mr.  
22 Campbell, you have five minutes.

23 OPENING STATEMENT OF JAY CAMPBELL

24 MR. CAMPBELL: Good morning. My name is Jay  
25 Campbell of White and Case, here today on behalf of SMPC,

1 the Thai Producer and Flame King a U.S. Importer.

2 Looking at the U.S. Market for propane cylinders,  
3 what stands out is the stability. Two U.S. Producers,  
4 Worthington and Manchester have dominated the markets for  
5 years and continue to dominate the market. Two U.S.  
6 Importers, Flame King and Worldwide account for the  
7 overwhelming majority of imports and have participated in  
8 the U.S. Market for over a decade.

9 With two dominant U.S. Producers, it's not  
10 surprising that U.S. Purchasers would want a third source of  
11 supply and imports from China and Thailand have served that  
12 role. So we have two dominant U.S. Producers holding the  
13 large majority of the market and two main U.S. Importers  
14 rounding out supply. That's been the state of things for  
15 over a decade.

16 Worthington and Manchester have never liked  
17 sharing the market with imports and have undertaken actions  
18 in the past to limit fair competition. These petitions are  
19 just another attempt to cut imports out of the market.

20 The problem for the Petitioners however is that  
21 when you dig into the facts you will quickly see that their  
22 storyline does not hold up. They argue that Subject Imports  
23 have gained market share through underselling but the record  
24 evidence will show that Subject Imports have competed  
25 through quality of service and innovation.

1           They argue there is a causal link between the  
2 volumes of Subject Imports and the U.S. Industry's  
3 performance but the record shows a lack of correlation.  
4 Instead, as we will elaborate during our affirmative  
5 presentation to the extent Worthington and Manchester are  
6 not performing well, other factors are to blame.

7           I have not mentioned Taiwan yet and for good  
8 reason. There are no Taiwanese producers that export  
9 propane cylinders to the United States. Flame King and  
10 Worldwide know this. Worthington and Manchester should also  
11 know it. The inclusion of Taiwan is further evidence that  
12 the Petitions lack credibility. Thank you.

13           MR. BISHOP: Thank you, Mr. Campbell. Would the  
14 Panel in support of the Imposition of the Antidumping and  
15 Countervailing Duty Orders please come forward and be  
16 seated. Mr. Chairman, all witnesses on this Panel have been  
17 sworn in. This Panel has sixty minutes for their direct  
18 testimony.

19           MR. CORKRAN: Thank you, Mr. Secretary.

20           Mr. Rosenthal, welcome and you may begin when you  
21 are ready.

22           STATEMENT OF PAUL C. ROSENTHAL

23           MR. ROSENTHAL: Thank you, Mr. Corkran. I'm  
24 going to start with an overview of the evidence in the case  
25 thus far and the testimony that the witnesses are going to

1 provide to you. You all should have a copy of  
2 a handout that slide presentation which we are not using a  
3 slide projector for but I will go through and suggest when  
4 you might want to turn the page and I think all of the folks  
5 under Administrative Protective order have the confidential  
6 version and there are public versions available.

7 So to begin, the first slide outlines the scope  
8 of the case with which you are familiar, our industry  
9 witnesses will discuss the product in more detail but you  
10 will conclude from their testimony that all six like-product  
11 factors support a finding of a single-like product that is  
12 coextensive with the scope.

13 The next slide pictures a typical 20-pound  
14 capacity propane cylinder made by the two Petitioners,  
15 Manchester Tank and Worthington Industries along with one of  
16 the competing cylinders they buy from the Foreign Producers  
17 they marketed under the brand name Flame King.

18 The 20-pound capacity cylinder typically is used  
19 for household barbeques, fire pits and outdoor heat lamps.  
20 These products regardless of producer are completely  
21 interchangeable and price is the primary differentiator in  
22 sales.

23 Next slide, I'm guessing you don't need for me to  
24 identify the next picture, I hope not. The RV industry is a  
25 major consumer of steel propane cylinders as the cylinders

1 are used for cooking, heating and other purposes on the  
2 vehicle. If you look at the back left corner of this  
3 picture you will see a compartment and if you were to open  
4 the compartment you would see and turn the next slide,  
5 propane cylinders.

6 Most of the steel propane cylinders sold to the  
7 RV industry are the 30-pound size not the 20-pound pictured  
8 in the previous slide. If the Commission is to understand  
9 the injury caused by imports it must understand something of  
10 the history proceeding this current Period of Investigation.  
11 In many respects this is a tale of two cylinders.

12 Slide six, we turn to that, you'll see a rough  
13 map of Elkhart, Indiana which is the heart of the  
14 recreational vehicle production in this country. Perhaps  
15 the representative of the RV industry who will testify later  
16 can provide some history of how Elkhart came to be the Mecca  
17 of our peak production in the world.

18 However that came to pass production of RVs  
19 became concentrated around Elkhart, one of the Petitioners  
20 in this case, Manchester Tank built a steel propane cylinder  
21 manufacturing plant in that area very close to its RV  
22 customers. It's only a slight exaggeration to say that you  
23 would roll a propane cylinder down the road from  
24 Manchester's factory and hit an RV production site.

25 Worthington's facilities are only a few hours

1 down the road in Ohio, too far to roll the cylinders but  
2 still a short truck ride away. Manchester and Worthington  
3 are first class manufacturers who make a quality product and  
4 provide exemplary service.

5           They are efficient and attentive to their  
6 customers but something happened around the time of the  
7 Great Recession that changed the RV and propane cylinders  
8 industries. At that time, sales of RVs plummeted.  
9 Desperate to lower their cost, many RV producers decided to  
10 abandon their reliance on Domestic Steel propane cylinder  
11 producers and turn instead to imports.           There is only  
12 one reason for this and it was hinted at by the declines of  
13 sales in the Great Recession, only one reason for this and  
14 that was price. The low price offered by the imports were  
15 too attractive for the RV producers to ignore. So if you  
16 turn to the next slide you will see the result of the RV  
17 customers pivot to imports and that slide shows you the  
18 results of the shipments for one of the members of the  
19 Domestic Industry.

20           Sales by the Domestic Producers of 30-pound  
21 cylinders to RV customers fell and have never recovered.  
22 Let me just turn to Mr. Campbell and say this is all about  
23 service and sales. All of a sudden, in that time period,  
24 the Domestic Producers who have been in business 50-70 years  
25 forgot how to service their customers? I don't think so.

1           What happened then was the RV industry was  
2           desperate to lower its cost and they turned to imported  
3           cylinders because of price and price alone and that remains  
4           the case today. The RV industry's reliance on low priced  
5           imported cylinders has continued unabated up to this point.

6           So with that history I want to just show you a  
7           very current picture which is a picture of the YSN  
8           Corporations distribution facility on the next slide located  
9           at 4511 Pine Creek Road in Elkhart, Indiana. You see the  
10          sign outside and it has YSN Flame King Brand on the sign  
11          which as we know is one of the more popular imports.

12          This facility is evidence of how entrenched the  
13          Subject Imports have become in the steel propane cylinder  
14          industry. Next slide and that should be nine. So as you  
15          consider injury in the period since 2015 it is important to  
16          remember that imports had already taken most of the 30-pound  
17          market and starting the Period of Investigation with a  
18          significant share of the market that they gained through  
19          underselling the U.S. Product.

20          That also means that the U.S. Producers entered  
21          the same period with lower profitability and capacity  
22          utilization thanks to that earlier import surge. As Slide 9  
23          shows, that import surge has continued unabated. Starting  
24          at a significant level in 2015, import volumes have  
25          continued to grow. As the absolute level of Subject Imports

1 has grown so too has the imports' market share as shown in  
2 Slide 10.

3 As noted, the Domestic Producers have not shared  
4 in the growth of the RV industry in terms of increasing  
5 sales of 30-pound capacity cylinders. In fact, Domestic  
6 Producers experienced declining sales even as their RV  
7 customers did better. To add insult to import injury,  
8 Subject Imports have taken share from the Domestic Industry  
9 in the other big selling size, the 20-pounders.

10 Slide 11 demonstrates that the Subject Imports'  
11 growth has come at the expense of the Domestic Industry as  
12 the U.S. Producers' market share has declined. Next slide,  
13 the U.S. Industry has managed to increase shipments in the  
14 first quarter of 2018 because some customers have been  
15 building inventories but the stark reality is that the  
16 Domestic Industry's market share has continued to decline  
17 into the 1st quarter of 2018.

18 Slide 13 is next and I already mentioned that the  
19 demand by RV customers for steel propane cylinders was also  
20 growing as the RV sales grew. Even with this modest growth  
21 and overall apparent consumption from 2015 to the first  
22 quarter of 2018, Subject Imports grew even more. This is  
23 not just a matter of supplying the growth in the market.  
24 The growth in imports has far exceeded the growth in the  
25 market which is why the Domestic Industry's market share has

1 declined.

2 Confidential slide 14 gives you an indication why  
3 imports have grown so rapidly, low prices. This chart  
4 summarizes the results of the underselling data received by  
5 the Commission. As you can see, Subject Imports have  
6 undersold the U.S. Producers in the majority of the  
7 quarterly comparisons and even larger majority of the  
8 comparisons based on volume.

9 Yes, it's true that the Subject Imports have not  
10 undersold the U.S. Industry in every sale and you would not  
11 expect that to be the case when you've got very competitive  
12 producers on the U.S. side and in the imports side. You win  
13 some and you lose some but in every case that they're  
14 competing, price is an issue.

15 As shown in the next Slide 15, U.S. Purchasers  
16 confirmed to the Commission that imports are lower-priced  
17 and they bought imports instead of Domestic Product for that  
18 reason. The volume shift of imports due to lower prices was  
19 significant and obviously I can't talk about those numbers  
20 but these are the words of the purchasers and their  
21 statements, not ours.

22 Slide 16. As bad as the loss of volume and  
23 market share have been, the volume effects could have been  
24 worse. The only reason Domestic Producers did not lose more  
25 sales is that they dropped their prices in order to compete

1 with the import prices. Slide 16 provides some  
2 corroboration of this fact offered by purchasers. Even when  
3 they lowered their prices though as one of these quotes  
4 indicates, the Domestic Producers did not necessarily get  
5 that sale.

6 Next slide. Raw material cost has fluctuated  
7 during the period but as the next slide shows unit sales  
8 values declined more than raw material costs during this  
9 period. As shown in the next Slide 18, looking at overall  
10 costs of goods sold, even as they went up unit sales prices  
11 declined over the Period of Investigation.

12 As you will hear from the industry witnesses,  
13 customers expect to receive lower prices when costs are  
14 declining but they are not so willing to accept higher  
15 prices when costs are increasing because of the availability  
16 of low-priced imports. The result has been financial injury  
17 throughout the Period of Investigation as detailed in slide  
18 19.

19 If you turn to 19 you will see the summary data  
20 on profitability which I can't discuss publically but  
21 suffice to say it is not a positive picture. Slide 20,  
22 indeed financial results are simply a reflection of the  
23 trade indicators which are summarized in Slide 20. Note  
24 that these indicators declined despite increasing demand.

25 Next, there are no non-Subject Imports of which

1 we are aware. As a result, this slide should come as no  
2 surprise. The Subject Imports' market share came completely  
3 at the expense of the Domestic Industry. To reaffirm the  
4 causal relationship between the low-priced imports and the  
5 financial condition of the Domestic Industry the next slide  
6 shows the Domestic Industry's profit ratios were abysmal  
7 and declined significantly by 2017 as the Subject Imports  
8 gained market share over the Period of Investigation.

9           While this slide hammers home the point about  
10 import volumes as you will hear further from the industry  
11 witnesses, prices have been suppressed because the U.S.  
12 Producers have been unable to increase prices without  
13 risking further loss of sales. The industry simply cannot  
14 afford to lose further volume and stay in business.

15           The evidence that the Commission will develop  
16 will overwhelmingly show present material injury due to  
17 Subject Imports but Slide 23 goes to the issue of threat and  
18 as bad as things are, they can still get worse. This Slide  
19 23 shows that there are plenty of capacity in the Subject  
20 Countries to produce steel propane cylinders and that  
21 capacity continues to grow.

22           The next slide, I know you're thrilled that this  
23 is the last slide, shows that the Subject Producers are  
24 export-oriented. The large U.S. Market is very attractive  
25 and there is an eminent threat of further material injury.

1 The industry witnesses will expand on basic points that I've  
2 outlined and provide additional evidence supporting  
3 affirmative determinations in these cases. Thank you.

4 STATEMENT OF MARK KOMLOSI

5 MR. KOMLOSI: Good morning. My name is Mark  
6 Komlosi, and I'm the Director of LP Gas Products for  
7 Worthington Industries. I've been with Worthington for 15  
8 years, all of which have been in the propane cylinders  
9 business. Worthington Industries is headquartered in  
10 Columbus, Ohio, where the company began as a steel  
11 processing business in 1955. We produce the steel propane  
12 cylinders that are the subject of this case at our  
13 Westerville, Ohio facility.

14 I'm very familiar with the U.S. market for  
15 steel propane cylinders, given my role and previous  
16 experience as a North American sales manager for  
17 Worthington. I appreciate the opportunity to be here today,  
18 to tell you about the product that is the subject of the  
19 case, to give you an understanding of the U.S. market and  
20 explain how our company has been injured by unfairly priced  
21 imports from China, Taiwan and Thailand.

22 Steel propane cylinders are low pressure  
23 cylinders used to store, transport and deliver compressed or  
24 liquified propane gas, with gas capacities of two and a half  
25 pounds to 42 pounds. Steel propane cylinders are typically

1       comprised of a tank body with one or two ports, a horseshoe  
2       collar, a foot ring and a valve with an overfill prevention  
3       device.

4                       Within the size range of propane cylinder  
5       products covered by this case, typical gas capacity  
6       measurements produced include 4.25 pounds, 10 pounds, 11  
7       pounds, 20 pounds, 30 pounds and 40 pounds. The 20 and 30  
8       pound cylinders, however, make up by far the largest share  
9       of total sales. The subject steel propane cylinders are  
10      used primarily in the delivery of gas to barbeque grills,  
11      outdoor heaters, fire pits and recreational vehicles.

12                      We brought a sample of a 20 pound unit that  
13      Worthington makes. I'm sure everyone here has seen one of  
14      these attached to a barbeque grill or maybe outside of a  
15      store where there is a propane exchange cage. These steel  
16      propane cylinders are made to be portable and refillable for  
17      multiple uses over many years.

18                      In the United States, the production and use  
19      of portable steel propane cylinders are regulated by the  
20      U.S. Department of Transportation because the cylinders are  
21      not permanently affixed to the ground or vehicle. In order  
22      to be fit for this intent and purpose, steel propane  
23      cylinders must meet certain specifications issued by the  
24      Department of Transportation.

25                      These regulations ensure the safety of the

1 cylinders which are used by consumers. Worthington produces  
2 steel propane cylinders at our Westerville facility on a  
3 dedicated and highly automated production line. We start by  
4 cutting circular sections from flat-rolled steel coil. These  
5 sections are drawn through a die to create hemispheric  
6 shells, a top and a bottom.

7 The shells are then welded together using an  
8 automated welding lathe. You can see the weld line around  
9 the center of the sample cylinder joining the two shells. A  
10 port is cut into the top shell and a threaded flange is  
11 welded into the port to receive the valve. A die press  
12 bends steel strips into rings for the collar and foot ring,  
13 which are then welded to the tank body.

14 The collar protects the valve area from  
15 damage, and provides a handle to carry the unit. The foot  
16 ring allows the cylinder to stand up and provides stability.  
17 The assembled cylinder is heat-treated in a furnace for  
18 strength, and is pressure-tested to ensure there will not be  
19 leaks. Finally, the cylinder is powder-coated to protect it  
20 from rusting and a valve is screwed tightly into the port.  
21 It is then water-tested to ensure the valve does not leak.

22 The thinner cylinder is labeled with  
23 identifying information including the date of production.  
24 All steel propane cylinders must be tested and recertified  
25 after ten years of use, and every five years thereafter to

1 ensure they remain safe to use.

2           Steel propane cylinders are primarily sold in  
3 three different ways. One, to retailers to resell empty  
4 cylinders to consumers. Two, to gas exchangers that  
5 distribute filled cylinders to consumers and collect empty  
6 cylinders for refilling, and three, to end users such as RV  
7 manufacturers that incorporate the cylinders into an RV for  
8 sale to the consumer. These channels of distribution are  
9 unique to steel propane cylinders.

10           At Worthington we pride ourselves in producing  
11 high quality steel propane cylinders in a cost efficient  
12 operation. We provide great value to our customers in terms  
13 of short lead times and flexibility. Despite all that,  
14 Worthington has been injured by unfairly priced imports of  
15 steel propane cylinders from China, Taiwan and Thailand.

16           We have significant excess capacity to produce  
17 steel propane cylinders and would like to produce more. In  
18 fact, our production volume used to be much higher before we  
19 lost the bulk of our RV customers to low-priced imports.  
20 Eight to ten years ago imports from China, Taiwan and  
21 Thailand began gaining sales with our RV customers.

22           Those customers are primarily based in  
23 Elkhart, Indiana, which is only a few hours' drive from our  
24 facility in Westerville, Ohio and used to be a major share  
25 of our sales. After the Great Recession, RV producers

1 switched to buying low-priced imports of steel propane  
2 cylinders. The imports made significant inroads with those  
3 customers and established distribution networks.

4 Today, Worthington struggles to maintain even  
5 a small volume of sales to RV customers, because we cannot  
6 compete with unfairly low import prices. Unfortunately, we  
7 have begun to see history repeat itself over the past few  
8 years. The foreign producers now have networks in the  
9 United States that allow them to readily sell to retail,  
10 distributor and gas exchange customers that are being  
11 enticed by these low-priced import offers.

12 Subject imports are taking sales and market  
13 share at these customers in the same way they successfully  
14 undersold us and displaced us with our RV customers. This  
15 is an extremely price sensitive business, regardless of the  
16 customer. Most of our customers would view steel propane  
17 cylinders whether imported or domestic as interchangeable.  
18 They are produced to a uniform government specification and  
19 must meet the same rigorous safety requirements.

20 The only differentiator is price. We're not  
21 losing business for reasons of quality, delivery, service or  
22 supply. Worthington cylinders compete directly with imports  
23 for sales on the basis of price. So the lower prices  
24 offered by the foreign producers have very damaging effects  
25 on our ability to retain business.



1                   MR. GRAUMANN: Good morning. I am Robert  
2                   Graumann and I am president and chief operating officer of  
3                   Manchester Tank and Equipment, a position I have held since  
4                   2012. Manchester is one of only two producers of steel  
5                   propane cylinders in the United States. Manchester was  
6                   formed in 1946 in the wake of World War II to provide  
7                   cylinders into a growing propane industry.

8                   We have highly efficient and cost competitive  
9                   production facilities in Crossville, Tennessee and Elkhart,  
10                  Indiana. We also have distribution centers in Carrollton,  
11                  Texas and Walnut, California that give us the capability to  
12                  serve our customers nationwide with short lead times and  
13                  great customer service.

14                  Manchester is a petitioner in this case  
15                  because we have watched as imports from China, Taiwan and  
16                  Thailand have taken an increasing share of the steel propane  
17                  cylinders market over time. Those imports have been  
18                  injuring Manchester, and we felt that we could no longer  
19                  wait for the inevitable demise of our business before taking  
20                  action.

21                  As Mr. Rosenthal described in his remarks,  
22                  Manchester has been dealing with the problem of low-priced  
23                  imports for about a decade now. Manchester first began to  
24                  see serious competition from imports of steel propane  
25                  cylinders at our recreational vehicle customers. Manchester

1 has a production facility located in Elkhart, Indiana, which  
2 bills itself as the RV production capital of the world.

3 We could not be better situated to serve those  
4 customers, yet we essentially have none of their business  
5 for 20 pound, 30 pound and 40 pound DOT cylinders. That is  
6 not because we have an inferior product. Manchester is  
7 recognized as a top quality producer of steel propane  
8 cylinders and all cylinders, whether domestic or imported,  
9 are made to the same DOT standards. Customers, therefore,  
10 view them as interchangeable with the imports.

11 Our lack of business with the RV industry is  
12 also not because of delivery or service issues, because  
13 those customers are right in our backyard. We simply lost  
14 those customers because of price. The imported cylinders  
15 were coming from Asia and being shipped to Elkhart, in the  
16 middle of the United States, at prices Manchester could not  
17 hope to match, even though we had virtually no shipping  
18 costs to those customers.

19 At that time, RV producers were struggling  
20 with the aftermath of the recession and looking to trim  
21 costs. Once the imported cylinders gained a foothold with  
22 the RV producers, they steadily pushed us out of that market  
23 almost entirely. To this day, Manchester has not been able  
24 to regain those customers because we cannot afford to sell  
25 at the low prices that would be necessary to match the

1 import prices.

2 We are now largely shut out of that market.  
3 We have provided you with of evidence of sales lost due to  
4 the lower prices of the subject imports at those customers.  
5 Manchester is able to sell a small amount of steel propane  
6 cylinders for RVs into the aftermarket, but the RV producers  
7 no longer even seek quotes from Manchester for the main body  
8 of their business, due to the low import pricing available  
9 to them.

10 Over the last two years, we have seen this  
11 pattern repeating itself with other customers in the market,  
12 as the subject imports continue to undersell us. The  
13 imports are making serious inroads into the retail customers  
14 such as the big box stores and large discounters. As they  
15 gain business at those customers with low prices, we are  
16 again losing opportunities to meaningfully compete.

17 With those big box and discounter customers in  
18 particular, price is king. Their model is based on selling  
19 to consumers at low prices. Just like with the RV  
20 customers, once the imported product is bought by the  
21 customer, we are eventually forced out or forced to lower  
22 our prices to unacceptable and unhealthy levels.

23 In some cases we have even turned to importing  
24 some steel propane cylinders over the past several years,  
25 where it was better for us to import than to lose those

1 sales to other imports.

2 Manchester cannot allow these unfairly traded  
3 imports to continue to erode our domestic customer base  
4 further. If you will look at our top ten customer list in  
5 the questionnaire response, you'll see just how much those  
6 few customers represent to our overall business. We cannot  
7 afford to lose business in the large volumes that these  
8 customers represent in the way we did with our RV customers.  
9 Shrinking our customer base is not a good long-term strategy  
10 for survival.

11 We also cannot afford to match import pricing  
12 across our customer base, particularly as our raw material  
13 costs have been rising. We have reached a crossroads that  
14 has caused us to act through this dumping case while we  
15 still can. We need relief from the unfair import pricing if  
16 we are to be able to continue manufacturing propane  
17 cylinders in the United States. Thank you.

18 STATEMENT OF JAMES BOWES

19 MR. BOWES: Good morning. My name is James  
20 Bowes, and I'm the Director of Finance for Worthington  
21 Industries. I have been working in finance and accounting  
22 with Worthington for nine years. Today, I am here to  
23 discuss the dire condition of Worthington Steel propane  
24 cylinder business as a result of unfairly traded imports  
25 from China, Taiwan and Thailand.

1                   My colleague, Mr. Komlosi, mentioned that  
2                   Worthington began as a steel processing facility in 1955.  
3                   The company overall is much bigger now than it was more than  
4                   60 years ago, but steel processing continues to be our core  
5                   competency. That means that across the different  
6                   Worthington businesses, we are a major steel purchaser.

7                   We leverage that purchasing power to ensure  
8                   that our operations, including steel propane cylinders  
9                   production, are as efficient and cost-effective as possible.  
10                  In fact, we are quite proud of our buying expertise and the  
11                  ability to manage costs for the company overall. Given our  
12                  ability to exercise purchasing power and keep our steel  
13                  costs as low as possible, our steel propane cylinders  
14                  operation should be one of our most profitable businesses.

15                  We produce high quality steel propane  
16                  cylinders and provide exceptional service to our customers.  
17                  But, as Mr. Komlosi explained, steel propane cylinders are  
18                  also readily interchangeable. Cylinders are manufactured to  
19                  standard specifications with a relatively small number of  
20                  separate components requiring only a few die presses and  
21                  welds.

22                  We should be able to maximize our profit  
23                  margin in this particular business through the use of high  
24                  volume, automated production lines and effective management  
25                  of our steel costs. While we have both of those things

1 working in our favor, we have still lost customers and are  
2 performing poorly in steel propane cylinders business, as  
3 you can see from our questionnaire responses.

4                   Worthington's experience is very much the same  
5 as you just heard from Mr. Graumann of Manchester. About  
6 ten years ago, propane cylinder imports from the subject  
7 countries began taking sales volume with our long-time  
8 recreational vehicle customers. They did so by lowering  
9 their prices. We cannot compete with the import prices  
10 being offered then or now, and we have lost nearly all of  
11 that business.

12                   I realize that some of these lost sales  
13 occurred before the time period the Commission reviews. But  
14 it is important to understand to our RV customers were a  
15 major source of business for us. The RV industry is booming  
16 these days, but we are unlikely to get any of that business  
17 back unless imports are fairly priced. We clearly cannot  
18 afford to match the import prices to those RV customers  
19 today.

20                   So the injury that started to manifest itself  
21 several years ago continues today. That means that our  
22 remaining retail and gas exchanger customers are vitally  
23 important for us staying in this business. Worthington  
24 wants to be part of the steel propane cylinders industry,  
25 but we also have to justify production on an economic basis.

1                   That economic justification is dependent on  
2 high volume sales to a relatively small number of large  
3 retail and gas exchanger customers. We need to keep those  
4 customers. Unfortunately, that is getting harder and harder  
5 to do as unfairly traded imports gain ground at those  
6 customers with low-priced offers.

7                   Given that imports were able to capture almost  
8 the totality of sales to RV customers over time, I have no  
9 doubt that they will be able to do the same thing with our  
10 customers unless fair pricing is restored to the  
11 marketplace. Given the importance of high capacity  
12 utilization, we do everything we can to prevent the loss of  
13 our remaining volumes. Unfortunately, that means we take a  
14 beating on price. That is the real killer for us.

15                   The significant volumes of lower priced  
16 imports in the market have forced us to keep our prices low  
17 just to maintain sales to our remaining large customers.  
18 The hurricanes in Houston, Puerto Rico and Florida gave us a  
19 temporary increase in our sales volumes, as propane  
20 cylinders were in higher demand to help address these  
21 natural disasters.

22                   But even though our shipments increased to  
23 meet this temporary spike in demand, we were not able to  
24 realize an increase in our prices. Indeed, for years we  
25 have been able to increase our prices to cover costs at

1 major customers who have access to unfairly traded imports.  
2 Recent price increase announcements meant to address rising  
3 steel costs were unsuccessful.

4 This has taken a serious toll on Worthington's  
5 business, and it is increasingly difficult to justify our  
6 continued production of steel propane cylinders. Even when  
7 we lower our price to get a sale, often import prices are so  
8 low that we lose a sale anyway. Shipping higher volumes at  
9 unprofitable prices is not a formula for long-term success.

10 Our financial position is deteriorating  
11 rapidly, because unfairly priced subject imports are keeping  
12 prices artificially low. The pressure subject imports have  
13 put on our pricing and profitability has a direct impact on  
14 our employees. We have a company-wide profit-sharing model  
15 that distributes a share of profits to employees on a  
16 quarterly basis. Typically, this had been done on the basis  
17 of profits earned by the employees at a particular facility.

18 But profits at our Westerville facility, where  
19 steel propane cylinders are produced, have been so low in  
20 recent years that the employees at that plant have  
21 experienced a significant decline in their take-home pay.  
22 Despite Westerville being one of our most advanced and  
23 efficient facilities, we could not generate profits that  
24 allowed us to pay these employees at the same level as  
25 facilities that do not compete with imports.

1                   This pay disparity has negatively affected our  
2 employees. We cannot sell the volume of steel propane  
3 cylinders that we should, and we cannot sell what we are  
4 producing at a reasonable price. As subject imports keep up  
5 the pricing pressure, they are poised to take even more  
6 sales than they already have.

7                   I'm not sure how much longer we can hold in  
8 this business at these prices. Without relief, imports from  
9 China, Taiwan and Thailand will drive us out of the rest of  
10 the market. Thank you.

11                   MR. ROSENTHAL: This concludes our direct  
12 presentation. I would like to introduce the other witnesses  
13 on our panel who will be able and willing to answer  
14 questions. To my right, Nancy Chamblee with Manchester  
15 Tank, and to my left Dale Brinkman with Worthington  
16 Industries, and my colleagues Alan Luberda, David Smith,  
17 Brooke Ringel at Kelley Drye and Michael Kerwin of  
18 Georgetown Economic Services.

19                   Thank you.

20                   MR. CORKRAN: Thank you very much, and thank you  
21 for your presentation today. It has been very, very helpful.

22                   Let me turn first to our Investigator, Mr. Jones.

23                   MR. JONES: Good morning. Lawrence Jones,  
24 Office of Investigations.

25                   The first question I had was regarding the scope

1 and the recent changes that were made. There was one  
2 initially made two days after the filing which was on the  
3 24th of May. And then there was one that was presented, or  
4 basically it was--brought about Commerce. Based on those,  
5 can you explain the changes, or the proposed changes? The  
6 changes took effect on the 24th, and then the proposed  
7 changes as of yesterday. And why you're making those  
8 changes? And a follow up to that would be: How will this  
9 affect the current data set and data collection for us going  
10 forward? Thank you.

11 MR. LUBERDA: So the changes that have been  
12 made, these are in consultation with the Commerce  
13 Department.

14 MR. BISHOP: Could you please state your name?

15 MR. LUBERDA: I apologize. Al Luberda for Kelley  
16 Drye. The changes were made because the Commerce Department  
17 raised the issues about ready enforceability initially, and  
18 then so it would be clear for the Customs Service to be able  
19 to enforce any Order.

20 And then yesterday's change had to do with a  
21 concern raised by the Commerce Department as to whether  
22 there might be circumvention. And that change was not  
23 accepted by the Commerce Department, even though they  
24 requested us to make it. We had had a discussion with them  
25 saying that it would be better for any change that had to do

1 with--not a "change"; let me rephrase that. It was a  
2 clarification to allow it to be better enforced not to allow  
3 circumvention. And we thought it would be better that that  
4 occurred during the 20-day scope comment period that  
5 Commerce normally has so that all parties have a chance to  
6 comment on it.

7           And so they asked us to file it. We filed it.  
8 And then they decided that they agree with us that this was  
9 something better to do during the 20-day period. And it's  
10 our understanding that they are not going to act on it.  
11 Obviously we haven't seen Commerce's initiation notice, but  
12 it was our understanding that, to the extent they initiated  
13 it, they would not be acting on that particular  
14 clarification that we'd be doing it during the 20-day  
15 period.

16           So the idea I think of the most recent change  
17 was, if somebody were to say bring in a propane tank and  
18 say, well, this is only covering propane tanks, and we're  
19 bringing in--this is a tank for some other gas, that would  
20 be a difficult thing for the Customs Service to be able to  
21 determine at the border.

22           So how to make sure that we are covering, you  
23 know, only those tanks that we intended to cover. That's  
24 the discussion that's going to be going on.

25           MR. SMITH: This is David Smith. Yeah, it was

1 all about circumvention. And just to go back to the  
2 original scope changes, you know Mr. Komlosi testified that  
3 at the low end we have 4.25 pound cylinders, and at the high  
4 end 40. Well one of the things Commerce wanted us to do,  
5 because they've had some experience with parameters being  
6 used as blueprints for how to get around an Order, is to  
7 lower the low end down to 2-1/2, and to raise the high end  
8 to I think it was 42-1/2. So it was about getting at  
9 circumvention. It wasn't to try to change the coverage.

10 The same with some language towards the end about  
11 assembly in a third country. I think they had us take the  
12 word "portability" out. These are portable tanks. That's  
13 one of the reasons the DOT certifies them, because they are  
14 used by unsophisticated consumers, and there's some concern  
15 about safety.

16 So the DOT regs cover basically zero to 40 pound  
17 tanks. So really Commerce has always been, or at least in  
18 the last few years has been very concerned about trying to  
19 address circumvention issues up front so we don't have to  
20 change the scope later.

21 MR. JONES; Thank you.

22 MR. ROSENTHAL: Paul Rosenthal. Just to add to  
23 the last part of the question. So nothing that has been  
24 proposed will change the database that you're working with.

25 MR. JONES: Thank you. And this is kind of a

1 follow-up question to the initial one. As far as--being  
2 mindful of business proprietary information, based on our  
3 initial APO release, how would you describe our data  
4 coverage for the importers that we've received responses  
5 from? And who do you believe is still missing that you  
6 would be able to elaborate on. And, you know, if this is  
7 something you aren't comfortable, addressing in the  
8 postconference briefs you can do so.

9 MR. LUBERDA: This is Alan Luberda. I think you  
10 have two of the largest importers. We can't say that you  
11 have everybody. And being mindful of APO data, we will I  
12 think address this in our postconference brief as to what  
13 might be missing. I heard Mr. Campbell say that there are  
14 no imports from Taiwan. I think there's an issue about  
15 whether there are imports from Taiwan that has to do with  
16 how much data is being collected. And so we will have to  
17 address anything--address his allegation that there are no  
18 imports from Taiwan in our post-hearing.

19 MR. JONES: Thank you. And this is more of a, I  
20 guess a big-picture question, and this will be--I'll ask  
21 this of the foreign producers and Respondents as well, but  
22 can you tell us about the process, or how a company goes  
23 about getting DOT certification?

24 MR. KOMLOSI: I'm not an expert--this is Mark  
25 Komlosi of Worthington. I'm not an expert on all of DOT

1 specifications. I know in order to produce cylinders,  
2 propane cylinders, you have--your facility has to be  
3 qualified to DOT, and your testing has to meet DOT  
4 requirements with regular audits.

5 I don't know the cadence of those audits, but I  
6 could dig into it and get you additional information.

7 MR. GRAUMANN: This is Robert Graumann. Even  
8 though we've been in the industry for quite some time, our  
9 companies have been in the industry much longer. So we've  
10 never in my time taken a new facility through a DOT  
11 certification. So I might suggest we add additional detail  
12 in the post-conference brief on what exactly what process  
13 looks like to get DOT certification.

14 MR. JONES: Great. Thank you for your  
15 responses. Florida's Customer Preferences for steel propane  
16 cylinders, can you tell us a little bit about that? And  
17 what is driving demand, not just for the domestic industry  
18 but some of the import trends that you've noticed?

19 MR. KOMLOSI: Mark Komlosi of Worthington. It's  
20 a very weather-dependent industry. You know, in the spring  
21 and summer obviously you're going to have increased sales  
22 due to people wanting to get out and barbeque, you know,  
23 spending time in their outdoor living spaces.

24 Unfortunately, natural disasters drive demand for  
25 our product due to temporary heat and cooking applications.

1                   MR. GRAUMANN: Robert Graumann. There's  
2                   probably three or four major buckets of demand. One is just  
3                   leisure activities. So doing things on your patio like  
4                   cooking and heating as well as camping drive a fair amount  
5                   of demand in this category. So very slow growth. That kind  
6                   of goes with population.

7                   Then to Mark's point, weather. Because if you  
8                   need heat in a temporary situation, you have a really cold  
9                   winter, it's an agricultural setting, your chickens are  
10                  going to get too cold, you'll throw some heaters somewhere  
11                  and take a couple of cylinders of this size and make sure  
12                  the temperature stays above the level you need it to. So  
13                  temporary heat is a key driver of this as well.

14                 That is also a very stable market. And then  
15                 finally it would be where these products get put into  
16                 another product like an RV. So if a lot of Rvs are being  
17                 sold, there are more 20- and 30-pound cylinders installed in  
18                 them. That's also a relatively stable market that is  
19                 somewhat cyclical over time. We're probably at somewhat of  
20                 a high point right now over the last few years for RV  
21                 production. But over the long term, over a 5- or 10-year  
22                 period, it's a very mature market and growing low single  
23                 digits on an annual basis.

24                 Ms. Ringel: Mr. Jones, Brooke Ringel, Kelley  
25                 Drye. Mr. Campbell also confirmed in his opening statement

1 that this is a relatively stable market. And I would refer  
2 the staff back to slide 13 of Mr. Rosenthal's presentation  
3 that demonstrates that subject import growth has not been  
4 commensurate with the stability of this particular market.

5 MR. GRAUMANN: Robert Graumann. I would add one  
6 more comment. The other relatively unpredictable event that  
7 can drive a lot of demand for these cylinders is hurricanes  
8 and natural disasters. Because when it knocks out other  
9 more permanent energy infrastructure, this is a temporary  
10 energy infrastructure for heating or cooking.

11 So say Q-4 of last year there were quite a few  
12 hurricanes that drove one-time demand for this product.

13 MR. JONES: Thank you for your responses.

14 As far as on page 5 of the Petition, the  
15 original, the one that was filed on the 22nd, Technical  
16 Descriptions and Uses: Recreational vehicles were listed as  
17 one of the main uses for steel propane cylinders.

18 The RV Industry Association is here today and  
19 they're part of the Respondent panel. What do you make of  
20 that as far as them not being on the Petitioner's panel, or  
21 with you guys?

22 MR. ROSENTHAL: This is Paul Rosenthal. That's  
23 not a great surprise. As mentioned in my opening and my  
24 slide presentation, you heard from the witness testimony,  
25 the RV industry really turned to the use of imported propane

1 cylinders several years ago in order to reduce their costs.  
2 And the imposition of antidumping duties is going to  
3 increase their costs. So if they were going to appear at  
4 this hearing, I would expect them to be sitting with the  
5 Respondents and testifying with them as they are, because as  
6 far as everyone is concerned this issue is all about price.  
7 And I totally understand why RV producers don't want to pay  
8 higher prices for any input, including their steel  
9 cylinders.

10 So I look forward to hearing the testimony of the  
11 RV industry witness and see if he says anything else. If  
12 you look at the website for the Industry Association, you'll  
13 see that the RV sales have reached new records. The  
14 industry seems to be doing very, very well. But you also  
15 look at the data and in this particular case you will see  
16 that the domestic producers of propane cylinders are not  
17 sharing in that growth, because all that growth is going to  
18 imports.

19 MR. JONES: Thank you for your responses. I  
20 just was kind of, I wouldn't say "strange," but it was--I  
21 was kind of surprised because the central location in  
22 Elkhart, Indiana, and you guys have such a, obviously a  
23 close relationship with them, but yet they're not in support  
24 of you guys. I felt that was at least a little bit  
25 surprising.

1                   MR. ROSENTHAL: It's a close geographical  
2 relationship. Unfortunately, they decided a long time ago  
3 that they could buy cheaper elsewhere. And unfortunately as  
4 you saw from another one of the slides, the importers have  
5 set up distribution right in downtown Elkhart, as well. So  
6 money talks, and it's not surprising that they prefer to buy  
7 less expensive cylinders. I totally understand that. But  
8 with all respect, Mr. Jones, it is not surprising to see  
9 customers who are buying low-priced imports side with their  
10 pocketbooks and not with the other producers of other  
11 products that they might buy who are located down the road  
12 from them.

13                   MR. GRAUMANN: Robert Graumann. Just one  
14 additional comment. I would suggest that the situation in  
15 Elkhart is not for lack of effort.

16                   Members of our sales team that would sell in that  
17 industry are located, co-located with our plant there. And  
18 we have many conversations and significant contact with  
19 people in the RV industry on an annual basis. They remain  
20 cordial and in communication, but for the product that we're  
21 discussing today they've chosen to buy elsewhere because we  
22 can't match the price that they're getting on the imports.

23                   MR. KOMLOSI: This is Mark Komlosi of  
24 Worthington. I would second that. We continue to have a  
25 relationship with RV manufacturers in the hopes that there

1 would be opportunities to sell them some product.

2 Typically when there's a port strike or a service  
3 disruption, or a huge opportunity due to a natural disaster,  
4 to supply product, if they're not able to get product in the  
5 short term we have supplied them in the past. When things  
6 go back to normal, it becomes a price issue and, once again,  
7 we stay close with them just for opportunities that may  
8 present themselves during different times of the year.

9 MR. JONES: Thank you for your responses.

10 Just a follow up as far as--you briefly mentioned  
11 it, touched on it, as far as the facilities. And this is  
12 specific to Manchester. As far as the differences in  
13 production facilities, the Crossville, Tennessee, and the  
14 Elkhart, Indiana one. Can you go into a little bit of  
15 detail about the differences in the production facilities,  
16 if there are any? And what would you estimate the  
17 production for the Elkhart, Indiana, goes towards the RV  
18 industry?

19 MR. GRAUMANN: Robert Graumann. The main  
20 difference between the two facilities is really product  
21 focus. Our Crossville facility only makes 20-pound size.  
22 So it really produces only one product for multiple  
23 customers, and there's some slight packaging differences.  
24 But the cylinder, for all intents and purposes, is  
25 identical.

1                   Where Elkhart has a broader product scope. It  
2                   makes cylinders down to the 5-pound size, and then within  
3                   the scope of this makes 20s, 30s, and 40s. And then also  
4                   makes additional cylinders outside the scope that are  
5                   fabricated from aluminum, or are three-piece cylinders for  
6                   more bulk storage.

7                   And--could you repeat the question? There was  
8                   something with respect to the Elkhart facility and RV?

9                   MR. JONES: Yes, as far as an estimate as far as  
10                  production in the Elkhart facility going towards the RV  
11                  industry.

12                 MR. ROSENTHAL: And that's what I whispered to  
13                 him and said, do not repeat anything that's confidential and  
14                 we'll put in the posthearing brief.

15                 MR. JONES: Thank you.

16                 MR. GRAUMANN: Well follow up with that in the  
17                 brief. Thank you.

18                 MR. JONES: The next question is regarding each  
19                 firm's employment trends. How would you describe the  
20                 domestic industry's overall employment trends? And also,  
21                 has the domestic workforce changed or evolved over the last  
22                 two or three years during the Period of Investigation?

23                 And what I mean by that is, for example, new  
24                 technology being implemented into the production process, or  
25                 just in general anything that would change the overall

1 employment trends such as automation or something along  
2 those lines.

3 MR. ROSENTHAL: You're limiting it to the last  
4 few years and Period of Investigation, I presume--this is  
5 Paul Rosenthal--just to clarify. The question is has there  
6 been anything in the last few years during the Period of  
7 Investigation in terms of modernization techniques that  
8 might affect employment?

9 MR. JONES: Yes. Correct.

10 MR. ROSENTHAL: Okay.

11 MR. BOWES: James Bowes, Worthington. Over the  
12 last few years in our Westerville, Ohio, facility we have  
13 not invested in significant capital expenditures relating to  
14 automation to reduce head count. So that has not been the  
15 case for us.

16 MR. GRAUMANN: I would say we have continued a  
17 trend of investing in all of our plants. And this would  
18 include the Crossville and Elkhart facility. Specifically  
19 within Crossville, I won't go into the specific projects, we  
20 can provide more detail in the postconference brief, but  
21 really making capital investments to improve our  
22 productivity and reduce the cost per unit of those  
23 cylinders is a goal of ours every year. And we have  
24 continued to make investments to that end.

25 I will say that there are a number of investments

1 we've looked at, and we can share specifics again outside of  
2 this public hearing, for our Elkhart plant that have  
3 remained kind of unapproved, or we haven't moved forward  
4 with those because of the lack of business we have in that  
5 plant and the loss of the RV business has prevented us from  
6 having basically enough business to earn a payback on those  
7 investments.

8 And so they have kind of remained mothballed for  
9 a period of time, and we haven't moved forward with them to  
10 date, even though they've been part of our discussions for  
11 three to four years.

12 MR. JONES: And just following up on employment  
13 trends, just going back a little bit, overall not related to  
14 the automation of technological changes, as far as basically  
15 just what's going on, wages--without disclosing, obviously,  
16 business proprietary information, production related  
17 workers, et cetera--what are you seeing as far as the  
18 employment trends for your industry?

19 MR. ROSENTHAL: This is Paul Rosenthal. Mr.  
20 Jones, you do have the actual questionnaire responses which  
21 detail exactly what's happened at these facilities in the  
22 Period of Investigation.

23 One of the things that doesn't get picked up  
24 quite as neatly in the questionnaires is the information  
25 that Mr. Bowes talked about concerning the issue of

1 compensation which does not affect head count but rather  
2 affects take-home pay. Because the employees have been  
3 compensated on a salary--base salary plus bonus approach.  
4 And we can give you more detail of that in the  
5 postconference brief, because in order to compensate these  
6 employees in a way that was not unfair to them compared to  
7 other plants Worthington has done certain things to adjust  
8 that. But it is clear that the declining profitability has  
9 affected the take-home pay of the workers.

10 MR. JONES: Thank you for your responses.

11 As far as the domestic industry having the  
12 sufficient capacity to satisfy the U.S. market, how would  
13 you describe that?

14 MR. GRAUMANN: Robert Graumann. From  
15 Manchester's perspective we are operating currently well  
16 below our available capacity. Our Crossville plant during  
17 the Period of Investigation has been running at about I  
18 would say high-40 percent capacity, perhaps 45 to 48  
19 percent. So we could more than double our output of  
20 20-pounders, if required.

21 And we're running at capacity levels out of our  
22 Elkhart plant that are less than that, probably closer to  
23 one shift. So we could more than double our output out of  
24 Elkhart. And I can't speak for Worthington, but we have  
25 significant available capacity to serve the U.S. market as

1 needed.

2 MR. KOMLOSI: This is Mark Komlosi, with  
3 Worthington. We as well have significant capacity and ramp  
4 up to make additional cylinders in Westerville, Ohio.

5 MR. JONES: And just following up on production  
6 and capacity utilization, how would you describe these  
7 trends, without, obviously, disclosing any business  
8 proprietary information, between 2015 and 2017? And then  
9 what's the outlook? Specifically, what's the outlook for  
10 2018?

11 MR. LUBERDA: I don't know that we can describe  
12 those trends in a way that wouldn't disclose something  
13 proprietary, at least for the 2015-17 period. But to the  
14 extent the witnesses discuss generally what they see coming  
15 in the near future.

16 MR. KOMLOSI: This is Mark Komlosi with  
17 Worthington. I mean we have capacity for the products that  
18 are in scope here. Worthington manufactures a number of  
19 different products at different facilities in Ohio that  
20 we've looked to utilize capacity in Westerville. And we've  
21 brought additional products there, and are continually  
22 analyzing additional products that we can move there if this  
23 downward trend due to price continues.

24 MR. ROSENTHAL: I'm going to be as general as I  
25 can--Paul Rosenthal. One of the things that is concerning

1 is what's going to happen through the next part of this  
2 year. You heard a little testimony earlier, Mr. Jones, by  
3 the witnesses talking about how there's been a spike in  
4 demand due to the hurricanes and other natural disasters.  
5 And I think Mr. Bowes's testimony referenced increased sales  
6 in the first quarter of 2018, perhaps because of colder than  
7 normal winter.

8 I think there might have been some customers who  
9 were buying more in the first quarter to build inventories.  
10 So I think there's a concern that, however much demand might  
11 have improved in the first quarter of '18 due to these  
12 temporary factors, that it could drop off--therefore,  
13 shipments and capacity utilization could drop off later in  
14 2018 as this demand was pushed forward in the year and  
15 therefore won't be repeated, and may result in declining  
16 demand as the year goes on.

17 MR. SMITH: David Smith. Their capacity is such  
18 that I would ask Mr. Komlosi to relay to you a story he told  
19 us yesterday about when, subsequent to one of these  
20 hurricanes, he was able to pick up some business from some  
21 customers that normally rely on imported product.

22 MR. KOMLOSI: Yeah, when there's a flex in  
23 demand because of a natural disaster and we're able to  
24 react, one of the benefits of dealing with warranty is we  
25 have the flexibility to ramp up production. And in this

1 particular case, the customer had come to us that was buying  
2 imported cylinders, had asked for us to supply them tanks,  
3 and we did for a short period of time. And things were  
4 looking favorable that we would continue to supply them.

5 And once, you know, that short term spike was  
6 over, we essentially--you know, they gave us a price point,  
7 or price guidance and said, hey, you want to continue to  
8 supply us products this is your new price point. And it was  
9 significantly lower than the opportunity--when the  
10 opportunity presented itself.

11 MR. JONES: Thank you for your responses.

12 Shifting gears a little bit, this is going  
13 towards more than import side. One page 8 of the Petition,  
14 you indicated that imports coming into, as far as steel  
15 propane cylinders exceeded the level of imported subject  
16 merchandise. Is there--can you provide some estimates for  
17 approximately how much that you can describe? I mean, most  
18 of this information is based on official import statistics.

19 MR. SMITH: This is David Smith again. I'm  
20 sorry but, you know, that's a--the tariff classification  
21 that we have is pretty much a basket classification, and it  
22 goes up to very large sized tanks, dissembled tanks, tanks  
23 for various uses. So we've not been able to get a good  
24 handle on our share of that tariff classification.

25 MR. JONES: Thank you. As far as--going back to

1 the imports--as far as page 16 of the Petition, you cited a  
2 1 and 9.5 percent increase of overall imports from the  
3 combined subject countries. But earlier in the Petition you  
4 guys had indicated that it was a basket category and it was  
5 difficult to rely upon. Is there any clarification to that  
6 matter?

7 MR. LUBERDA: So we weren't--this is Alan  
8 Luberda--we had to rely on some industry estimates, as well  
9 as looking at as many sources as we could to try to read the  
10 data.

11 At this point, you know, the Commission is going  
12 to have to rely at least in part on importer data. We do  
13 not have a better way to parse the import data than we have  
14 already given you at this point. There just isn't data that  
15 would allow us to do that.

16 Obviously you have some challenge in terms of  
17 whether we have all the importers represented from all  
18 countries, but we parsed it in the Petition as best we  
19 could. And then I think some of the import data that's come  
20 in helps explain some of what we saw in the import data--in  
21 the official import data, anyway.

22 MR. JONES: Thank you. And this is going--  
23 focusing more specifically on Taiwan. This was included in  
24 your--in the Supplemental Volume 3, which was filed on May  
25 30th. It's specific to the standard capacity cylinder that

1 was brought up in that supplement, very specific to the 6.71  
2 kilogram cylinders.

3 And the data varies pretty widely. And this is  
4 based on official import statistics, the latter HTS number  
5 90, the 7311 Code, the last numbers are the 91s, because  
6 there was no information--very, very little information  
7 available for the initial HTS Code.

8 But just looking at that data, it seems as though  
9 there's two different types of cylinders coming in. The  
10 data varies widely, and we're just trying to figure out if  
11 your methodology at coming to the 6.71 kilograms is based on  
12 that. Was it--how did you guys come about that? Because we  
13 were struggling with that as staff.

14 MS. RINGEL: Mr. Jones, this is Brooke Ringel  
15 with Kelley Drye. We can go into some more detail in our  
16 postconference brief about how we came to that methodology,  
17 but the most important thing about that is that that  
18 methodology was utilized specifically for purposes of  
19 demonstrating why the AUV was the best available  
20 information for purposes of a U.S. price for the Taiwan  
21 Dumping Petition.

22 I believe that we stated fairly clearly in our  
23 Petition Supplement that we did not believe that that  
24 methodology was sufficiently reliable to establish import  
25 volume trends, or import volume pricing specifically for

1 Taiwan over the POI for the Commission's purposes. And so,  
2 like I said, we'll be happy to explain that further, but to  
3 reiterate what Mr. Luberda had said, really for what the  
4 Commission needs to look at at this point, the information  
5 received in the importer data questionnaire we believe is  
6 the best available information.

7 MR. LUBERDA: This is Alan Luberda again.  
8 Although we do think it is incomplete at this point, and we  
9 will provide more discussion of that in our post-conference  
10 brief.

11 MR. ROSENTHAL: Mr. Jones, Paul Rosenthal, one  
12 last point, since you mentioned Taiwan. We are relying on  
13 several facts with respect to Taiwan. One is the fact that  
14 the major Taiwanese producer of cylinders also produces in  
15 China, but we have been told, or our clients have been told  
16 that the importer can import from either the Taiwanese or  
17 the Chinese facility, depending on what decisions the  
18 importer makes, or the parent TPA may make.

19 Two, and we will provide more on that in our  
20 post-conference brief, two, the import statistics show a  
21 very large presence and growing presence of imports of  
22 cylinders from Taiwan. As we know, it's a basket category,  
23 but our clients have been told by customers that they've  
24 been getting quotes, the statement is, by Asian suppliers.  
25 Well, there are three: Taiwan, China, and Thailand. And

1 they don't always differentiate.

2 We do know the Thai--sorry, the Taiwan and  
3 Chinese producer are the same parent company, at least. And  
4 also important in this area is the absence of any--I'm  
5 trying to say this without violating any APO--but we cannot  
6 force foreign producers to fill out your questionnaire and  
7 respond. All we can do is give you the information that is  
8 available to us and tell you why we believe this is the best  
9 facts available. We can't require a foreign producer or  
10 importer to tell you how much they're shipping, if at all,  
11 and when.

12 So I know that puts more of a burden on the  
13 Commission to try to get to the bottom of that, but we're  
14 doing our best to provide you what we've got.

15 MR. JONES: Thank you for your responses and I  
16 look forward to your post-conference briefs on that matter.  
17 This is regarding the petition again. Page 19 you indicated  
18 one company, referencing Costco specifically, and this is  
19 regarding import sales in the competition analysis. Can you  
20 go into more detail why we should take into this account  
21 based on just the one company regarding very specific to  
22 direct import sales?

23 MR. LUBERDA: I think that's something we should  
24 answer in the post-conference brief. We can give you a  
25 little more detail there.

1                   MR. JONES: Thank you. And this is going to be  
2 my last question. Are you aware of any anti-dumping or  
3 countervailing duty orders on the steel propane cylinders in  
4 any third countries, other than China, Taiwan, or Thailand  
5 or any pending processes regarding that?

6                   MS. RINGEL: At this point in time we have not  
7 identified any traditional ADCBD third country orders --  
8 orders in other third countries, but I will note that just  
9 like the United States Department of Transportation has  
10 regulations that specify the manufacturer end use of the  
11 propane cylinders in the United States, other countries and  
12 regions, such as the European Union, have similar  
13 regulations that differ from those in the United States.  
14 And so that is in some ways a non-tariff barrier that is a  
15 hurdle for the transfer or export of specific cylinders to  
16 other countries.

17                   As we know, particularly because of the foreign  
18 producers that have appeared today, these foreign producers  
19 are already certified and actively selling in the United  
20 States market, which makes that hurdle -- which means  
21 they've already surpassed that hurdle for selling into the  
22 United States.

23                   MR. JONES: Thank you for your response.

24                   MR. CORKRAN: Thank you, Mr. Jones. Now we'll  
25 turn to our attorney, Mr. Karl Von Schritztz.

1                   MR. VON SCHRILTZ: Good morning. Thank you for  
2 appearing to discuss your propane cylinders with us. I have  
3 a few questions for you.

4                   The scope of the investigations includes parts  
5 of steel propane cylinders and unfinished propane cylinders.  
6 I'm wondering should the Commission define the domestic-like  
7 product to include those parts under the semi-finished  
8 products analysis.

9                   MR. LUBERDA: So we've included parts because  
10 what we didn't want to see happen is mostly a circumvention  
11 issue, right? What we didn't want to see was an operation  
12 that would bring in an unfinished tank, meaning it doesn't  
13 either the foot ring or the collar on it maybe or it doesn't  
14 have the valves screwed into it. Say it's not included and  
15 it's not within the scope and then you know easily finish it  
16 here. Either you attach welding the collar on or you're  
17 screwing in and pressure testing the valve.

18                   There are no other producers of these parts in  
19 the United States for like product purposes or domestic  
20 industry all these things are produced by the domestic  
21 industry. As far as we know, there are those -- our clients  
22 the only producer that sells the parts separately. They do  
23 not sell the unfinished tanks. And as far as we know, up to  
24 now, there've been no imports of unfinished tanks or parts  
25 because there hasn't been a reason. It's only when you get

1 a dumping case then you have it.

2 If you want us to go through an analysis, I  
3 suppose we could, but I'm not sure it would serve a purpose  
4 since there is essentially no market for those at the  
5 moment. There has not been during our period of  
6 investigation.

7 MR. VON SCHRILTZ: Thank you. That's helpful.  
8 I'm wondering why are there only two domestic producers of  
9 steel propane cylinders. I mean it's a good-size market;  
10 why only two?

11 MR. ROSENTHAL: I'll answer this broadly, not  
12 for only antitrust purposes, but I think that there's more  
13 than ample capacity and capability between the two to supply  
14 the entire market. And as you heard, they have been in  
15 business, one since 1946, the other since 1955. I don't  
16 think there're ever been shortages or inability to supply  
17 the U.S. industry, so it's not as if the demand for  
18 additional propane cylinders has been so great to justify  
19 investment of another production facility at this point.

20 You've heard about and you've seen in the  
21 questionnaires the inadequate capacity utilization. They're  
22 doing things like Worthington described to you put other  
23 products on these product lines just to keep the facilities  
24 open, so there is not a need for additional capacity to come  
25 online. What they need is more sales. And certainly, in

1 the last several years, the trends have been going the wrong  
2 way to justify additional capacity.

3 I find it ironic that the statement by Mr.  
4 Chamblee in the opening that the domestic customers appear  
5 to be desirous of another source of supply when, unlike in  
6 other industries you might've seen, there's been no  
7 allegations of shortages, no allegations about inability to  
8 meet customer demands, no allegations of quality concerns  
9 nor there should be or for service.

10 You've got a few incredibly stable companies  
11 who've done a fantastic job of producing and meeting the  
12 needs of their customers. And so it's not as if you're in a  
13 situation where the two companies can't meet demand and meet  
14 it promptly.

15 MR. VON SCHRILTZ: Thank you.

16 MS. CHAMBLEE: The other then I would just add  
17 is given how long our companies have been in business our  
18 operations that produce these cylinders are largely  
19 depreciated at this point and so it wouldn't be feasible for  
20 a new market entrant to be able to go in and put that kind  
21 of capital investment in place and go to compete at these  
22 level of prices as well.

23 MR. VON SCHRILTZ: Excellent. Thank you. Now  
24 you stated in the petition and also I heard you state  
25 earlier this morning that you're not aware of any other

1 domestic producers of steel propane cylinders and that  
2 includes U.S. firms that assemble imported parts. There are  
3 no U.S. firms, to your knowledge, that assemble imported  
4 parts into steel propane cylinders?

5 MR. ROSENTHAL: That is correct.

6 MR. VON SCHRILTZ: Thank you. Are you aware of  
7 steel propane cylinders that are being produced in any  
8 non-subject countries, and if there are, why are there no  
9 imports from such countries?

10 MR. ROSENTHAL: We are not aware of non-subject  
11 imports. I'm not sure whether steel cylinders are produced  
12 in other countries or not, though. We'll have to look at  
13 that, but we're certainly not aware of non-subject imports.

14 MR. KOMLOSI: There are several manufacturers of  
15 propane tanks across the world, in Europe and Russia, but  
16 they mainly produce to a country spec. They don't  
17 manufacture to DOT specs, so it's very country-specific.

18 MR. VON SCHRILTZ: Would it be difficult for  
19 those producers of steel propane cylinders in non-subject  
20 countries to satisfy or to produce cylinders to the U.S.  
21 Department of Transportation specs and enter the U.S.  
22 market? Are there barriers to entry? Is it mostly just a  
23 regulatory barrier?

24 MR. KOMLOSI: Freight, I think, would be a big  
25 issue. Outside of that, I think it goes to my earlier

1 comment about the DOT -- in order to get a DOT manufacturing  
2 or a manufacturing facility DOT approved I'm not an expert  
3 on what it takes to do that, so I'd have to run that by our  
4 regulatory team.

5 MR. SMITH: From what we know, the subject  
6 countries have third-party certifiers abroad in their  
7 facilities, so presumably, that could be done in other  
8 countries. But it's only these three countries have taken  
9 the effort to get DOT certified to be able to sell in the  
10 United States.

11 MR. GRAUNMSNN: I would agree that I don't  
12 believe the barrier is making the product or getting  
13 certified. There are many other manufacturers of propane  
14 cylinders that although not that exact cylinders are very  
15 similar and the manufacturing processes are comparable. My  
16 opinion is they're not selling in the U.S. right now because  
17 competing at this extremely low level of prices that are  
18 harming our two companies make it a very unattractive market  
19 for them to export to in the same that it's challenging for  
20 us to keep the business with the customers we have.

21 MR. VON SCHRILTZ: Great. Thank you for that  
22 answer. Are there non-price factors that are important to  
23 purchasers when they're selecting a supplier of steel  
24 propane cylinders?

25 MR. KOMLOSI: At a minimum, it needs a DOT spec.

1 It's a flammable product in there, so you want it to be  
2 safe, so there's a quality aspect to that. And you want to  
3 have inventory when you need it due to flex demand, so those  
4 would be the -- that's almost a given if you meet the  
5 minimum DOT spec then it becomes a bit of a price game.

6 MR. ROSENTHAL: Everybody who's in this market  
7 needs these specifications. And as mentioned earlier, the  
8 essence of these cylinders are that they're interchangeable.  
9 You can go to an exchanger and turn one of these in and get  
10 another one just like it, but from a different manufacturer.  
11 And so really everybody in this market is qualified when it  
12 comes to meeting the specification and the quality of the  
13 product, so really it does become a price game, as Mr.  
14 Komlosi says. That's really the only thing that people are  
15 talking about when they're negotiating a contract, what's  
16 the price, because we know you can supply it and it'll meet  
17 our stands.

18 MR. LUBERDA: That's true whether it's import or  
19 domestic, so Flame King, the owner of that brand, can go to  
20 Taiwan or China or Thailand and have the same produce  
21 produced, put a different wrapper and it'll say Flame King  
22 no matter what. So there's pretty much a complete  
23 interchangeability between the imports and the imports and  
24 the domestic because of making it to that spec, which again,  
25 then brings it down to price and availability.

1                   MR. VON SCHRILTZ: Sort of along similar lines,  
2                   are there any differences between subject imports and  
3                   domestically-produced propane cylinders of the same size  
4                   that would reflected in price?

5                   MR. ROSENTHAL: No.

6                   MR. KOMLOSI: I would also say no.

7                   MR. GRAUMANN: I agree. These, for the given  
8                   size, are all 100 percent interchangeable, no differences.

9                   MR. VON SCHRILTZ: Thank you. That's helpful.  
10                  Were there any factors, other than subject  
11                  imports, that exerted downward pressure on the price of  
12                  domestically-produced steel propane cylinders during the  
13                  period of investigation?

14                  MR. KOMLOSI: Weather is always a factor. I  
15                  mean three years ago there was a couple of really warm  
16                  winters -- consecutive warm winters and that can affect  
17                  business as well.

18                  MR. LUBERDA: So I mean it's a supply and demand  
19                  thing. If there is -- you know if demand goes down relative  
20                  to supply it can affect price, but the problem for this  
21                  industry has been that supply of a low-priced import has  
22                  been high and that's what's been pushing prices down and you  
23                  see the relationship. In our slide, we give you a  
24                  relationship between cogs and raw materials and price.  
25                  Price is being held down when costs go up and it's being

1 pushed down further than costs when they're going down  
2 across the period.

3 MR. GRAUMMAN: Yes, I'd agree. I think where  
4 it's impact in Manchester the most has been the ability to  
5 raise price during certain periods over the last three years  
6 where costs have gone up and we'd want to maintain our  
7 margins and move price a commensurate amount and because of  
8 the presence of imports there's this option of hold your  
9 price or lose the business, so we're forced to hold the  
10 price.

11 MR. ROSENTHAL: I would just add when it comes  
12 to the issue of demand, yes, there have been a couple of  
13 warmer winters during this period of investigation, but  
14 overall, demand has increased, as indicated in the data.  
15 The problem is not demand with respect to the effects on  
16 prices overall. It's the excess supply of imports. And you  
17 can take a look at the slide that I presented earlier which  
18 shows the increased supply of imports far exceeding the  
19 increase in demand.

20 MR. VON SCHRILTZ: To follow up on this  
21 discussion of the cost price squeeze, I believe -- I heard  
22 some testimony earlier this morning that domestic producers  
23 announced price increases that were subsequently retracted.  
24 I was wondering if you could provide evidence of those  
25 retracted price increase announcements with your

1 post-conference brief.

2 MR. ROSENTHAL: We'll do that. Yes.

3 MR. VON SCHRILTZ: And on similar lines, I'm  
4 wondering if you could describe any increases in the costs  
5 of producing steel propane cylinders domestically that the  
6 domestic producers were unable to pass along to purchasers  
7 through higher prices. Describe what was driving those  
8 price increases.

9 MR. ROSENTHAL: We'll do that, but I also want  
10 to note that we'll give you a general idea of increased cost  
11 in general. I know there's a lot of discussion at the  
12 Commission in other cases about raw material costs going up  
13 or down in a given case and one of the things we'd like to  
14 emphasize is that raw materials are not the only thing that  
15 matter in a business.

16 You've got to have enough revenue to cover all  
17 your costs, whether they're healthcare costs or  
18 environmental costs or whatever they may be, so we'll do our  
19 best to give you a complete answer there and not just steel  
20 costs. As we know, steel costs have fluctuated during the  
21 last two years. They were down for a while, up for a while,  
22 as our industry witnesses have told you, it doesn't matter  
23 whether they're going up or down, the imported prices are  
24 what are driving what the transaction price is in the  
25 marketplace are.

1                   MR. VON SCHRILTZ: So you'll address that in  
2 your post-conference brief?

3                   MR. ROSENTHAL: That was my long way of saying  
4 yes.

5                   MR. VON SCHRILTZ: Good. Thank you.

6                   I heard some testimony this morning that  
7 capacity utilization is important to the financial  
8 performance of domestic producers. Could you explain; is  
9 this a high-fixed cost industry or why is capacity  
10 utilization so important to your profitability?

11                  MR. GRAUMANN: The basic is exactly what you  
12 said. It's a high-fixed cost industry which is -- because  
13 both it's very capital intensive. These cylinders,  
14 especially the 20 and 30-pounders are made at high enough  
15 volume that it's very highly automated lines and so from  
16 start to finish there's a tremendous amount of robotics and  
17 controls that drive up capital costs. And those types of  
18 plants tend to be all on or all off and you have very  
19 specialized labor throughout every stage of the  
20 manufacturing process. And for example, our plant in  
21 Crossville we can just run part of the plant. Either we're  
22 running the whole plant or the whole plant is down.

23                  So what that means is just a shift of so many  
24 people has a capacity of millions of units for a set number  
25 of people and the shift and the plant, so it's very lumpy

1 capacity and you want to keep it full. And if you don't  
2 keep it full, you're basically paying people to do nothing  
3 or at least you're paying their benefits to send them home,  
4 so that's part of why the overhead is so important. And we  
5 also have a lot of fixed costs in purchasing and benefits  
6 and supply chain and planning and things like that. And all  
7 those costs are the same, whether you're making 50,000  
8 units a year or five million for that give plant sales, for  
9 example.

10 So as we lose volume and were between shifts or  
11 the number of units is going down, the total costs of being  
12 in that business per unit go up significantly.

13 MR. BOWES: We would echo what Mr. Graumann  
14 said. For Manchester we have the exact same situation at  
15 our Westville, Ohio facility.

16 MR. ROSENTHAL: And if I just might add, Mr. Von  
17 Schrilitz, this is why the domestic producers are so loathe  
18 to give up any more volume. They've lost a lot and their  
19 capacity utilization has dropped quite a bit over the last  
20 two years, as we described. And when they are faced with a  
21 price by their customers that say you either need to match  
22 the import price or you've got to be at this level if you  
23 want to get the sale or you don't get the sale.

24 Their dilemma is do we not have that production  
25 going through this plant to cover our fixed costs or do we

1 and it's this not unfamiliar dilemma to the Commission, but  
2 they're facing it on a daily basis. So in many instances,  
3 this harm has not necessarily been loss of sales because  
4 they've chosen to drop their price or keep their prices  
5 lower than they should or would like to in order to make  
6 sure they've got that volume going to their production  
7 lines. So this price-related injury cannot be ignored,  
8 despite the fact I think we've got a great volume-related  
9 case as well.

10 MR. VON SCHRILTZ: Thank you. I have just one  
11 more question for now. It's an obvious one. Are there  
12 factors, other than subject imports that contributed to the  
13 domestic industry's declining performance during the period  
14 of investigation?

15 MR. KOMLOSI: No.

16 MR. GRAUMANN: No material factors that would've  
17 contributed, other than the presence of imports.

18 MR. VON SCHRILTZ: Okay, thank you. Those are  
19 all the questions I have now.

20 MR. CORKRAN: Thank you, Mr. Von Schriltz. And  
21 now we'll turn to Ms. Preece.

22 MS. PREECE: A lot of the questions I have have  
23 been addressed. But let's start with this one that was  
24 asked of Mr. Graumann about how the parts of demand are  
25 leisure, weather, new RVs and grilles? Do grilles come with

1 a cylinder, is that correct?

2 MR. GRAUMANN: No longer. They're sold  
3 separately by most retailers.

4 MS. PREECE: Okay. So RVs do come with these  
5 things?

6 MR. GRAUMANN: Correct. The cylinders come with  
7 the RV.

8 MS. PREECE: And do any other products that you  
9 know of come with their cylinders attached already?

10 MR. GRAUMANN: Not to my knowledge.

11 MS. PREECE: So if we're talking about new  
12 production, that would be RVs mostly?

13 MR. GRAUMANN: Yes.

14 MS. PREECE: Okay. I just wanted to make this  
15 all as clear as possible. If we're talking about a year  
16 that is a normal hurricane season, so we can just try to  
17 smoosh these things out, how much of this would be leisure,  
18 how much would be weather, how much would be RVs and other  
19 possible things, and how much would be hurricanes or natural  
20 disasters that cut off power supplies? As far as demand?  
21 Overall demand in the cylinder market? Can you give me an  
22 estimate? I mean you guys have been doing this for a  
23 while, I haven't, so you probably have a better idea than I  
24 do.

25 MR. GRAUMANN: I might suggest we provide this

1 in a post-conference brief because there's two layers.  
2 There's what customers we sell it to, and then a little bit  
3 what you're talking about, are the drivers, or what drives  
4 the demand of an exchanger, or what drives the demand of an  
5 RV manufacturer, or what drives the demand of, you know,  
6 through a retailer.

7 MS. PREECE: Okay.

8 MR. GRAUMANN: And the data that we have that's  
9 most readily available is who do we sell it to and how many  
10 units do we sell to them?

11 MS. PREECE: I understand.

12 MR. GRAUMANN: We know how much we sell to an  
13 exchanger versus a retailer versus RV -- but getting into --  
14 for those cylinders you sell to an exchanger, how much of  
15 those were somebody who wanted to keep their garage versus  
16 somebody wanted the grill versus somebody who needed  
17 something for a hurricane. That's really difficult --

18 MS. PREECE: But it's difficult for you, but  
19 it'd be useful and I don't think it'd be a totally useless  
20 thought experiment. So you do a better job than I would.

21 MR. GRAUMANN: Yes.

22 MS. PREECE: And that's where why I want you to  
23 try to address it. And you might give me, okay, whether you  
24 know when you have a cold winter, which in your case, might  
25 be considered a good winter, what would be, you know, how

1 much would that vary? You know? It would be 10% demand or,  
2 yeah, I'm pulling numbers out of the air.

3 Don't use my numbers as anything, they're just  
4 random. But you know, if we have a winter, and then like  
5 that last hurricane season, how much was that beyond normal?  
6 Just so that we can have an idea of how much fluctuation is  
7 in this. So that's my first question. Got that? Great.  
8 Thanks. And that'll be really helpful, I think, for me.

9 I was listening, and I can't remember who said  
10 it, but I thought in the petition it said that the propane  
11 cylinders must be recertified after twelve years, and  
12 somebody said ten years. Which is correct?

13 MR. KOMLOSI: It's now ten years. It was most  
14 recently twelve years, but there were some reciprocity that  
15 was agreed upon between TC, which is Transport Canada, and  
16 DOT, Department of Transportation, so within the last eight  
17 months, it's changed from twelve to ten years.

18 MS. PREECE: Okay. So that's -- I'm a picky  
19 person when it comes to those kind of things. Okay. I'm  
20 trying to understand the cylinders and their recertification  
21 and the length of time they're used. I mean, these -- if I  
22 go in to whatever I would buy or get a cylinder, and it's my  
23 first one. I just bought my grill, okay? I go in -- would  
24 I buy a new one? Or would I get a used one that was full?  
25 How does that work?

1                   MR. GRAUMANN: The answer is yes. And I would  
2 say that the two most common are a leisure cylinder user  
3 who's gonna use it for camping or their grill or tailgating,  
4 things like that, would be, they would either buy one at a  
5 retailer, a big box store, that sort of thing, an Ace  
6 Hardware, and oftentimes when people buy their own, maybe  
7 they'll buy it with a gauge because they wanna have it  
8 refilled themselves. Oftentimes you can go to a U-Haul,  
9 they'll refill your cylinder. So you always keep your  
10 cylinder and you have it refilled and oftentimes people will  
11 have two of them, so they always have a back-up when they're  
12 in the middle of a turkey.

13                   The other way to do it is, I'm always going to  
14 exchange, I'm not gonna refill this cylinder myself. I'm  
15 just gonna go to the cage at a Walgreen's or my convenience  
16 store and, if you don't have one, you just pay more the  
17 first time because you're not exchanging one, so the price  
18 is higher once, but then you bring the empty one and  
19 exchange it and those are just two different segments of  
20 customers. But over the last ten or fifteen years, the  
21 segment that exchanges and doesn't refill it themselves is  
22 growing much, much faster.

23                   MS. PREECE: So again, since you've got two  
24 sets, I wanna know what shares in each of those sets, just  
25 an estimate, you know, I'm not gonna persecute you if you're

1 a little bit off. But anyway -- so they're first  
2 recertified at ten years now. Okay.

3 How many cylinders are showing up at ten years  
4 to be recertified? Is this 90% of them are still rattling  
5 around? Or is there some heaven where old cylinders before  
6 they're even ten years old, young/old cylinders go off to  
7 die? How long is -- are 90% of them still being used at ten  
8 years?

9 MR. KOMLOSI: What I'd like to go is probably go  
10 to some of our bigger customers that are specifically  
11 exchangers and ask them that question, but I know they  
12 typically will get to twenty years. They'll recertify it  
13 for the ten years and then, you know, two additional five  
14 years. I've seen cylinders that are old as me out there,  
15 and I've seen cylinders that are fairly new.

16 The only reason you would take them out of  
17 service is if, you know, the collar gets banged up beyond  
18 repair, there's a ding in the side of the cylinder, or if  
19 they put that cylinder, if it's nestled in snow for a long  
20 period of time, you could get some corrosion on the bottom,  
21 so there's significant things that have to happen to that  
22 tank to pull it out of service.

23 MS. PREECE: Okay. So we're basically in  
24 service for about twenty years frequently?

25 MR. KOMLOSI: Yeah, that's just a rough guess.

1 I would ask that question to our exchangers and get that --

2 MS. PREECE: Okay, okay. Yeah, I mean -- you  
3 know, this is important when you've got a product that lasts  
4 twenty years, you're not gonna be selling as many as if it  
5 was a disposable product, and this is -- I mean I'm not in  
6 favor of disposable products necessarily, but it changes the  
7 market, so I wanna understand that.

8 So there are some things that can happen to a  
9 cylinder that basically say, "Oh, we can't use it anymore,"  
10 how frequently do they fail their tests at ten years or  
11 twelve years or fifteen years or whatever? Is there -- most  
12 of them pass with--you know, just like my sister's car,  
13 always pass the smog test--or do they sort of fail a lot of  
14 the time? How are these tests, as far as hard for the  
15 cylinder to pass?

16 MR. KOMLOSI: Once again, I'd defer to our  
17 customers to get that information.

18 MS. PREECE: Okay, okay, okay. I know that Mr.  
19 Rosenthal was complaining about the fact that we always like  
20 to have steel prices, but I still wanna have steel prices if  
21 I can. And so I see that you use 4130 steel in flat-rolled  
22 coils to make these cylinders. Do we have any sort of  
23 publicly available price data that you can give to me? If  
24 you don't, that's fine. One less thing for me to put in the  
25 report.

1                   MR. LUBERDA: We have to check. I'm not sure if  
2                   there's an index for 4130. I mean there are general indexes  
3                   for hot-rolled steel, but I don't think there's one that's a  
4                   public price for 4130, but I defer to the clients to make  
5                   sure. I mean we'll look to see, but, you know, the publicly  
6                   available pricing and indexing tools are all significantly  
7                   more generic than that.

8                   MS. PREECE: I thought so, you know, makes my  
9                   life easier if we don't have anything that way, but I don't  
10                  want my life to be easy. I want it to be correct. So if  
11                  there's not price data for that, is there something else  
12                  that you would use to look at to say, oh, the price went up  
13                  and the price went down. You were telling me that the price  
14                  of steel has been changing, so what publicly available or  
15                  semi-publicly available data can we use to back up the  
16                  stories of how the price of this steel has changed?

17                  MR. GRAUMANN: Although there are several  
18                  indexes, like the CRU, that publish daily and weekly,  
19                  average market prices in the industry for hot-rolled band,  
20                  which is just flat-rolled steel. That doesn't indicate the  
21                  exact price any customer would pay, especially if it's a  
22                  different grade or width or thickness.

23                  The exact price per ton is different than that  
24                  average. But the movement relative to a starting point,  
25                  when it goes up and down, most of the grades that would be

1 used for propane cylinders will follow that exact same  
2 movement up and down over time. Even though it's not  
3 indicative of --

4 MS. PREECE: I understand. And that would be  
5 perfect, because I'll just use a index on it, so anything  
6 that you say you think moves in the same way, that'd be  
7 great. It doesn't matter if it's not the same thing.

8 MR. GRAUMANN: We can provide that.

9 MS. PREECE: That would be really helpful.  
10 Thank you and that's taken care of. Now let's get to price.  
11 Karl asked a number of questions about price. I'm looking  
12 at your data. I want you to look at your price data because  
13 what you're saying is the price that each of your firms  
14 should be charging should be pretty similar. And I have not  
15 found that. So I want you to look at your prices and makes  
16 corrections. That's a request, not a question.

17 Okay, Taiwan. I'd like you to go to these  
18 wonderful people who you sell to and ask them if they can  
19 find in their storage some cylinder that's got Taiwan's name  
20 on it. Because I'm not convinced that they're out there.  
21 So if we can find one, that'd be helpful. Then we know that  
22 they're out there. But I'm not convinced that there's  
23 anything out there. So that's what we need is a cylinder  
24 that says "Made in Taiwan".

25 Okay. One purchaser reported that there were

1 features that are important factors in purchases. Do you  
2 have any idea of what features could differentiate cylinders  
3 by different producers? It's okay to say no. I just want  
4 --

5 MR. KOMLOSI: I would say that the biggest  
6 features is the availability when they need it.

7 MS. PREECE: Okay. Anything else?

8 MR. GRAUMANN: From a product feature beyond  
9 what's required by the DOT standards, no other features that  
10 I can think of.

11 MS. PREECE: Okay. Great. Okay. Substitutes.  
12 Composite cylinders. Fiberglass tanks. ASME tanks. What  
13 are these?

14 MR. GRAUMANN: ASME are similar pressure vessels  
15 but built to a different code. That code or that standard  
16 is generally used where it's a permanent installation. It's  
17 attached permanently to a vehicle like a bus. Or it's  
18 placed at a house and not ever intended to leave that  
19 location, or at least not for a long time. So thus, it has  
20 different design and engineering characteristics to one  
21 that's intended to be carried and moved.

22 And that falls under DOT, so they're really not  
23 interchangeable. They're designed for different  
24 applications. I'm not familiar with fiberglass, but the  
25 composite cylinders are a substitute of these, just built

1 out of a different material. The main attribute is it's  
2 lighter, but generally the cost to manufacture and the price  
3 is higher.

4 MS. PREECE: Okay. And the composite cylinders  
5 are reusable? Or are they one-off?

6 MR. GRAUMANN: They're reusable.

7 MS. PREECE: Okay.

8 MR. GRAUMANN: Similar to these steel cylinders.

9 MS. PREECE: Okay.

10 MR. KOMLOSI: Another important distinction on  
11 the composite. They have a shorter test cycle, so I think  
12 they're good for five years, then they have to be  
13 recertified, and I think they could be recertified twice,  
14 and then you have to take them out of service. So they're  
15 good for a total of fifteen years.

16 MS. PREECE: Okay.

17 MR. BOWES: I'll just add that the carbon fiber  
18 cylinders are very popular in areas like Northern Europe and  
19 in the Middle East, where cylinders are used for inside home  
20 heating, and so they look much nicer. They look maybe like  
21 a kitchen appliance. But they're not as popular in the  
22 United States since we don't use them for that application.

23 MS. PREECE: That's the composite cylinders,  
24 you're saying?

25 MR. BOWES: Yes.

1 MS. PREECE: Okay. But you don't have anything  
2 to say about these fiberglass ones? Nobody has anything?  
3 That's fine. If you don't know what they are, that's fine.

4 Are propane cylinders used differently in other  
5 countries generally? I mean are there -- if I go to Africa,  
6 are they gonna be used in a different kind of way than they  
7 are in the United States? Not as leisure things, but as  
8 household stoves, running things. Is that impression sort  
9 of reasonable?

10 MR. GRAUMANN: It is. Propane is much more of a  
11 core portable energy and for home use and some of the demand  
12 outside the U.S., especially in first-world countries, are  
13 government-sponsored efforts to move people away from unsafe  
14 cooking and heating fuels like kerosene or wood or things  
15 like that into something that's considered safer and more  
16 sustainable. So it's less of a leisure activity and more of  
17 a, "This is our primary way of heating and cooking."

18 MS. PREECE: Okay. Okay. I think basically  
19 given you all my questions for now. So, thank you.

20 MR. CORKRAN: Thank you, Ms. Preece. And now  
21 we'll turn to Mr. Boyland.

22 MR. BOYLAND: Good morning. Thank you for your  
23 testimony. I've already sent the companies follow-up  
24 questions, so I'm gonna ask just a few here. This is sort  
25 of a data question. I'll try to ask in a way that's not

1 really anything specific, but for each company, if you could  
2 look at your raw material costs and in post-conference,  
3 describe what was included in that number.

4 Specifically, I'm interested in to what extent  
5 I'm looking at the actual cost of the steel, or am I looking  
6 at the steel plus other costs, like heat-treating and  
7 whatnot. So that's sort of just a follow-up, I think it's  
8 related to one of the questions I already asked. But other  
9 than that, I have no more follow-up questions. Thank you.

10 MR. CORKRAN: Thank you, Mr. Boyland. Now,  
11 we'll turn to Mr. Tsuji.

12 MR. TSUJI: I have several questions about the  
13 product description and use, as well as the manufacturing  
14 process and then a final question about third-country import  
15 injury orders. I'm looking at this steel propane cylinder  
16 produced by Worthington and my first question is, what is  
17 the nominal -- regarding the nominal gas capacity range of  
18 2.5 to 40 pounds, two questions -- what are the  
19 corresponding low pressure ranges? Pounds per square inch?  
20 As opposed to high pressure cylinders.

21 MR. KOMLOSI: Those are manufactured to 240 psi  
22 spec.

23 MR. LUBERDA: You'll actually see that printed  
24 right on the ring. It has all that information.

25 MR. TSUJI: Okay. Could you put in your

1 post-hearing brief the corresponding pressure ranges to  
2 correspond with 2.5 to 40 pounds nominal gas capacity range,  
3 that would be helpful or informative for our report.

4           Secondly, would this range of nominal gas  
5 capacity range, 2.5 to 40 pounds, exclude steel cylinders  
6 for propane-powered passenger vehicles, for example, urban  
7 buses or shuttles, vehicles, as well as industrial vehicles  
8 that would be everything from forklifts, commercial scale  
9 lawnmowers, golf course mowers, etcetera?

10           MR. LUBERDA: This is Alan Luberda. So we,  
11 all those industrial uses are the physical characteristics  
12 of the product. They're different for the most part. In a  
13 lot of cases they're aluminum rather than steel. They have  
14 different port systems, where they've got multiple ports,  
15 four or five ports because there's a lot more going on with  
16 those.

17           They tend to be permanently mounted as opposed  
18 to removable for refilling. So that the physical  
19 characteristics are quite different in those industrial and  
20 large commercial vehicle type operations. I don't know if  
21 the client's willing to add to that, if the domestic  
22 producer may want to add to that.

23           MR. KOMLOSI: This is Mark Komlosi with  
24 Worthington. When you speak of a tank for like a  
25 transportation bus, they're much larger. They're well

1 outside the range that's the scope of this case.

2 MR. TSUJI: Okay. I noticed in the revised  
3 product scope, this is dated May 24th, 2018, the phrase "two  
4 or fewer ports." So in other words, some steel propane  
5 cylinders would have two ports. One of them obviously would  
6 be for filling. I see for example this example, there's a  
7 single port for filling and for dispensing, the same port.  
8 What's that other port for? Is that a vent port?

9 MR. LUBERDA: No. So the vast, vast majority  
10 of the in scope product has a single port. The majority,  
11 the vast majority of products that are outside of scope, a  
12 good portion of them have multiple ports because there's a  
13 lot more going on for those. But what we did here was this  
14 is a circumvention concern. What we didn't want somebody to  
15 be able to do was simply cut another hole in the top and put  
16 a gauge on it.

17 I mean occasionally you do have in scope  
18 product that has two ports because it has the one for the  
19 valve and one for the gauge. Normally, somebody's who's  
20 selling a in scope product with a valve and a gauge, the  
21 valve and the gauge are mounted together. They're one unit.  
22 But what we were concerned was we didn't want somebody just  
23 to cut another hole and either plug it or put a gauge on it  
24 and say oh look, innovation, and now we'll get around the  
25 scope.

1                   Whereas if you start cutting more holes than  
2                   that, now you start raising significant concerns about it.  
3                   You're going to have other leakage spots, you know. Will  
4                   the customers accept a bunch of essentially useless holes in  
5                   it that are plugged, just to get around the order.

6                   You know, people are careful. You're filling  
7                   this thing with explosive material. So by adding the second  
8                   port, the two or less, we were making sure that it wasn't an  
9                   easy circumvention target. We did capture the in scope  
10                  thing, where occasionally there's a separate, for whatever  
11                  reason, gauge. And but we're still distinguishing from  
12                  these multiple port out of scope products that are being  
13                  ASME-certified or going to some other use.

14                  MR. TSUJI: Okay. Speaking of punching holes  
15                  in the cylinder, is that also the way that a cylinder is  
16                  permanently taken out of service if it fails the retest?

17                  MR. KOMLOSI: This is Mark Komlosi with  
18                  Worthington. Yeah, you take the valve out and there's a  
19                  hole punched in the side or the bottom.

20                  MR. TSUJI: Okay, thank you. And the starting  
21                  material for the manufacturing process of steel propane  
22                  cylinders, it's coiled flat-rolled steel. But is it  
23                  hot-rolled or cold-rolled?

24                  MR. GRAUMANN: Robert Graumann, it's  
25                  hot-rolled.

1                   MR. TSUJI: Okay. Now since I'm moving into  
2 the manufacturing process, is the production technology  
3 mature and widespread, to the point where everybody that  
4 produces steel propane cylinders uses the same manufacturing  
5 process, whether in the United States, in the subject  
6 countries as well as Taiwan and even in non-subject  
7 countries?

8                   MR. GRAUMANN: This is Robert Graumann from  
9 Manchester. I would say the production process and  
10 certainly the style of equipment is largely the same from  
11 making this product. There can be large differences in the  
12 level of automation in material handling. In particular, in  
13 higher labor environments you see more robotics in moving  
14 the product from stage to stage, whereas in lower cost labor  
15 markets people do that work.

16                   But the process of, you know, uncoil or coil  
17 of steel, you do a blank. You create two heads, you weld  
18 it, put in a valve and test it, it's a pretty  
19 straightforward process that doesn't look very different no  
20 matter where you are.

21                   MR. TSUJI: Okay. Next, the welding process.  
22 Is it electric arc, is it gas flame or induction, or a  
23 different type of process than what I've mentioned?

24                   MR. KOMLOSI: This is Mark Komlosi of  
25 Worthington. That's written incorrectly. I'd have to check

1 and get back to you.

2 MR. TSUJI: Okay, fair enough. When I was  
3 looking through your petition about the manufacturing  
4 process, obviously there are some metal working procedures,  
5 processes going on as well. Welding would produce burrs, as  
6 would cutting the thread in the flange piece for the setting  
7 of the valve. So I presume another step in the production  
8 process is cleaning out the inside of the cylinder before  
9 the valve is set?

10 And then secondly, is the inside of the  
11 cylinder either painted or coated, or is the gas exposed to  
12 the raw alloy steel?

13 MR. KOMLOSI: Mark Komlosi, Worthington. The  
14 inside is not painted.

15 MR. TSUJI: Okay. But it is cleaned?

16 MR. KOMLOSI: Yes.

17 MR. TSUJI: I just want to --

18 MR. KOMLOSI: There's an inspection process.  
19 Before you put the valve in, the guy shines a light in there  
20 just to verify it meets a certain level of cleanliness, and  
21 it's either a go, no-go at that point.

22 MR. TSUJI: Okay. Is any type of  
23 stabilization material added to the cylinder? For example,  
24 it is necessary to add, I think it's -- I think it's lime to  
25 cylinders that contain acetylene, because acetylene is

1 highly reactive. Do you have a similar -- is there a  
2 similar requirement for propane-containing cylinders?

3 MR. KOMLOSI: Mark with Worthington. Nope.

4 MR. TSUJI: Okay. The flange piece that -- in  
5 which the valve is set, is that produced by the same  
6 manufacturing processes as the top shelf? In other words,  
7 is it also stamped circular disk from the hot-rolled steel  
8 that is then drawn in a die, or is it a different process?  
9 For example, is it a casting? Because I noticed it has to  
10 be thick enough at least at the very -- at the neck, to be  
11 threaded and to hold the valve.

12 MR. GRAUMANN: This is Robert Graumann. The  
13 flange that holds the valve is made by, at least for us, an  
14 outside third party supplier, and it's cold-formed out of  
15 wire rod, and then they machine it and put the threads in it  
16 for us. We have other cylinders we make outside the scope  
17 of this where that product is forged. But that one's  
18 cold-headed, so it's a different process than how the heads  
19 are formed.

20 MR. TSUJI: Okay. But it's -- is it of the  
21 same steel grade, the 4013 or a different grade?

22 MR. GRAUMANN: I'm guessing it would be a  
23 different grade. I can't tell you exactly what it is. The  
24 cylinder heads are made out of a low carbon flat-rolled  
25 steel. The flange is made out of a cold-heading quality

1 steel. It's probably also low to mid-carbon, but I actually  
2 don't know the exact specifications.

3 MR. TSUJI: Okay. Or more information can be  
4 provided in the post-hearing brief. What information is  
5 required on the collar, i.e. or the top ring? For example,  
6 I presume it obviously would have to have the marking to  
7 show which DOT specification the cylinder meets, as well as  
8 the hallmark of the producer and the date of production.  
9 Any other information, required information?

10 MR. KOMLOSI: This is Mark Komlosi with  
11 Worthington. There's the spec, there's a manufacturer date,  
12 there's a manufacturer stamp that goes on there. There's a  
13 tear weight and I think that about covers it. It used to be  
14 -- it used to say needs to be recertified in 12 years, but  
15 with all this reciprocity going on, that's been removed  
16 because now they're all strictly ten years.

17 MR. TSUJI: Okay.

18 MR. GRAUMANN: One other piece of data that is  
19 either on the collar or the foot ring is the country of  
20 origin for where it was manufactured.

21 MR. TSUJI: Okay, and final question, more for  
22 the counsel for the Petitioners. Are you aware of any  
23 import entry, anti-dumping countervailing duty orders in  
24 third country markets on steel propane cylinders imported  
25 from the subject sources, China, Taiwan and Thailand?

1 MS. RINGEL: Brooke Ringel, Kelley Drye. We  
2 at this point have not identified any AV-CVD orders. But as  
3 I mentioned earlier, there are some regulatory barriers in  
4 this market.

5 MR. TSUJI: Okay, thank you very much.

6 MR. LUBERDA: Mr. Tsuji, this is Al Luberda.  
7 I just want to add one thing, and I was asking my  
8 colleagues, I wanted to make sure. I don't remember whether  
9 we put the You Tube video in the petition, the site to it.  
10 But there's a great You Tube video and I believe it shows  
11 Worthington's production process is about six or seven  
12 minutes long, that if you haven't seen it, if you find you  
13 still haven't seen it, we can send you the cite for it.

14 We put it in our brief, just so you have it.  
15 But we can send you the site for it and you can take a look  
16 at it, because I think it's very useful to understanding the  
17 production process.

18 MR. TSUJI: Okay. Thank you very much.  
19 That's all my questions.

20 MR. CORKRAN: Thank you, Mr. Tsuji. Now we'll  
21 turn to Mr. Thomsen.

22 MR. THOMSEN: Thank you all for showing up  
23 here today. I appreciate your testimony. I'll try to move  
24 through my questions fairly quickly. Hopefully, they don't  
25 take too long. The first question I have has to do with

1 that dot-90 HTS code, the one that's the even larger basket  
2 than the smaller basket that is there.

3 I'm wondering what type of tanks of steel and  
4 iron might be included in that? Say ones that are greater  
5 than 32 pounds, the ones that are outside the scope, greater  
6 than 32 pounds and less than four pounds? Are they scuba  
7 tanks? Are they refrigerant tanks? What type of cylinders  
8 could they be? Do you have any idea?

9 MR. SMITH: So this is David Smith. Actually,  
10 we pulled some Customs ruling and you can go on the cross  
11 website and see some of them. For the most part, I see a  
12 lot of larger ones, 100 pound, 1,000 pound. Some go by  
13 liter capacity, different gases, different types of gases.  
14 I don't see very many small ones. They were actually some  
15 disassembled tanks, which is why we have that language in  
16 the scope, although as far as we know, we're not having any  
17 imported subject tanks that are disassembled or  
18 unassembled. So I think they're just a very lot of  
19 different sizes, including very large tanks that would come  
20 in that way, and the very large ones would normally be  
21 disassembled so they're not shipping air.

22 MR. LUBERDA: Yeah, it's basically -- this is  
23 Alan Luberda -- it's basically every kind of pressure  
24 vessel that you could think of that doesn't meet one of the  
25 other specifically identified specs above there.

1                   MR. THOMSEN: Okay. I guess the reason why  
2 I'm thinking about this is actually it does have to do with  
3 the Taiwan issue. Prior to 2016, it looked like a lot of  
4 them were sitting in the 60 pound, 50 pound range for the  
5 average for each of the months. There wasn't a whole lot of  
6 variation in there. It seems to be a switch that was  
7 flipped some time in 2016, and in 2017 we had -- there's a  
8 large number of units that were there, but very small number  
9 of kilograms.

10                   So it seemed like a lot of these tanks are in  
11 the two pound range, three pound range, things that are much  
12 smaller than theirs and it's very big switch between 60  
13 pound and two pound tank. So any kind of direction I can  
14 get onto what those specific tanks might be, or a reason for  
15 the change in that direction I think would be very helpful  
16 for the Commission. Maybe it's a parts issue, maybe things  
17 that are just being classified as that.

18                   MR. LUBERDA: And you know we'll try. We  
19 tried pretty hard to understand that data ourselves before  
20 we filed the petition. But because the product mix is so  
21 broad, I mean it's even -- yeah, you could see that. It  
22 changed to a much lighter one. But given the number of  
23 units, we just don't have a good way to discern the product  
24 mix.

25                   So there could -- there could be in that

1 particular number subject merchandise. There's certainly a  
2 lot of non-subject merchandise, but there could also be  
3 subject merchandise and I -- we'll look at it again. We  
4 have not been able to figure out a way to get that  
5 information. You know, it's going to take, I think, the  
6 Commission asking for that information from the people who  
7 have it, before we're going to understand it.

8 MR. THOMSEN: Okay. Then focusing on the  
9 small cylinders that are in scope, like the small camping  
10 type cylinders, are those ones that you manufacture as well  
11 using the same technology, you know, those four to six pound  
12 ones, and do they get refilled or are those consumables?

13 MR. LUBERDA: Before the producers answer, I  
14 just want to make sure we're talking about the same thing.  
15 So they're in the size range below our size range for this  
16 scope. There are a lot of disposables that can't be -- most  
17 of that is in the size range below us, like the one  
18 pounders. Most of that is in that size range.

19 MR. THOMSEN: Okay. Then can you describe --  
20 I guess that's what I was imagining these were. But then  
21 what would be your four pound tare weight, steel propane  
22 cylinders?

23 MR. KOMLOSI: This is Mark Komlosi with  
24 Worthington. We make a four and a quarter pound tank. It  
25 holds a gallon of propane. It's just a much smaller version

1 of that. The only difference it's flat on the bottom, so it  
2 sits on like a picnic table or a flat surface and you don't  
3 have to worry about it falling over, because a lot of times  
4 they're used for lanterns and things of that nature.

5 We make an 11-pounder, which is just a -- it's  
6 smaller in diameter and squattier than the 20, and then we  
7 move to the 20.

8 MR. THOMSEN: Okay.

9 MR. SMITH: David Smith again. Just so you  
10 understand, when they refer to four and a quarter and 11,  
11 they're talking about the gas capacity, not the tare weight.

12 MR. THOMSEN: Right. So what would be the  
13 tare weight on your four and a quarter?

14 MR. SMITH: I don't have it memorized from our  
15 brochure, but I could get you the information.

16 MR. THOMSEN: Okay.

17 MR. SMITH: Sorry, Mark.

18 MR. THOMSEN: But it's helpful to know what  
19 they're being used for. Do those get refilled as well?

20 MR. KOMLOSI: Yep. This is Mark Komlosi again  
21 with Worthington. Yes, it's a refillable cylinder that you  
22 can -- in most cases you have to go to a lawn and garden  
23 place or a farm and feed or somebody that distributes the  
24 gas, and they will refill those for you.

25 MR. THOMSEN: Okay, and then I guess playing

1 off of Ms. Preece's question then, do you -- is that  
2 something you track the percentages of, about how often you  
3 see this, or is this something that only the purchasers, the  
4 gas exchangers would know about?

5 MR. KOMLOSI: Mark Komlosi again. We know  
6 they last. I mean they're not a one cycle. We know they  
7 get through ten years and then they're recertified every  
8 five after that. That's probably more end consumer  
9 research, so I'm not sure we have that, but I can -- I could  
10 ask that question and see what we can find for you.

11 MR. THOMSEN: Okay. Thinking a little bit  
12 about production, are there efficiencies in focusing  
13 production on say just the 20 pound tanks or the 30 pound  
14 tanks, or can you really easily switch between the two?

15 MR. BOWES: James Bowes from Worthington. At  
16 our Westerville facility, I would say we have a 20 pound  
17 line, and then we have a line that manufactures all other  
18 sizes. So we -- Robert can speak to what Manchester has,  
19 but we've set it up that way just because the volume is so  
20 much different on 20 pounders than everything else, and yes  
21 you can gain efficiencies by only manufacturing 20's on one  
22 line.

23 MR. GRAUMANN: Yeah, Robert Graumann from  
24 Manchester. I would say that the -- we also dedicate some  
25 capacity to 20 pounders, and we don't change it over.

1 Clearly, if you don't have to change over tooling and the  
2 operations it's more efficient, because you don't have down  
3 time associated with a changeover.

4           There's just not enough volume in the -- all  
5 the other sizes to dedicate a line to it. The way these  
6 lines operate, they can produce a lot of cylinders quickly,  
7 and the market's just not big enough to let it run flat out  
8 for weeks or months. So they have to be flexible to run  
9 different sizes.

10           MR. THOMSEN: Okay, and thinking about that  
11 then, it seems that then your capacity utilization on your  
12 20 pound line might be markedly different than on your other  
13 lines. Would that be fair to say?

14           MR. GRAUMANN: Not necessarily. Generically,  
15 it depends on demand and you know, where you're winning in  
16 the market and where you're losing in the market. So it  
17 really does move quite a bit across different lines and  
18 different times of the year, and there hasn't been a trend  
19 that says one's been high and one's been low for us.

20           MR. THOMSEN: Okay. Mr. Komlosi.

21           MR. KOMLOSI: Mark Komlosi, Worthington. I  
22 would say the same thing. We have capacity on both lines  
23 that we can flex to -- if demand, you know, presents itself.

24           MR. THOMSEN: Okay, and are the 30 pound  
25 cylinders really only used in RVs?

1                   MR. KOMLOSI: Mark Komlosi, Worthington. No,  
2 they're used in a lot of different. I mean fire pits seem  
3 to be the newest thing that they're used in, just because  
4 they hold a little bit more propane.

5                   They hold seven gallons of propane rather than  
6 five, and you just don't have to swap it out as much. More  
7 30 pounders are used by the customer we classify as  
8 refillers instead of exchangers, and I think we talked about  
9 that earlier, where there's a certain percentage that will  
10 exchange a 20 pounder.

11                   When you get to the other sizes, you either  
12 have someone come to your house and fill that or you take it  
13 to a facility to get it filled. So there's applications  
14 where -- I mean I've seen like people that tar roofs, they  
15 use a 30 and 40 pound size just because they don't want to  
16 constantly be changing that heat source. Hopefully that  
17 helps.

18                   MR. THOMSEN: Okay, okay, sure. And I guess  
19 thinking about the RVs, do all of them use a 30 pound tank  
20 or has there been -- do some use 20 pound tank? Has there  
21 been a movement from 30 to 20 or 20 to 30, you know, over  
22 the POI or even let's -- you know, you had in your  
23 presentation I think back to 2006? Has there been any kind  
24 of movement in the share of RVs that use the larger versus a  
25 20 pound tank, 30 pound versus 20 pound?

1                   MR. GRAUMANN: Robert Graumann. This is, I  
2                   guess I'm speculating a bit just on what I've heard  
3                   anecdotally, because we're not selling a lot of 20's or  
4                   30's. So we don't have a great view of the mix in the RV  
5                   industry today.

6                   But anecdotally because of the convenience of  
7                   driving an RV, if you have 30 pounders you have to find some  
8                   place to refill, whereas if you have 20 pounders you could  
9                   just exchange the two and even get those almost anywhere.  
10                  So there's been -- my understanding is there's a trend  
11                  towards 20's.

12                 MR. THOMSEN: That makes sense. Mr. Komlosi.

13                 MR. KOMLOSI: Mark Komlosi, Worthington. I  
14                 would agree. The rep that we have that calls -- internal  
15                 territory manager that calls on that part of the country, I  
16                 mean he in conversation with him, he said there has been  
17                 movement due to the convenience to the 20 pound size. But  
18                 30 is still the primary size.

19                 MR. THOMSEN: Okay. Just a heads up for  
20                 Respondent's counsel. I probably will be asking you the  
21                 same question as well. I guess thinking back to still on  
22                 RVs and still going back to your presentation back to 2005,  
23                 I seem to recall there were a large spike in gas prices.  
24                 You had noted in your presentation that there was a large  
25                 drop-off in sales to RVs way back when, and gas prices,

1 probably diesel or regular unleaded, where somewhere in the  
2 \$2 range before 2005, and then in 2006 they started going up  
3 and they got up over \$4. 4.50 and such.

4 I imagine since RVs get absolutely horrible  
5 gas mileage, that that would have driven down demand for RVs  
6 quite considerably, and thus driving down demand for steel  
7 propane cylinders used in those RVs. And then we had the  
8 Great Recession, which you had noted, which also would have  
9 driven down demand for very expensive RVs as well.

10 And as gas prices went down, they subsided.  
11 It's taken a lot for the U.S. economy to get back in its  
12 place. It seems like that would be about the time that  
13 there was a leveling out of demand at that point. So I  
14 guess I'm trying to think, you know, possible alternate  
15 effects.

16 Would those effects of gas prices also have  
17 affected RV sales and hence propane cylinder sales?

18 MR. ROSENTHAL: I'm not actually trying to  
19 blame the Great Recession for all the lows of the RV  
20 industry. It's just the timing of the RV market dropping  
21 dramatically happened to be the time of '07-'08 when the  
22 Bear Stearns crash, and things started to head south in the  
23 economy generally. And there might have been higher gas  
24 prices at that time, as well.

25 But I will say to you that the clear shift in

1 imports to the RV industry coincided with the desire by the  
2 RV industry to lower its costs. And if you go look at the  
3 RV Industry Association's website, you will track not just  
4 the decline and the increase in sales over time, but they  
5 were concerned about the cost of steel and other materials  
6 that they rely on.

7 So I'm not making any judgment here about whether  
8 anyone did the right thing or the wrong thing. It's more  
9 this is the fact. RV industry relies on propane tanks.  
10 They've begun to rely on imported propane tanks as opposed  
11 to domestic over time, and that's just a matter of fact.

12 MR. THOMSEN: So was it a--obviously it's going to  
13 be a transition period of time, but when was that? Was that  
14 around like 2010? When did you see this transition? Was it  
15 fairly immediate right after 2008-2009? Just all the RVs  
16 pretty much started heading toward imports? Or was it, you  
17 know, just general over time? And kind of when did the  
18 transition start? When did the transition stop?

19 MR. ROSENTHAL: The confidential chart that you  
20 had in that slide deck shows you a U.S. producer's shipments  
21 to the RV industry or 30-pounders declining. I think the  
22 import statistics will also show that, even though that  
23 segment of the industry was depressed and were buying fewer  
24 cylinders from any source, as the industries began to  
25 improve, the cylinders they were buying were from imports

1 not from domestics.

2 So we can get you more of that, but it's pretty  
3 clear that at some point the decline--at some point the RV  
4 industry dropped down dramatically and were buying fewer  
5 cylinders from any source, and began sourcing whatever  
6 cylinders they were getting mainly from imports, and as they  
7 began to grow again, as the economy improved, as their RV  
8 sales began to improve, it relied on the imported cylinders  
9 for their cylinders as opposed to domestic.

10 MR. THOMSEN: Okay, so I'm just going to say maybe  
11 2011, 2012, or something like that, just sometime before the  
12 start of the POI?

13 MR. ROSENTHAL: Clearly before the start of the  
14 POI. And I'm not sure there's one year where--it didn't all  
15 happen at once--

16 MR. THOMSEN: Right.

17 MR. ROSENTHAL: --and the decline of the domestic  
18 sales, and the increase in the import sales didn't all  
19 happen in one year. We'll try to get you a little bit more  
20 narrowing of that time period, but it was certainly several  
21 years before the Period of Investigation.

22 The key part of this is not the precise year when  
23 they transitioned, or a transition happened. It is that at  
24 some point the domestic industry was unable to penetrate the  
25 RV industry because import pricing was so much lower. And

1 that has continued through the Period of Investigation. And  
2 the main reason for this discussion is for you to have  
3 context as you look at the Period of Investigation. Because  
4 imports are starting at a higher base level. They're at a  
5 significant level, to use a statutory term, and increase  
6 from there.

7 And the other part of this is that the reason why  
8 this industry is bringing this case and is so worried about  
9 its future is that it saw what happened as imports  
10 penetrated the RV industry, and they see what the imports  
11 are doing now to penetrate the so-called 20-pound customers  
12 as opposed to 30-pound customers, which are so volume  
13 sensitive. Those are big remaining customers. You're  
14 talking about the exchangers, the retailers, and it is  
15 because those customers are so big, and the U.S. industry  
16 cannot afford to have happen with those big-volume customers  
17 that happened to the RV industry. And that's why they're  
18 dropping their prices and losing revenues.

19 That is why we are giving you this explanation,  
20 and also a continuing problem of getting sales back for the  
21 RV market which are still totally dominated by the imports.

22 MR. THOMSEN: Okay, I guess I had a couple of  
23 similar questions, but I think it might just be better for  
24 postconference.

25 You talk a lot about the RV market. And the way

1 that we've collected data hasn't really gotten to the hart  
2 of breaking RV out. Is that something that you could  
3 provide postconference?

4 MR. ROSENTHAL: And actually we will do our  
5 best, but I will tell you our position is not that you need  
6 to break them out. I mean there are 30-pound cylinders  
7 which were mainly RV and is really illustrative, and  
8 20-pound cylinders that are the bulk of the production in  
9 this industry. And the essential point is that, having lost  
10 much of the 30-pound cylinder customer base, this industry  
11 can't lose the remaining big volume customer base, which is  
12 the 20-pounders. That is the essential point.

13 I am not a big fan. I don't think it's necessary  
14 for you to cannibalize every customer--every type of  
15 customer or try to analyze it, because as you heard earlier,  
16 the trends vary differently, and I just don't think it's  
17 necessary for your analysis. We are happy to do whatever  
18 you would like us to do, and I'm not complaining, I just  
19 want to make sure I'm reserving.

20 MR. THOMSEN: Sure. Sure. Your reservations are  
21 noted in there. But I guess don't be surprised if that does  
22 come across your desk in the next couple of days.. We'll  
23 think about it.

24 MR. ROSENTHAL: Nothing surprises us. We're  
25 happy to answer any question.

1           MR. THOMSEN: Okay. Let me see if there are any  
2 other questions--oh, I did have one other avenue that I did  
3 want to pursue. And I'm sorry to say it does have to--it is  
4 related to steel.

5           Are the imports of cylinders covered under the  
6 Section 232 steel tariffs?

7           MR. ROSENTHAL: No, they're not. Although I  
8 don't have any objection to the questions about steel. I  
9 want that on record here. My only comment earlier, and  
10 again an observation, was that the companies have more costs  
11 than just steel costs. I wanted to recognize that.

12           MR. THOMSEN: Just on the raw materials side,  
13 sure. And in talking about raw material costs for steel,  
14 that's where I was headed with that, have your firms been  
15 affected by the Section 232 steel tariffs, either directly  
16 from sourcing imports, or indirectly through price movants  
17 due to the 25 percent steel tariffs?

18           MR. ROSENTHAL: I'll let the industry answer--

19           MR. THOMSEN: Please.

20           MR. ROSENTHAL: --I think it's hard to--I'm just  
21 going to say it's hard to separate the 232 tariffs, which  
22 have just gone into place for certain countries, if you  
23 will, or more generally, versus increased steel costs.  
24 That's the only clarification I want to make.

25           MR. THOMSEN: The two are linked somehow.

1 That's how markets work, right?

2 MR. ROSENTHAL: I understand, but I think that  
3 it's hard to separate the cause of the increased cost,  
4 whether it's 232 prior trade cases, general market demand,  
5 et cetera. I think it's fair to say--and they will expand--  
6 --that steel prices have gone up.

7 MR. THOMSEN: Sure.

8 MR. GRAUMANN: Robert Graumann from Manchester  
9 Tank. It's difficult to understand now if 232 is going to  
10 impact us positively or negatively. We know it's probably  
11 made steel more volatile, and prices are going up in the  
12 short term. But that doesn't impact us if we can pass on  
13 that price to customers, which we really don't know yet.

14 It's been so recent that we're still working  
15 through the pricing side of it. We hope to, but I think  
16 we'll know more going forward.

17 In the past before 232, we just knew we really  
18 were challenged and in many, many cases unable to match the  
19 import prices, given how they were bringing product into the  
20 country.

21 I think to Paul's point about, you know, looking  
22 at the slippery slope of where are we going to go next after  
23 RV, it's very concerning to us given that we have a plant  
24 right in Elkhart. And if we can't take care of a customer  
25 three blocks away and have a more competitive price than

1 something coming from halfway across the world, that had  
2 nothing to do with 232. It may make it worse, I don't know,  
3 but we certainly had challenges before 232.

4 MR. THOMSEN: Okay, thank you.

5 MR. KOMLOSI: Mark Komlosi with Worthington.  
6 Steel has been rising since probably March of 2016. I think  
7 it was \$400 a ton. Now it's close to \$940 a ton. And  
8 that's happened really since October of '17 through present  
9 day. I think I was reading something where the mills have  
10 increased seven or eight times, up close to 50 percent on  
11 the cost of a coil of steel per ton.

12 So, yeah, I mean one thing that Worthington  
13 prides itself on is the ability to buy steel very well.  
14 That's part of the reason we've been able to, you know,  
15 exist and stay relevant in this industry, because of our  
16 buying power of steel. If we hadn't had that and had to  
17 sell at the prices that we're being forced to sell at, we  
18 wouldn't be in the 20- and 30-pound business.

19 MR. THOMSEN: Okay. Thank you. I believe that  
20 is all the questions that I have for you, and I will send it  
21 back to Mr. Corkran.

22 MR. CORKRAN: Thank you, Mr. Thomsen, and thank  
23 you very much to all the staff and to all the panel that's  
24 here today. I believe my colleagues have covered nearly all  
25 the questions that I would have had.

1           I will give you perhaps a chance to address one  
2           of the contentions that came up this morning, which was  
3           that--and I'm paraphrasing here--but that imports would have  
4           an advantage in terms of service, or in particular  
5           innovation.

6           Can the industry witnesses here just simply  
7           identify within this product range a recent innovation that  
8           they would particularly want to highlight in terms of their  
9           products?

10           MR. KOMLOSI: This is Mark Komlosi with  
11           Worthington. I mean there are several projects that we  
12           currently have in the works that I'd rather submit in the  
13           postconference brief.

14           MR. CORKRAN: Okay.

15           MR. GRAUMANN: Robert Graumann from Manchester  
16           Tank. I will touch both on service and innovation. On the  
17           service side, it would be very hard for me to imagine any  
18           company, domestic or import, being able to provide better  
19           service than we provide out of our Crossville and Elkhart  
20           plants.

21           We would be happy to document our on-time  
22           delivery performance over the last few years consistently in  
23           the 98 to 99 percent range. And a lot of that is because we  
24           use our parent company's balance sheet to carry a tremendous  
25           amount of inventory to be able to be prepared for things

1       like hurricanes and surges in demand.

2                   And that's a primary satisfier, and our  
3       reputation in the industry is around service, short lead  
4       times, and availability.

5                   On the innovation side, I would echo what Mark  
6       said. I'd be happy to share some of the things we've done  
7       at the plant level and product level to improve that  
8       product, and we continue to make investments there.

9                   The change in that product of course is limited  
10      by the Code. You can't change the product such that it  
11      would end up putting it outside of what is approved by DOT  
12      for safe use by consumers. And to the extent that you want  
13      to make that change because you think it's better for  
14      consumers that that actually gets driven through DOT, you  
15      work with them to change the Code because it's better for  
16      the industry.

17                  There's a number of examples of that over the  
18      last 5, 10, 20 years. Probably the most important  
19      innovation was the valve design that prevents the  
20      over-filling of propane, which was a Manchester innovation  
21      working with valve suppliers. And everybody in the  
22      industry, including Worthington, got behind that change and  
23      it was mandated in the early 2000s.

24                  And I can speak for our experience. The amount  
25      of incidents in the industry of having a cylinder release

1 propane unsafely dramatically went down because the  
2 propensity to over-fill a cylinder was reduced greatly. But  
3 happy to share more of that in postconference brief.

4 MR. CORKRAN: Thank you.

5 MR. KOMLOSI: Can I have one last thing?

6 MR. CORKRAN: Please.

7 MR. KOMLOSI: This is Mark Komlosi with  
8 Worthington. I mean by and large our customers aren't  
9 asking us to change our product. I mean there's things  
10 we're looking at that, you know, came through due diligence  
11 on our side in looking how products are produced overseas.  
12 And we're hoping to incorporate some of that innovation to  
13 drive some more profitability into the product.

14 Essentially our customers, I mean they're not  
15 real concerned about innovation, unfortunately. They look  
16 at our product as a bucket that they put propane in. And  
17 they make money on the propane. So it's not about  
18 innovation; it's about can you get me this bucket at the  
19 lowest price possible.

20 MR. BOWES: James Bowes, Worthington. I would  
21 just add to that that the whole infrastructure as well that  
22 our customers have set up is not really ripe for innovation.  
23 You have exchange cages in front of every gas station or  
24 store. They have trucks. They have filling stations that  
25 all are manufactured to handle this type of product. So

1 when we come to them with potential ideas that consumers may  
2 like around a better steel tank, that is always an issue,  
3 that the investment they would have to make around changing  
4 their infrastructure to support a different type of product  
5 would be an issue.

6 MR. CORKRAN: Thank you. The next question is  
7 mostly a legal question. This morning you heard Mr.  
8 Campbell indicate his belief that there are no Taiwan  
9 producers of this product. If, at least by the time of our  
10 next APO release, if not further, there is no data to  
11 substantiate imports from Taiwan of this product, where  
12 does that leave your argument? And where does it leave us  
13 as analysts of data?

14 MR. ROSENTHAL: I'll start with that, and I do  
15 want to address--or I think we will address this mostly in  
16 our postconference brief, but I want to ask this question:  
17 If you send the questionnaire to a foreign producers and  
18 they don't reply, does that mean they don't produce the  
19 product?

20 That's a rhetorical question, you don't have to  
21 answer. I would suggest to you, just because you don't get  
22 a questionnaire response doesn't mean that the particular  
23 Respondent doesn't produce the product and doesn't import  
24 it.

25 So what we're going to give you is the best

1 information that we've got about the Taiwanese producer, who  
2 I happen to think is also the same company that produces in  
3 China, and we have information they've imported in the past,  
4 and we will get you information as best we can that we have  
5 about any potential importation. What we have at this point  
6 suggests a need for further inquiry, further investigation.

7 We've got these large basket categories that show  
8 increased imports of cylinders from Taiwan. We have  
9 customers telling us that the--we have a known Taiwanese  
10 producer of cylinders, and we have customers saying that  
11 we've got imports from Taiwan. We've got an importer who  
12 has the ability to import from Taiwan.

13 And so we're trying to find out, based on all of  
14 that, how much is actually coming in from Taiwan. If it  
15 turns out that there is no importation from Taiwan and no  
16 likelihood of importation, no threat of importation, then we  
17 have a different story.

18 We don't have enough information to answer those  
19 questions definitely at this point, and that's why we think  
20 that there's further investigation necessary.

21 MR. CORKRAN: Thank you. I appreciate that  
22 response. This is more of a technical question. I couldn't  
23 go the entire conference without a steel question. How  
24 thick is the steel in the propane tanks cylinders that you  
25 produce?

1           MR.; KOMLOSI: Mark Komlosi. I'm not a hundred  
2 percent sure, but I can get that for you. I mean it's  
3 within the DOT spec, but I mean I know that we try to drive  
4 out as much weight out of that cylinder as possible.

5           MR. CORKRAN: I'm mostly trying to figure out  
6 whether it gets into the plate gauges, or whether it's down  
7 in the sheet gauges, although I know it's sold in coil form.

8           MR. GRAUMANN: Yeah, it's--this is Robert  
9 Graumann--it's down in the sheet gauges. I believe the  
10 minimum thickness per DOT is .078 inches thick. The coils  
11 that we buy start thicker than that, obviously, because  
12 we're forming it into heads. So it might be somewhere  
13 between .082 and .085 starting thicknesses per spec. But  
14 even the starting thickness any manufacturer would start  
15 with is dependent on their forming capability and how they  
16 can control thickness when forming the heads.

17           MR. ROSENTHAL: Mr. Graumann spent five years in  
18 the steel industry, and we weren't hiding that fact to avoid  
19 specific questions in steel, but he does have a fairly good  
20 indepth knowledge of the industry.

21           MR. CORKRAN: Thank you. I appreciate it very  
22 much. I couldn't go without one steel question.

23                    Besides propane, what else might one put in a  
24 cylinder of that type? Is butane used in these type of  
25 cylinders? Or are other forms of gas?

1                   MR. GRAUMANN: Robert Graumann. Globally what  
2                   is referred to as propane versus LP gas, and butane, the  
3                   definition really does change market by market. The  
4                   application is largely the same. It's heating and cooking.  
5                   And the design of that cylinder, two pieces, one fitting and  
6                   one valve, is a very, very common I guess product type  
7                   globally. You see those everywhere. They have collars and  
8                   foot rings. The design of them differ by every country, and  
9                   oftentimes customers within those countries, based more than  
10                  anything on duty cycle, which would change the thickness  
11                  and sturdiness. We treat our cylinders pretty well here in  
12                  North America. We don't throw them around.

13                  There are other parts of the world that are built  
14                  much, much more heavy duty because of that's how they're  
15                  handled in the delivery process. But all types of LP gas  
16                  and propane are by far the most common application for a  
17                  cylinder that's designed like that.

18                  MR. CORKRAN: And the last question is a  
19                  clarification question for me, and that has to do with the  
20                  DOT certification that's been talked about.

21                  Is that certification exclusively for the  
22                  product? Or is there any form of certification for the  
23                  manufacturing process, or the manufacturing facility?

24                  MR. KOMLOSI: Mark Komlosi for Worthington. For  
25                  the facility, and for the products.

1           MR. CORKRAN: Okay, so there's no, for example,  
2 I'm thinking perhaps of other industries, but there's no  
3 master list of facilities that are certified to produce  
4 products such as these?

5           MS. RINGEL: Brooke Ringel, Kelley Drye. Based  
6 on our research, the U.S. Department of Transportation does  
7 publish a list of, for example, foreign facilities. Not  
8 U.S. facilities, but foreign facilities. What we discovered  
9 in our research is that, while that accounts for a number of  
10 foreign facilities that have directly applied to the  
11 Department of Transportation for certification, it does not  
12 account for those facilities in foreign countries that are  
13 using DOT-authorized third-party suppliers--third-party  
14 certifiers to certify their facility.

15           So there are these third-party certifiers that  
16 are authorized by the Department of Transportation that then  
17 can certify the foreign facility. So it's a mix, from our  
18 understanding, in the foreign countries. But there is a  
19 list of at least some of those facilities that have been  
20 directly certified by the Department of Transportation on  
21 the DOT's website.

22           MR. CORKRAN: Okay, I guess I'll ask the  
23 question that's rattling around in my brain, which is: So is  
24 there a Taiwan producer that is on that DOT Certification  
25 List?

1                   MS. RINGEL: I will have to check back on that  
2                   and get back to you.

3                   MR. CORKRAN: Okay, thank you very much. I will  
4                   briefly turn to colleagues to see if there are any  
5                   additional questions? Ms. Preece?

6                   MS. PREECE: Just a simple question. It's  
7                   basically off of Doug's question about what other things,  
8                   tanks for other materials. Is there now anything coming in  
9                   that would fall as a hood like this, but actually carrying  
10                  other product that would fit under that changing definition  
11                  of this product if it goes forward? Or is this just a  
12                  totally hypothetical, not-existing now? That's all I want  
13                  to know.

14                  MR. KOMLOSI: This is Mark Komlosi with  
15                  Worthington. I might--the scope of my word is LPS, so to  
16                  the best of my knowledge there's not.

17                  MS. PREECE: Okay. And you?

18                  MR. GRAUMANN: I would agree. That form,  
19                  especially that valve in particular, is very, very specific  
20                  to propane and LP gas and cannot be used for any other use  
21                  that I would be aware of.

22                  MS. PREECE: Okay. Okay, that's good. That's  
23                  good. Then we don't think that there's anything else out  
24                  there that's going to be jumping out at us and making our  
25                  data all wrong if something happens. Okay, good. That's

1 all. Thank you.

2 MR. CORKRAN: Thank you. Does anybody else have  
3 another question?

4 MR. VON SCHRILTZ: Yes. Mr. Graumann, I believe  
5 you mentioned this morning in your testimony that Manchester  
6 has been forced to import certain steel propane cylinders.  
7 If you could elaborate either here or in your postconference  
8 brief on the reasons why, and the customers that you've had  
9 to sell the imported cylinders to, I'd appreciate it.

10 MR. GRAUMANN: Yes, the specifics around  
11 customers I'll share in the postconference brief. But we  
12 would prefer to manufacture all of the cylinders that are  
13 required for the U.S. market in the U.S. We have ample  
14 capacity to do so. When faced with the decision of selling  
15 below our cost, or blend in a small percentage of imports,  
16 we have chosen the latter, particularly to serve a number of  
17 national accounts that want us to manage basically all of  
18 their cylinder needs across the U.S.

19 The loss of any meaningful part of those  
20 customers' business for our U.S. plants, as we talked about,  
21 would further hurt our capacity utilization and be  
22 unacceptable.

23 So we have used that as a strategy to maintain  
24 the business we still have in the U.S.

25 MR. VON SCHRILTZ: Thank you for that answer,

1 and thank you to everyone for being here.

2 MR. CORKRAN: Thank you very much to the panel.  
3 That concludes the initial presentation. We will take a  
4 break for 10 minutes and resume with Respondent's panel at  
5 12:35. Thank you very much.

6 (Whereupon, a brief recess was taken to reconvene  
7 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                   MR. CORKRAN: I'd like to welcome the  
4 Respondent's panel and Mr. Campbell you may begin when you  
5 are ready.

6                   MR. BISHOP: Mr. Chairman, before this panel  
7 begins, I would note that the panel in opposition to the  
8 imposition of anti-dumping and countervailing duty orders  
9 have been seated. All witnesses on this panel have been  
10 sworn in and this panel has 60 minutes for their direct  
11 testimony.

12                  MR. CORKRAN: Thank you, Mr. Secretary. Mr.  
13 Campbell, you may begin when you are ready.

14                  MR. CAMPBELL: Thank you, Mr. Corkran. Again,  
15 I'm Jay Campbell with White & Case and Alexandra Salzman  
16 with DeKieffer & Horgan will get us started.

17                  MS. SALZMAN: This is Alexandra Salzman.  
18 Forgive my voice. It's been coming and going. I'm with  
19 DeKieffer & Horgan on behalf of Huanri Group, the Chinese  
20 producer and Worldwide Distribution, a U.S. importer. And  
21 I've asked Mr. Cancelois, the VP of Operations at Worldwide,  
22 to give the first testimony of our presentation. I'll  
23 follow with a brief comment on the RV industry and we'll  
24 move into our other industry witnesses, followed by some  
25 remarks from White & Case on some of the other matters.

1 STATEMENT OF BRAD CANCELOSI

2 MR. CANCELOSI: Good afternoon. Brad Cancelosi,  
3 VP of Operations, Worldwide Distribution, and also co-owner.  
4 I spent 13 years working for Worldwide and have a previous  
5 six-year experience in Customs Brokerage. We're a  
6 family-owned company which began in 2003 and is  
7 headquartered in Jacksonville, Florida. We have 13  
8 employees in two U.S. offices. We source, both domestically  
9 and internationally, products related to plumbing,  
10 electrical, hardware, and gas that services RV  
11 manufacturers, wholesale distributors, OEMs, and retailers.

12 Our business has grown exponentially over time  
13 because our core belief is to add value to the supply chain  
14 for our clients as well as our manufacturing partners. We  
15 need strong business relationships and loyalty amongst its  
16 partners. The overwhelming majority of our propane tanks  
17 are for the recreational vehicle manufacturing industry.

18 It's our belief that we have 80 percent of the  
19 market share in that industry with very little participation  
20 in the balance by the Petitioners. We purchase cylinders  
21 from an overseas supplier. We sell them to distributors in  
22 Indiana, who then sell them to individual RV manufacturing  
23 plants. Our involvement in steel propane tanks came at the  
24 behest of a large client who was having a number of issues  
25 with domestic and international procurement in 2008,

1 including price stability, quality, lead times, and market  
2 protection.

3           As there are high barriers to entry in this  
4 market there were and still are only small handful of  
5 facilities capable of producing cylinders to required  
6 specifications and having the required approvals. We set  
7 out to improve the product line for clientele, focusing on a  
8 number of key issues, not only based on price, but rather  
9 overall value. We offer market protection. We do not sell  
10 our customers' customers directly through our own  
11 distribution. We have no distribution ourselves. Rather we  
12 sell to distributors that sell to plants directly on their  
13 own. We build business with customers based on loyalty  
14 since they know we will not compete with them in the market.  
15 This has allowed us to gain market share in the RV industry,  
16 along with the other products that we provide. It ensures  
17 distributors always have a product line to sell and that  
18 they cannot be cut out of the supply chain at any time.

19           This is dissimilar from Worthington and  
20 Manchester, which have the intention and the ability to sell  
21 to market direct. We can make quality adjustments and have  
22 stricter quality control process. The cylinder which is  
23 produced to our overseas is heavier due to the steel  
24 available in the Chinese mills and does not dent as easily  
25 during handling. The heavier cylinder was specifically

1 requested by our client. Our cylinder also has a more  
2 durable finish that enables it to be better endure being  
3 placed on the outside of a moving RV.

4 Furthermore, the Department of Transportation  
5 regulations require that all cylinders produced by a foreign  
6 manufacturer are batch tested prior to shipment by the DOT's  
7 appointed agent rather than on a periodic basis. So in  
8 effect, the cylinders we supply are subject to far more U.S.  
9 Government scrutiny than domestically-produced cylinders.

10 Finally, our supplier is only one of two  
11 worldwide locations that I'm aware of that produce cylinders  
12 as well as the required overfill prevention device, allowing  
13 strict quality control and testing in the same facility  
14 rather than two different locations. We carry a large  
15 liability insurance policy that adds an additional layer of  
16 security for our clients, which is underwritten by a U.S.  
17 company, given that our overseas supplier only has a  
18 domestic China policy available.

19 We can stabilize pricing for the long term.  
20 We're able to take long-term orders from three to twelve  
21 months to purchase steel and brass on contract. It's up to  
22 our clientele when they will place the formal orders and how  
23 far in the future they are to be shipped. This ensures our  
24 clients know their cost bases for the foreseeable future for  
25 anything on order. Because of this purchasing strategy

1 we're able to do things like negotiate annual freight  
2 contracts or purchase currency exchange futures to  
3 eliminate freight and exchange rate risks.

4 We're very flexible when it comes to  
5 accommodating unforeseen increases in demand. At any given  
6 time we place orders for roughly 10,000 extra cylinders to  
7 be stored in our supplier's warehouse in China where they  
8 are kept until we may need them. By doing this, we can  
9 reduce the delivery time to roughly 25 days, which enables  
10 our clientele to pursue new business opportunities on short  
11 notice.

12 One distributor mentioned to us recently that a  
13 domestic lead time was as long as seven weeks. Our supplier  
14 produces excess cylinders prior to any China closures due to  
15 holidays. We can increase or decrease capacity for U.S.  
16 cylinders by opening production space used for other  
17 markets, such as Africa, Latin America, or the Asian  
18 markets. This is very important since the RV manufacturing  
19 industry has been growing 20 percent year-over-year since  
20 the financial crisis.

21 It also enabled us to furnish cylinders to  
22 Puerto Rico in very short notice after last year's  
23 hurricane. At the same time, we're also very flexible to  
24 postpone orders during slack seasons or holidays in the U.S.

25 As for the other markets, the retail market, a

1 small percentage of our cylinders end up there. We are not  
2 able to compete on price. We have been told on numerous  
3 occasions from retailers that since they buy a one-pound  
4 disposable cylinder from the Petitioner the Petitioner has a  
5 monopoly on the one-pound disposable tank market in the U.S.  
6 and retailers cannot risk getting higher prices or being cut  
7 off by buying our import tanks.

8           Furthermore, the U.S. has two large LP gas  
9 refilling companies in which we have no current business.  
10 One of which we quoted since in the past two months, but  
11 were told our prices were not competitive enough to get the  
12 business. Even then, they only considered us for West Coast  
13 shipments since the cost of freight is lower from China than  
14 shipping from the East Coast to West Coast. This is not  
15 purely a matter of having a lower-cost cylinder.

16           In conclusion, I disagree that the U.S. market  
17 is being inundated with cheap imports by the list of the  
18 foreign factories named in the petition. The fact is that  
19 only a small handful of these have the necessary, expensive  
20 approvals for the U.S. market. Of those trade data will  
21 show that even the smaller number have the capacity and  
22 regular production coming to the United States. There are  
23 not U.S. producers of these tanks who've gone out of  
24 business in recent years because of cheap imports.

25           There are only two domestic suppliers since we

1 started importing steel propane cylinders since 2008. As I  
2 have outlined above, our cylinders meeting a particular  
3 quality requirement and our volume is only to one distinct  
4 industry in which the Petitioners are not involved in to any  
5 notable extent. And our volume has grown, not because of  
6 price, but through organic double-digit growth of the RV  
7 manufacturing industry.

8 From our perspective, if the Petitioners have  
9 lost any business for this market, it is because they cannot  
10 provide the quality of products needed. They have much  
11 longer lead times. They cannot stabilize costs for longer  
12 periods of time. And most importantly, they will sell to  
13 the end consumer directly through their own distribution  
14 channel rather than respecting our distributor clients.

15 Thank you for your consideration of my comments  
16 today.

17 MS. SALZMAN: I just want to comment again that  
18 Petitioners have shown that they are well located for the RV  
19 market and they claim they've lost this market because of  
20 price and price along back in 2008/2009. And whatever the  
21 initial reason for that lost in RV market what matters is  
22 this investigation in the few years. And Petitioners  
23 continue to say that that's because of the cheap imports,  
24 but what Worldwide customers are telling them, and as you'll  
25 hear from the other industry today, that's not what they're

1 customers are telling them.

2           They're not saying that they're making that  
3 decision based on price. They're saying they're making that  
4 decision because of quality and because of the time. So  
5 with the RV industry, specifically, which Worldwide is the  
6 one -- as well as the RV manufacturers that can speak to  
7 that here today that market -- the loss in that market is  
8 not because of price. They need the quality that can be  
9 given from Worldwide, which is heavier and more durable and  
10 how quickly they can get it to respond to an  
11 ever-increasing industry is what drives people to go there.

12           So Manchester and the other Petitioner may be up  
13 the road, but according to Worldwide's customers it's going  
14 to take them longer and they're get a less quality product.  
15 So Manchester should have the advantage up the road, but  
16 they're not because they're not keeping an inventory and  
17 they're not keeping the quality that's needed for this  
18 unique industry. So the growth that's happened in the RV  
19 market is not what's harming Petitioners because it's a  
20 market they've already lost. It's a market they can't  
21 compete in and it's not because of price. It's because  
22 they're not offering the needs of those clients, the quality  
23 and the inventory with the lead time. So you're hear more  
24 of this from the next industry witnesses.

25           MR. CAMPBELL: Our next witness will be Sam

1 Newman of Flame King.

2 STATEMENT OF SAM NEWMAN

3 MR. NEWMAN: My name is Sam Newman and I'm the  
4 President of YNS Imports, more commonly known as Flame King.  
5 I appreciate the opportunity to testify today regarding the  
6 steel propane cylinders industry. I have been working in  
7 this industry for a little over 18 years.

8 Flame King imports steel propane cylinders  
9 primarily from Thailand and also from China for sale into  
10 the United States. In fact, I believe we are the largest  
11 importer of propane steel cylinders into the U.S. currently.

12 To provide some background on the product the  
13 steel propane cylinders subject to this investigation have  
14 four main applications. First, 20-pound capacity cylinders  
15 are used in the grilling and barbeque industry; second, 20-  
16 and 30-pound cylinders that are used in the RV industry as  
17 components on a finished RV. Third, propane cylinders that  
18 are used in industrial applications, like 40-pounders and  
19 forklifts, these cylinders are usually 33 pounds or higher  
20 in capacity. Finally, propane cylinders with capacity of  
21 four and a quarter pounds and 10 and 11 pound are typically  
22 used for camping or other similar activities.

23 Of these four applications, 20- and 30-pound  
24 tanks are the most widely used propane cylinders. Flame  
25 King has participated in the U.S. propane cylinders market

1 since 2001 when we first began importing propane cylinders.  
2 Before then, Worthington and Manchester had the market all  
3 to themselves and were happy to divide it between themselves  
4 and keep prices artificially high.

5 The Coleman Company, one of the leading camping  
6 products manufacturers, approached us to supply them with  
7 20-pound cylinders for their barbeque grill OEM because they  
8 were displeased with the lack of service or interest they  
9 had received from Worthington and Manchester. Coleman was  
10 particularly upset that they could buy Manchester or  
11 Worthington propane cylinders at retail for cheaper than  
12 what they were being offered for Coleman to buy it directly.  
13 At the time we were importing valves for Coleman, so Coleman  
14 asked if we would also import propane cylinders for their  
15 barbeques.

16 Also, as luck would have it, at the same time  
17 there was huge shortage in the propane cylinders market  
18 because of what was alluded to earlier, the change in the  
19 overfill protection device, the valve, and the NFPA safety  
20 standards that were rewritten at that time that required all  
21 20-, 30-, and 40-pound cylinders, including cylinders  
22 already in the market to include an overfill protection  
23 device. So from that drop dead date, any cylinder that was  
24 in the market that did not have an OPD, an overfill  
25 protective device, could not be filled by any propane

1 refiller in the United States and needed to either be -- the  
2 valve needed to be changed or they needed to go out and by a  
3 new cylinder.

4           Ironically, the U.S. producers, Manchester and  
5 Worthington, lobbied for this change in the standard, but  
6 they could not come close to keeping up with the demand that  
7 this change created, so this created a real need for imports  
8 at the time. We began to investigate potential suppliers  
9 and zeroed on SMPC in Thailand based on the quality of their  
10 product and manufacturing operation.

11           Over time, we also began to import some  
12 quantities from TPA, which is located in China, but over the  
13 past several years we have shifted most of the production  
14 away from TPA because they have been short on production  
15 mainly due to labor issues where their plant is located in  
16 Shinzin, China.

17           Because of our high quality service and  
18 innovative spirit our business has steadily grown since we  
19 first began to sell to Coleman in 2001. One important I  
20 want to emphasize is that Flame King does a lot more than  
21 just import. We are innovators and our business is driven  
22 largely by the day-to-day challenge of coming up with  
23 creative solutions to solve our customers problems. Think  
24 of it this way. When we approach a new or existing  
25 customer, we are not selling them cylinders. We are solving

1 their problems by selling them solutions. Let me repeat.

2 We are solving their problems by selling them solutions.

3 Here are some examples of what I mean by this.

4 Now I'm going to give our competitors some free consulting  
5 advice. The RV market, until very recently, was largely  
6 overlooked by Worthington and Manchester. For them, selling  
7 pallet loads of cylinders to small RV manufacturers on a  
8 just-in-time delivery basis was more trouble than it was  
9 worth.

10 Flame King, on the other hand, saw an  
11 opportunity and in 2009 opened a warehouse in Elkhart,  
12 Indiana, the hub of the U.S. RV industry and placed two  
13 trucks there to provide on-time delivery to any of the RV  
14 OEMs when they needed it. We have a significant warehouse  
15 staff and run our trucks constantly to the RV producers in  
16 that area. In short, we found a way to serve the RV  
17 producer's need for just-in-time delivery. While  
18 Worthington and Manchester, for years, chose to mostly  
19 ignore these companies, we provided them with a solution.

20 We have also found innovative ways to  
21 containerize and pack our cylinders, which has helped our  
22 customers in two specific ways. First, we have  
23 significantly reduced the per-unit freight costs for our  
24 customers by implementing a container packaging plan that  
25 allows us to fit significantly more cylinders in a single

1 container. Worthington and Manchester, by comparison, do  
2 not fully maximum truck space for full truckload shipments,  
3 which means higher per-unit freight costs that they pass  
4 down to their customers.

5 Second, we have responded to our large Box Store  
6 customers' need for standardized pallet of 36 cylinders each  
7 with multilevel packing configurations that don't allow  
8 cylinders to fall off a shelf onto the store's floor, which  
9 could create a liability -- which would create a liability  
10 for the retailers. Again, we listened to our customers and  
11 found a creative solution to solve their problems.

12 We were also the first to bring the retail  
13 market a 20-pound cylinder that came pre-mounted with an  
14 overflow protection device that served also as a level tank  
15 gauge. We found a way to add this feature for customers,  
16 which is now an industry standard without effecting  
17 significantly the price of a cylinder.

18 With this big innovation, we solved another  
19 problem. Customers, including small propane companies,  
20 around the continued to come to Flame King because we have  
21 two warehouse locations in the United States, including the  
22 one in Elkhart, Indiana that I mentioned, which allow us to  
23 provide short delivery times and the ability to provide  
24 customers with less-than-truckload quantities. Worthington  
25 and Manchester are traditional manufacturers that want to

1       avoid the cost of carrying inventory, which often means  
2       significant lead times for their customers and a general  
3       unwillingness to deliver less-than-truckload quantities.  
4       When they do take on smaller orders, they involve middlemen  
5       or distributors, which means higher prices for the end  
6       consumer. Worthington and Manchester prioritize high-volume  
7       buyers. We provide solutions to all purchasers, large and  
8       small.

9               As another example, in 2015, we developed and  
10       marketed a refillable one-pound propane cylinder. Although  
11       these are outside the scope of today's discussions, these  
12       cylinders have been a big hit with retailers and have  
13       strengthened our Flame King brand, which has generated more  
14       20-pound business for us. Through this product, we solved  
15       an environmental problem.

16               Even without successes, however, imports still  
17       accounts for a small portion of the U.S. propane cylinders  
18       market. The HTS numbers used to estimate imports in this  
19       petition are catch-all categories that greatly, greatly  
20       overstate the volume of subject imports. The volume figures  
21       cited in this petition, ranging from 2.7 to 5.6 million  
22       units are grossly inaccurate. The actual subject import  
23       volume is much lower.

24               For example, in 2017, the entire volume of steel  
25       propane cylinders that we purchased from Thailand and China,

1       which include many cylinders that are outside the scope of  
2       this investigation, was well under a million units. In  
3       fact, few foreign producers are able to ship to the U.S.  
4       market. The Petitioners have grossly exaggerated the number  
5       of foreign producers and exports of steel propane cylinders.

6                 In China, Huanri and TPA are the only meaningful  
7       sources of steel propane cylinders that are imported into  
8       the United States. And as I mentioned previously, TPA has  
9       been having production issues. In Taiwan, we are unaware of  
10      any companies that have the required DOT approval or that  
11      export propane cylinders to the United States. DOT has a  
12      publicly available list of approved manufacturers. On that  
13      list it also says what certifications are approved to build  
14      and there is not a single manufacturer in Taiwan that has a  
15      4BA approval, which is the approval of the scope that we're  
16      talking about.

17                Finally, in Thailand, although SMPC is the main  
18      producer that exports to the United States, it's primary  
19      market is Asia and Africa where propane is more often used  
20      as a source of heat generation for everyday cooking.  
21      Petitioners' Exhibit 7 also identifies Lean Gas and Metal  
22      Mate as Tai producers. Both companies have had DOT  
23      certification, but they operate small, high-cost factories.  
24      I do not believe they ship or are shipping into the U.S. and  
25      certainly not in any meaningful volumes.

1                   We are very familiar with Asian product and I  
2                   have never heard of Siam Intermagnate which is the last Tai  
3                   producer identified in the petition. Petitioners' Exhibit 7  
4                   includes companies that do not even produce the steel  
5                   propane cylinders. For example, and I can't even pronounce  
6                   it, Wu Yi Linden Machinery Manufacturing Company is not a  
7                   producer that we know of.

8                   Frankly, I am surprised Worthington and  
9                   Manchester identified all these companies as producers and  
10                  exporters. It is disingenuous and misleading, at best.  
11                  They know the market and they should know better. Whenever  
12                  a new cylinder comes in, they are the first to cut them up,  
13                  test them, check them, write letters to customers why  
14                  they're of less quality. They keep a very keen eye on the  
15                  marketplace and what cylinders are coming in and if there  
16                  was any cylinders coming in from Taiwan or some of these  
17                  other manufacturers, believe me, Manchester and Worthington  
18                  would know about it.

19                  Moreover, only two importers, Flame King as well  
20                  as Worldwide, account for approximately 90 percent of the  
21                  volume of subject imports into the United States. Worldwide  
22                  Imports, who we heard from earlier from Huanri, the main  
23                  Chinese producer, Flame King and Worldwide have been in the  
24                  import business for many years, well before the period of  
25                  investigation. Nothing -- I repeat nothing has changed that

1 merits a petition.

2           Also, the U.S. producers enjoy advantages that  
3 are difficult for importers to overcome. In particular, the  
4 two largest purchasers, by far, of 20-pound tanks would be  
5 Blue Rhino and Amerigas, both of which are tank exchangers,  
6 strongly prefer domestic over imported propane cylinders.  
7 They have enjoyed longstanding relationships with  
8 Worthington and Manchester and do not want to deal with the  
9 uncertainties purchasing imports. We have been unable to  
10 sell them in recent years, other than in small quantities to  
11 their West Coast location.

12           I want to add that one of them in the last two  
13 weeks put in an order of cylinders from of us because of the  
14 lead time from either Manchester or Worthington was too long  
15 for them to wait. They wanted to take whatever we had in  
16 inventory because they needed cylinders and the domestic  
17 producers could not provide them with the cylinders they  
18 needed and this just happened in the last few weeks.

19           Also, we cannot compete with Worthington for  
20 sales to retailers like Home Depot and Lowe's. These  
21 purchasers prefer Worthington because it sells a broader  
22 range of products, including the Bernzomatic line, as well  
23 as the small one-pound disposable propane cylinders and will  
24 give retailer like Home Depot and Lowe's preferential  
25 pricing, or price increases as other industries would call

1       it, on these products if the retailers will commit -- won't  
2       commit to buying all the propane cylinders from them.

3                       On the flip side, if the retailers do buy from  
4       us, they end up getting either an increase on the  
5       one-pounder disposable, which every retailer needs to carry.  
6       It's a staple and there's one manufacturer of that in the  
7       United States and that's Worthington. Very commonly, we'll  
8       get a response from retailers saying if we switch to you on  
9       the 20-pounders we're going to get a price increase on the  
10      one-pounder and that will negate everything and there's  
11      nothing we can do about that price increase.

12                      The U.S. producers have also engaged in  
13      strong-armed tactics to disadvantage us. For example, in  
14      Thailand, Manchester has pressured a valve manufacturer that  
15      they do business with to refuse to supply to us the basic  
16      OPD valves used in the 20-, 30-, and 40-pound cylinders.  
17      This burdens Flame King and our Tai supplier, SMPC, with  
18      higher costs by forcing us to buy these valves from other  
19      countries and ship them for storage at SMPC until they are  
20      ready to be used in production. The additional freight and  
21      storage costs put us at an economic disadvantage.

22                      Given these facts, importers are not the cause  
23      of any material injury to the U.S. industry. If Worthington  
24      and Manchester are not performing well, other factors are at  
25      play. In particular, competition between Worthington and

1 Manchester has been fierce in recent years with Worthington  
2 taking the lion's share of the retail market from  
3 Manchester, and that's just based on what we see on  
4 retailers shelves. For example, you used to be able to see  
5 Manchester cylinders at a Home Depot or the like. Today,  
6 retailers who used to carry Manchester will exclusively be  
7 carrying the Worthington bernzomatic brand cylinders.

8           Second, as mentioned, Worthington can be its own  
9 worse enemy sometimes. We have heard from our customer  
10 feedback that Worthington is unafraid to pressure customers  
11 with higher prices on other products if they decline to  
12 purchase the company's steel propane cylinders. Some  
13 customers are unwilling to put up with these types of  
14 bullying tactics and this has lead to business  
15 opportunities for Worthington's competitors, including us.

16           Third, Manchester and Worthington have been slow  
17 to adapt to the current business climate. They rely on the  
18 old school business model with prioritized interpersonal  
19 relationship over the newer, faster paced model that  
20 requires immediate responsiveness and attention to customer  
21 needs.

22           Fourth, while the U.S. producers complain about  
23 the rising costs, this has affected everyone, ourselves  
24 included. Flat rolled steel costs were low in 2016, but  
25 they have increased -- steadily been increasing since then.

1 Large customers, in general, will not accept the entire  
2 amount of a proposed price hike simply because material  
3 costs are increasing and this is unrelated to imports.

4 This concludes my comments. Thank you for the  
5 opportunity to share my views and I'm happy to answer any  
6 questions you may have. Thank you.

7 MR. CAMPBELL: This is Jay Campbell again with  
8 White & Case. Our next witness will be Michael Ochs with  
9 the RV Industry Association.

10 STATEMENT OF MICHAEL OCHS

11 MR. OCHS: Mr. Corkran, members of the  
12 conference, good afternoon. I'm Michael Ochs, I'm Director  
13 of Government Affairs for the RV Industry Association. RVIA  
14 represents nearly 350 U.S. manufacturers and component  
15 suppliers who, together, produce approximately 98% of all  
16 family camping vehicles, including motor homes, travel  
17 trailers, fifth-wheel trailers, and truck campers,  
18 collectively known as RVs in the U.S.

19 The economic impact of the \$50 billion RV  
20 industry affects about 289,000 U.S. workers across the  
21 country. Manufacturing operations are located primarily in  
22 Indiana, Iowa, Oregon, Michigan, California and Ohio. RVIA  
23 filed as an interested party in this investigation as our  
24 industry is a major end user of steel propane cylinders.

25 Last year our industry shipped nearly 440,000

1 travel trailers, most with at least two propane tanks, some  
2 with three, to dealers for first retail sale. Thus, we  
3 estimate that the RV manufacturers utilized nearly 900,000  
4 propane cylinders last year, primarily in the 20-pound and  
5 30-pound sizes.

6 In 2018, we are on pace to produce and ship  
7 nearly 480,000 travel trailers, likely increasing our needs  
8 for propane cylinders by another 80- to 100,000. This will  
9 result in the industry using nearly one million propane  
10 cylinders for use in production of new RVs.

11 The RV sector is uniquely American. It's an  
12 industry that was born in the United States more than 100  
13 years ago, and we're proud to say that RVs are still  
14 predominantly manufactured here. Approximately 95% of world  
15 production of RVs happens in the United States. It's  
16 clearly an all-American product.

17 And I would note that our members source their  
18 input wherever possible from domestic sources. But our  
19 manufacturers tell me in this instance, however, they are  
20 reluctant to source domestically for propane cylinders,  
21 primarily on concerns of capacity and quality. They do not  
22 feel they have a reliable stream of domestic product that  
23 can satisfy the industry's demand, which has increased at a  
24 rate of 10% to 15% each year over the last five years, and  
25 shows no signs of abating any time soon.

1           The manufacturers tell me that orders placed  
2           domestically take nearly seven weeks to be fulfilled,  
3           whereas other supplies are available in just over three  
4           weeks. They estimate that under current conditions that  
5           domestic production of propane cylinders would likely only  
6           be adequate to supply 25% to 40% of current market demand in  
7           the RV industry.

8           They have also told me of several problems with  
9           the quality of domestically-produced cylinders in the past.  
10          In 2015 and 2016, it was alluded to earlier, there were  
11          issues getting imported cylinders in because of the strikes  
12          and the slowdowns by dock workers in the West Coast ports.  
13          Several RV manufacturers at that time supplemented their  
14          inventories with domestic product. They found they had to  
15          send many tanks back for quality concerns such as bending  
16          and denting, primarily the rings around the top and the  
17          sides.

18          RV manufacturing, if you've ever been in one of  
19          their factories, is not done with white gloves. It's a  
20          harried operation, so reliably strong products are  
21          necessary. So in some way, we oppose prospective measures  
22          that would disrupt the supply chain that the RV industry  
23          currently uses and has spent many years developing. Thank  
24          you, and I'd be happy to answer any questions you may have.

25          MR. CAMPBELL: Hello again, I'm Jay Campbell of

1 White & Case, here today on behalf of SMPC and Flame King.  
2 And I will comment briefly on the ITC's present injury  
3 analysis. With respect to volume, subject imports have  
4 increased over the past three years in absolute volume and  
5 in market share.

6 The Commission, however, should not lose sight  
7 of the fact that even with those increases, the U.S.  
8 producers enjoy a commanding share of the market. The  
9 market share held by the subject imports is modest compared  
10 to the U.S. producers share.

11 Further, as you heard in the testimonies of the  
12 representatives from worldwide Flame King and the RV  
13 Industry Association, subject imports are competing in the  
14 U.S. market primarily on the basis of non-price factors.  
15 And the pricing data on the record corroborate their  
16 testimonies.

17 Now, here I have to comment on the underselling  
18 analysis presented by petitioners this morning. Our results  
19 are dramatically different. I haven't seen their  
20 calculation or methodology, so I guess we'll all have to  
21 wait till Friday to be able to review their approach.

22 One possible explanation is that Flame King  
23 reported both the pricing data for its U.S. shipments and  
24 the purchase cost data, and that's duplicative and only it's  
25 because it does not have any retail sales. And only its

1 pricing data for its U.S. shipments should be included in  
2 the underselling or the pricing analysis. That could be one  
3 explanation. I don't know. We'll see.

4           What I do know is that based on our analysis,  
5 which we believe we were using ITC precedent, underselling  
6 is not significant. In particular, for Product 1, which  
7 corresponds with the 20-pound cylinders, which is the U.S.  
8 producers' top product by far from a sales standpoint, for  
9 this product, Product 1, the subject imports predominantly  
10 oversold U.S. producers' shipments.

11           For Product 2, the 30-pound cylinders, there is  
12 evidence of underselling, but no evidence of price  
13 depression as the U.S. producers increased their prices of  
14 Product 2 over the POI. The U.S. producers also argue that  
15 there was price suppression, but subject imports were not  
16 the cause. Again, subject imports oversold U.S. producers'  
17 shipments of 20-pound cylinders throughout the POI.

18           Further, as Mr. Newman of Flame King testified,  
19 large customers will not automatically accept price  
20 increases from U.S. producers and importers alike. Steel  
21 prices increased sharply from 2016 to 2017. It is not  
22 surprising that customers would push back against the full  
23 price hikes by U.S. producers.

24           The lack of any significant adverse price  
25 effects severs the causal link between any present injury to

1 the U.S. industry and the subject imports. Consistently, we  
2 also see in the data a lack of correlation between the  
3 volumes of subject imports and the U.S. industry's  
4 performance. Instead, we see the U.S. industry's key  
5 performance indicators fluctuating up and down over the  
6 period while the volume of subject imports steadily  
7 increases.

8 Based on this record, the Commission should find  
9 no reasonable indication of material injury by reason of  
10 subject imports. Thank you. I'll now turn it over to  
11 Allison Kepkay, my colleague for a brief discussion of the  
12 threat analysis.

13 STATEMENT OF ALLISON KEPKAY

14 MS. KEPKAY: Good afternoon. My name is Allison  
15 Kepkay, also with White & Case, here on behalf of SMPC and  
16 Flame King. As my colleague, Jay Campbell, mentioned, I  
17 will comment briefly on the issue of threat as it relates to  
18 subject imports from Thailand.

19 The Commission is required to consider various  
20 statutory factors to determine whether an industry in the  
21 United States is threatened by material injury. Overall,  
22 while petitioners have identified four Thai products, SMPC  
23 is the only significant exporter in Thailand of steel  
24 propane cylinders to the United States. However, the United  
25 States is not its primary export market.

1                    Relevant factors as applied to the steel propane  
2 industry in Thailand do not support an affirmative finding  
3 of threat. First, the production capacity of Thai producers  
4 is not significant as it relates to the U.S. market. SMPC  
5 primarily exports to markets other than the United States.  
6 In 2017, for example, the company's shipments to other  
7 markets vastly outnumber the volume of its shipments to the  
8 United States.

9                    Projections for the next two years show a  
10 similar disparity between shipments to the United States and  
11 shipments to other markets. SMPC's projected increase in  
12 production capacity is largely for exports to other markets.  
13 This is due to an increase in global demand, mainly in Asia  
14 and Africa. In addition, SMPC's excess capacity is limited.

15                    Second, though SMPC's exports to the United  
16 States have generally increased over the POI, the company's  
17 U.S. shipments are projected to stabilize over the next two  
18 years.

19                    Third, the prices of subject imports from  
20 Thailand are not likely to have a significant depressing or  
21 suppressing effect on domestic prices in the imminent  
22 future. Again, as my colleague, Jay Campbell, mentioned for  
23 Product 1, based on our data analysis, again, Product 1 is  
24 for 20-pound cylinders, subject imports oversold U.S.  
25 producers' shipments during the POI. For Product 2,

1 30-pound cylinders, U.S. producers generally increased their  
2 prices over the POI, showing no evidence of price  
3 depression.

4 Fourth, and finally, the potential for product  
5 shifting is not significant. SMPC predominantly produces  
6 subject merchandise, leaving little room for product  
7 shifting to have any major impact. Based on these factors,  
8 the Commission should find that there is no threat to  
9 material injury due to subject imports from Thailand. Thank  
10 you.

11 MR. CAMPBELL: This concludes our affirmative  
12 presentation. Thank you.

13 MR. CORKRAN: Thank you very much. Thank you  
14 for your testimony today. It's been very helpful. We'll  
15 begin staff questioning, going a little bit out of order,  
16 and we'll begin with Mr. Tsuji.

17 MR. TSUJI: Thank you, Mr. Corkran. I  
18 appreciate my colleagues' flexibility. I just have two  
19 quick questions for this panel. First of all, if necessary  
20 in your post-hearing brief, please provide any details about  
21 the product characteristics and production process for the  
22 imported steel propane cylinders that differ from either  
23 what is mentioned in the petitioners' testimony or their  
24 petition. I've heard, for example, that some of the SPCs  
25 imported from China are made from a heavier-gauge steel to

1 be more rugged.

2 And then secondly, I would appreciate it if you  
3 could also include in your post-hearing brief any  
4 information about nonsubject producers of steel propane  
5 cylinders and whether or not they currently meet the DOT  
6 specifications for use here in the U.S. market.

7 MR. CAMPBELL: Okay, thank you. We will address  
8 those questions in the post-hearing brief.

9 MR. TSUJI: Thank you very much. I appreciate  
10 it. Mr. Corkran, back to you.

11 MR. CORKRAN: Thank you, Mr. Tsuji. We'll  
12 resume our questioning with Mr. Jones.

13 MR. JONES: Lawrence Jones, Office of  
14 Investigations. The first question I have is for Mr. Ochs  
15 from the RV Industry Association, RVIA. After you indicated  
16 that you were going to appear as part of the respondent  
17 panel, how would you describe the domestic producers'  
18 ability to supply the RV market? And a follow-up question  
19 to that would be, if this were to go forward to a final  
20 phase investigation and the possibility of affirmative  
21 determinations, what effects would this have on your  
22 industry?

23 MR. OCHS: I'm trying to remember both parts of  
24 the question. First part was, since we've filed to become  
25 part of this, how have we viewed the --

1                   MR. JONES: Well, as far as the domestic  
2 producers' ability to supply the RV market, is the first  
3 part.

4                   MR. OCHS: Again, talking to several different  
5 manufacturers, we had our large committee week where we had  
6 a lot of member companies in Washington last week, and so in  
7 talking to them, those are the estimates that they gave me,  
8 that the supply wasn't adequate to meet their demand. They  
9 could meet maybe 25% to 40% under their current conditions  
10 without double-shifting or other things.

11                   If this moves to a final determination, we will  
12 see what that determination is and go from there. I can't  
13 speculate what my industry is going to do. I can check with  
14 them and ask them and get back to you.

15                   MR. JONES: Thank you. And as far as the recent  
16 meeting that you had, you said it was last week, would you  
17 be able to provide any type of a transcript or something  
18 along those lines regarding that? Or --

19                   MR. OCHS: It was just, we bring our people in  
20 to meet with committees and we do our annual Washington  
21 fly-in going up to Capital Hill. This was not a subject of  
22 what this meeting was about, but several members the weekend  
23 before, our people were coming in on Sunday, contacted us  
24 and said, "This is a major issue for us," and so that's how  
25 we got involved. So this investigation was not a subject of

1 the meeting in any way. I can provide copies of committee  
2 minutes, but I'm not sure that's gonna help that much with  
3 what you're looking for.

4 MR. JONES: Okay. Well, I think we will discuss  
5 that possibly with counsel and go forward into the  
6 post-conference briefing.

7 MR. OCHS: Thank you.

8 MR. JONES: This is more specific to the  
9 counsel. As far as developments, recent developments other  
10 than the petition being filed, and changes to the industry  
11 as a whole, the steel propane industry, what are you aware  
12 of as far as what's going on, basically over the last three  
13 years?

14 What can you say that has changed other than  
15 this petition and maybe specifically if there's anything  
16 that's changed -- I guess, what's changed as far as imports  
17 and what's driving the current trends in this industry?

18 MR. CAMPBELL: I'd invite the industry  
19 representatives to elaborate, but my understanding over the  
20 past three years, you are seeing an increase in the subject  
21 import volume. We believe that's largely driven by the  
22 booming demand for RVs, business that was won by the subject  
23 imports well before the POI, based on non-price factors as  
24 you've heard in the testimony.

25 Other than that, you know, the imports continue

1 to compete well based on service and innovation. You've  
2 heard some of those ideas and as I testified earlier, the  
3 pricing data do not show any significant underselling, so I  
4 think the pricing data continue to corroborate what you  
5 heard in the testimony. But I would invite some of the  
6 industry representatives to elaborate, since I'm just  
7 learning about this market as of a week ago.

8 MR. NEWMAN: Some of the areas in the industry  
9 where we've seen a difference is that for years, when we  
10 started in 2001--and earlier this morning, the petitioners  
11 alluded to this--a propane tank is not just bringing in a  
12 piece of metal. It's gonna be holding gas. It's gonna be  
13 in service for many years.

14 And there is a safety concern, and there is a  
15 certain sense that people want to know who's behind the  
16 manufacturing of that tank. For years, when we started, the  
17 going comment that we got from many of our customers or  
18 potential customers in the industry, from feedback from  
19 Manchester Worthington, is that they're taking a risk by  
20 buying an import tank and they're not safe.

21 To the extent that one of Manchester actually  
22 early on cut open a tank and sent a letter from their legal  
23 department to Walmart who wasn't even buying from us, or to  
24 Coleman, excuse me, saying that the tank from Thailand was  
25 not safe, and that they're gonna alert Walmart that they're

1 buying an inferior product.

2 So, from the beginning, the industry players  
3 have played many different games to try to exclude other  
4 players from the market and primarily folks in the beginning  
5 on safety. So you don't have a safety record, you don't  
6 know what you're getting into, only time will tell.

7 So if anything has changed in the last couple of  
8 years, is we've proven that we've been around for eighteen  
9 years and that we're not going away. And that we haven't  
10 had safety concerns any more than any other company has over  
11 time. And that has, I think, alleviated some of the  
12 pressure from potential customers.

13 Number two, we've worked very hard to come up  
14 with new and innovative products. I don't want to, you  
15 know, belittle the petitioners, but most of our customers  
16 really don't care about propane tanks. They buy propane  
17 tanks because they have to either sell it along with a  
18 grill, or they have to fill gas in it. They make their  
19 money on the propane.

20 So it's a necessary evil to conduct whatever  
21 business they're doing. So when we speak to our customers,  
22 and when I speak to my sales folks, we're always looking  
23 for, how can we make that experience for them better? What  
24 are they missing out on that could change? And help their  
25 business in the long run?

1                   And there's been a lot of things that we've done  
2                   over time that customers appreciate and we've earned their  
3                   trust as a supplier because of those innovations. It  
4                   doesn't mean changing the tank. It could be how you're  
5                   packaging the tank. It could be what kind of marketing  
6                   material you're putting on the tank for the sales. So  
7                   there's a lot of different factors, other than just the  
8                   tank.

9                   The tank is standardized, so you have a  
10                  20-pounder, a 30-pounder, a 40-pounder. But there are  
11                  differences that do put us at a disadvantage in the market,  
12                  and one of them was alluded to by Worldwide, which is the  
13                  weight.

14                 So when you have a production facility that  
15                 you're producing just 20-pounders, the minimum wall  
16                 thickness is somewhere in the neighborhood of two  
17                 millimeters. So when you produce the tank and you press out  
18                 the two halves, you need to make sure that nowhere is it  
19                 less than two millimeters.

20                 So if you're running a production line that's  
21                 just doing 20-pounders and you're dedicated to that, you can  
22                 make sure that you're as close to two millimeters all the  
23                 way through because your equipment is set up to do that. If  
24                 you're switching from one size to the other to accommodate  
25                 many different markets and sizes, it's very hard and that

1 has a lot to do with the overall weight, so for example, if  
2 you look at the Worthington tank over there, it'll have a  
3 tare weight of about 16.6 pounds, whereas most of the import  
4 tanks will be 17 to 19 pounds, depending on which producers  
5 it comes from. So there's extra steel that goes in it  
6 because we don't have the dedicated lines running  
7 20-pounders.

8           Number two, we're at a disadvantage on the  
9 dating. Now in the RV industry, it's not as crucial because  
10 they'll sit in the RV until the RV is sold. It could be six  
11 months, eight months, whatever it is. But there is a date  
12 on the tank, and in ten years--it used to be twelve  
13 years--and the reason -- just on a side note, the reason  
14 that changes, during World War II, the DOT passed a special  
15 rule because they didn't want everyone to have to go  
16 recertify the tanks the middle of the war, they gave two  
17 extra years, and it just stayed that way forever.

18           Now that they're trying to get all the different  
19 countries, TC, DOT, with ICE, so with different countries,  
20 all the standards to match, they're trying to get back to  
21 ten years. The industry is fighting the ten years. The  
22 National Propane Gas Association is fighting, they want it  
23 to be twelve.

24           Just to give you an idea of how important that  
25 two year date is on the tank. When we're doing import

1 tanks, whereas domestic manufacturers could, in theory, if  
2 they were running properly, get a tank that was made a week  
3 ago or two weeks ago or a month ago, to market. Most of our  
4 tanks are gonna be a month or two old, so if we produce in  
5 December, we're already a year -- our year's the previous  
6 year. So that also puts us at a disadvantage.

7 So we've really had to focus on our service and  
8 solving problems for the customers. There's a certain, and  
9 I'm rambling on -- there's a certain arrogance, as the  
10 petitioners sat up here, that they're doing it all right and  
11 the imports are coming in, and like the Grinch, and stealing  
12 their market.

13 And the reality cannot be further from the  
14 truth. They've ignored the market. They look at the market  
15 as, "This is what we make, we make propane tanks." Someone  
16 calls up and says, I need a tank for a particular product  
17 and they get their size sheet and this is what we make,  
18 whereas when customers call our company and our sales  
19 people, there is a discussion that ensues. We look to try  
20 to get them what fits best for their particular needs. So I  
21 think that, you know, and I've encompassed a lot into one  
22 answer, but hope that helps.

23 MR. JONES: Thank you. That was definitely than  
24 I was hoping for, but -- was good. The one question I had,  
25 Mr. Newman --

1 MS. SALZMAN: We have another comment on the  
2 changes in the industry last three years.

3 MR. CANCELOSI: Brad Cancelosi, Worldwide  
4 Distribution. Sorry, I saw the red flashing light. Wasn't  
5 sure if there was more time or how, how that works.

6 I wanted to talk about product mix because I  
7 heard testimony as to the illustrious 30-pound cylinder as  
8 what I remember. That is true. Initially when we started  
9 the business that the 30-pound, 20-pound product mix, and of  
10 course, I'm speaking for my experience in the RV industry  
11 only, was 70/30, 60/40.

12 But now that product mix is changing and the  
13 20-pound tanks are getting a larger percentage of the market  
14 share. I'll keep this quick. Because the reason of that  
15 is, RV is no longer for -- my mom and dad who just sold  
16 their house, they're gonna buy the \$700,000 vehicle, travel  
17 around the country. Millenials are onto RVs and it's hot  
18 fashion and we're not only talking about these big buses  
19 that you drive around that run on diesel fuel, we'll talking  
20 about towable pop-up units.

21 And the towable pop-up units, they're fairly  
22 reasonable. I've got a number of friends that go away on  
23 the weekend. They take their kids to Disney. They camp  
24 there, they come back. They're very reasonable. They're  
25 very affordable. It's very cheap for a young family or even

1 a couple to get away for a weekend and go to a different  
2 place every time.

3 So when you think of RVs, please do not think of  
4 just the large bus. As a matter of fact, the majority of  
5 the cylinders end up on the outside of an RV in the back in  
6 sort of a cage. They're usually mounted in a propane tank,  
7 a pan and a fastening kit, so they don't just blow up and  
8 fly off, so now I would say that yes, the market is changing  
9 to more of a majority of 20-pound cylinders than 30-pounds  
10 cylinders, for the reason that more smaller, economical  
11 towable units are being produced.

12 MR. JONES: Thank you. This was a follow-up to  
13 Mr. Newman's statement regarding Worldwide and YSN's  
14 imports, specific to subject imports indicated it was about  
15 90% of all subject imports were from, or regarding Worldwide  
16 and YSN, I just wanted to find out a little bit more about  
17 how you came up with that figure in the reliability of it.

18 MR. NEWMAN: That figure is based on just our  
19 market knowledge. When I say YSN, I also included customers  
20 that we arrange for the imports, they might be the importer  
21 of record, but we are handling the production and import or  
22 the shipping for them, some of the mass retailers. But what  
23 the number came from just looking at the market and what  
24 Worldwide does and what we do, and not seeing very many  
25 other players in the market, just throwing a number at it,

1 to the best of our knowledge.

2 MR. JONES: Thank you. In the post-conference  
3 briefs, would that be something that you would be able to  
4 elaborate on?

5 MR. NEWMAN: Sure.

6 MR. JONES: Thank you. And this next question  
7 goes to supply disruptions. Have either of your firms had  
8 problems with supply disruptions, and is this a recurring  
9 theme? And I would ask, the follow-up to that would be, how  
10 did the U.S. producers' domestic industry account into this?

11 MR. CANCELOSI: Brad Cancelosi, Worldwide  
12 Distribution. Yes, we are -- we have a lot of problems.  
13 Production is usually not an issue, but transportation. For  
14 example, if anyone on the west coast or east coast goes on  
15 strike at the terminations, we've got delays there. If that  
16 happens, then we push traffic through Canadian ports.

17 But then if there's wintertime there's snow.  
18 It may not make it down in time. We had some vessel issues  
19 last year where things got bumped and skipped in Korea in  
20 transshipment two or three times. So those are situations  
21 where while we do the best we can, those are usually  
22 opportunities where the domestic suppliers can fill in.

23 MR. NEWMAN: Sam Newman here. In general in  
24 the propane cylinder market, other than the retail stores  
25 and the large exchange companies and the RV manufacturers,

1 the propane dealers don't really -- are not very good at  
2 forecasting, nor do they -- are they able to look at past  
3 history and tell you how many they're going to buy this  
4 year.

5                   It's really predicated on market conditions,  
6 but even the Farmer's Almanac won't help you with. It gets  
7 cold and all of the sudden there's a rush on cylinders. So  
8 imports will never be able to deal with that market, have an  
9 answer to that market because of the lead time when you need  
10 cylinders, i.e. there's a hurricane or there's a cold freeze  
11 or whatever else happens in the market.

12                   So the domestic production will always have an  
13 advantage there. But with customers that are willing to  
14 plan ahead and look at historical numbers and put in POs far  
15 in advance, there is, you know, they can benefit in the long  
16 run because of the logistics that we can provide.

17                   MR. JONES: Thank you, and this is my last  
18 question for now going back to Taiwan. What can you guys  
19 provide as far as information as far as what you've seen on  
20 the import side, what you're seeing as far as production or  
21 lack thereof coming from Taiwan and what if you -- what are  
22 some of the trends that you've noticed specific to Taiwan,  
23 if any?

24                   MR. NEWMAN: Sam Newman here. Taiwan has --  
25 TPA's parent company is out of Taiwan. They have no

1 facility to produce cylinders in Taiwan, nor do they have  
2 any DOT certification to produce cylinders in Taiwan. I  
3 have no idea. Since I've been in the industry, I've never  
4 seen a cylinder from Taiwan that is -- let me rephrase that.  
5 I've never seen a propane cylinder from Taiwan.

6 Taiwan does make quite a bit of aluminum  
7 seamless cylinders for CO2 and some air tanks. But as it  
8 relates to propane cylinders, I have never seen it, nobody  
9 I've spoken to has ever seen it, and I have -- it baffles my  
10 mind where this came from, other than to just muddy up the  
11 water.

12 MR. CAMPBELL: This is Jay Campbell with White  
13 and Case. Just to clarify also, in case it was missed, TPA,  
14 the company that Sam Newman just mentioned, is a Chinese  
15 producer and Flame King has imported from TPA. So if TPA  
16 had production in Taiwan, Flame King would certainly know.  
17 You would think that given that Worldwide and Flame King are  
18 the two prominent importers to the U.S. market, they would  
19 know if there was Taiwan production and they would be  
20 importing from Taiwan, but neither one of them are.

21 So I think it's pretty clear there's -- at  
22 this point there is no evidence, at least on this record,  
23 that Taiwan, there are even any imports coming from Taiwan.

24 MS. SALZMAN: Just Alexandra Salzman, and we  
25 confirmed the same from Hon Re who's in China. They're only

1 aware of TPA and being in China, and Worldwide is an  
2 importer, as an importer from Taiwan, is not aware that  
3 they're doing any production there either. We had the same  
4 confirmation, but we assumed it was a confusion over TPA,  
5 who's actually producing in China not in Taiwan.

6 MR. NEWMAN: Sam Newman, if I can just add to  
7 that. DOT has on their website, the PHMSA website, all of  
8 their foreign approved manufacturers, and it can easily be  
9 searched. There is no M number, which is the manufacturer  
10 number, for any facility in Taiwan that I've seen for a  
11 4(b)(A) cylinder. There is -- and additionally, if the  
12 Petitioners really wanted to dig into it, there's only  
13 several manufacturers of the valves that are used in the  
14 U.S. market, and one of those manufacturers would know of a  
15 cylinder plant in Taiwan.

16 I think Worthington buys all of their valves  
17 from Taiwan. So that Taiwan facility would also probably  
18 know if there was a Taiwan manufacturer of cylinders. From  
19 everything I know, it's smoke and mirrors.

20 MR. JONES: Thank you for your responses.  
21 That's all my questions for now.

22 MR. CORKRAN: Thank you very much, Mr. Jones.  
23 Now we'll turn to Mr. Von Schrilitz.

24 MR. VON SCHRILTZ: Thank you to everyone for  
25 being here and providing us with your expertise. To start,

1 I'd like to ask if you agree with the Petitioners' proposed  
2 definition of the domestic like product.

3 MR. CAMPBELL: Jay Campbell, White and Case.  
4 No disagreement with their proposed definition.

5 MR. VON SCHRILTZ: Thank you. Mr. Ochs, I  
6 think I heard you testifying that the RV producers are  
7 dependent on imports because the domestic industry -- it's  
8 felt the domestic industry lacks the capacity to serve the  
9 RV industry. I think you said that there's an estimate that  
10 they could only satisfy 25 to 30 percent of the demand for  
11 those cylinders that are used by the RV industry, and there  
12 are also quality problems.

13 You said that when the import supply was cut  
14 off by the dock strikes, RV producers had to supply their  
15 tanks from domestic producers and there were certain quality  
16 problems associated with that. First to take the capacity,  
17 we heard from the witnesses, the domestic industry witnesses  
18 this morning that they have massive unused capacity.

19 I think one of them said that they're only  
20 using 40 to 50 percent of their capacity. Now how is it  
21 that they don't have the capacity to serve the RV industry  
22 if they say that they've got all this unused capacity that  
23 they could fill presumably serving the RV industry?

24 MR. OCHS: Mike Ochs, RVIA. I'm only relaying  
25 what my members have told me, is their best speculation

1 about the industry and what it could supply. That's all I  
2 can -- all I can give you.

3 MR. CAMPBELL: Jay Campbell with White and  
4 Case. To elaborate on that, you know, it could be that the  
5 Petitioners have excess capacity as reported. But that  
6 doesn't necessarily mean that the statement that -- the  
7 representations from the RV manufacturers themselves are  
8 inaccurate.

9 It could just mean demonstrate that U.S.  
10 producers really aren't doing a good job of marketing  
11 themselves to the RV manufacturers, or else the RV  
12 manufacturers would know that U.S. producers have excess  
13 capacity.

14 MR. VON SCHRILTZ: Well, to sort of follow up  
15 on that very point, I mean you heard -- I heard this morning  
16 Manchester actually has a plant in Elkhart, Indiana that is  
17 designed to supply the RV industry, but lately it hasn't  
18 done so, they claim, because imports have captured the  
19 market from them.

20 Now I've heard different things about lead  
21 times. I think Mr. Newman you said that there's actually  
22 lead time disadvantage, that importers have a disadvantage  
23 because while in theory a domestic producer could supply a  
24 cylinder within a week or two, it takes months to get  
25 cylinders, you know, from China or from Thailand.

1                   Well, with a facility in Elkhart, Indiana,  
2                   wouldn't Manchester have a tremendous lead time advantage,  
3                   and if just in time is important to the RV industry, why  
4                   doesn't Manchester have the lead time advantage and the  
5                   advantage in satisfying the just in time delivery needs of  
6                   the RV manufacturers?

7                   MR. NEWMAN: Sam Newman here. I don't think  
8                   it's mutually exclusive. They could have the capacity and  
9                   the capability, and they should have a lead time advantage.  
10                  But if they're not producing them and holding them so that  
11                  when customers need them they can get them, then that lead  
12                  time advantage dissipates.

13                  From what my understanding from customers and  
14                  from feedback is when customers do call and want to inquire  
15                  about putting in an order, they will be given a lead time  
16                  of, you know, that is unrealistic and scares them off of  
17                  buying tanks from them, even though they're right there in  
18                  Elkhart. So I agree it should be an advantage. I don't  
19                  know why they're not using it as an advantage, but that's  
20                  the best of what we've gotten from our customers.

21                  We've been selling to the RV industry for now  
22                  over a decade. So I don't know where -- the only thing that  
23                  has changed recently is after 2008, after the economic  
24                  correction to be kind, was that the RV industry has come  
25                  back. There's been a lot of RV companies going out of

1 business after, in 2008.

2                   So whereas I think that Manchester really  
3 focused their sales strategy, and again this is my opinion  
4 based on what I've seen, interpersonal relationships with  
5 the different plants and they would have their sales people  
6 going around and they knew the plant manager and the plant  
7 manager decided where he bought the tanks, over the last --  
8 since 2008, there's been a lot of consolidation in the RV  
9 industry, and there's a few big players that own a lot of  
10 different lines.

11                   So it's not so much about the relationship  
12 anymore that you had with a particular plant manager, as  
13 much as it is about what you can provide them and can you  
14 provide them -- it's not just the tank. It's the whole  
15 package. It can be the mounting kit, the regulator, the  
16 hoses. It can be a bunch of different stuff that go along  
17 with the tank that they want to be able to get on an on-time  
18 delivery every single week.

19                   So when our trucks go out, it's not just tanks  
20 that we're selling. We're selling the whole package that  
21 goes on that RV, from the mounting kit, the bracket, the  
22 hoses, the regulators. So it's a lot more complicated than  
23 just tank price and we beat them on tank price or they beat  
24 us on tank price.

25                   So to answer your question, I don't know why

1 they're not using that advantage, and it is an advantage and  
2 they just haven't been able to, for other reasons, take  
3 advantage of that advantage.

4 MS. SALZMAN: This is Alexandra Salzman with  
5 Worldwide. As I've said, it estimates to be about 80  
6 percent of your RV market. So that's the main market that  
7 they're providing, and as far as lead time, when it comes to  
8 straight up production time, they're going to be similar  
9 between what happens in China and what happens in the U.S.

10 So when we talked about the advantage of a  
11 lead time is because we -- they're able to keep an  
12 inventory. So Worldwide keeps an inventory in China in case  
13 there's up-changes in market. The RV market has been  
14 constantly increasing. There's changes in weather. There's  
15 a hurricane. There's reasons to need these propane tanks in  
16 a hurry.

17 So they're able to accommodate that because  
18 they can keep an inventory, and for whatever reason, as  
19 we're saying, the U.S. industry is not doing that. They're  
20 not keeping industry -- . So if it was straight lead time  
21 from production Day 1 to arriving at your customer, there  
22 would be an advantage to the U.S. But that's not what's  
23 happening because we have the cylinders already purchased in  
24 advance in inventory that can get sent.

25 So we're missing the production stage. So we

1 can cut down to three weeks instead of this seven weeks I  
2 think has been what we have been hearing from Worldwide and  
3 Flame King said the same thing, that seven weeks has been  
4 the time that their customers are hearing for lead time from  
5 the U.S.

6 MR. VON SCHRILTZ: So it takes -- so the  
7 inventory is held in China. You don't have a warehouse in  
8 Elkhart, Indiana?

9 MS. SALZMAN: Worldwide doesn't, but Flame  
10 King keeps it. There's some advantages to keeping the  
11 warehouse in China, especially if you're going to the west  
12 coast. So they keep it there and import from there and  
13 yeah. Especially if they're trying to go to the coast,  
14 there's no point of importing to the U.S., to then transport  
15 from the Midwest to -- or from Elkhart to the coast again.

16 MR. VON SCHRILTZ: Okay, thank you. I heard  
17 from the Petitioners this morning that, you know, their  
18 testimony was that they lost the RV market ten years ago.  
19 They haven't been able to get it back, they want it back,  
20 and their main concern now or one of their biggest concerns  
21 now is that the subject imports are now moving in on the  
22 business that they still have. They say in the retail and  
23 the refillers, they say that they're encountering  
24 increasing competition from subject imports in those sales  
25 channels.

1                   Now could you tell me if you've stepped up  
2 your efforts to capture business in the retail channel and  
3 the gas refiller channels over the Period of Investigation?

4                   MR. NEWMAN: So I'm going to give you an  
5 example here that will help, I think, with that question.  
6 Currently Worthington produces the one pound disposable  
7 propane tanks that are outside the scope of this  
8 investigation. Every one of those tanks has a pound of  
9 propane. Every propane company in the country, wherever  
10 they go they see these tanks and they're in the business of  
11 selling propane gallons and they're not getting anything.

12                   They're not seeing any advantage to that  
13 propane that's being sold into their market. So where we  
14 have seen is when we launched our one pound refillable, we  
15 had propane companies all of the sudden saying wow, there's  
16 someone who cares about us. Even though they're not buying  
17 the one pound refillable because the model doesn't work for  
18 them or whatever, but they saw it as a manufacturer or a  
19 distributor or a brand that is actually looking out for  
20 their interests, and whereas they're selling gas and here's  
21 a propane cylinder provider that's competing against them  
22 with gas, that they have no advantage of in their home  
23 market. So that's an example of you asked about if we've  
24 been stepping up efforts.           It hasn't been that we're  
25 stepping up efforts to compete with them in other markets.

1 It's that as we launch new products and we get more  
2 notability, notoriety in the industry, we do pick up  
3 customers along the way. As it relates to the retail  
4 customers, I think it's been pretty flat over --

5 The only one that I can think of that in the  
6 last couple of years, maybe during the subject period that  
7 we actually picked up was Sam's Club. But they were getting  
8 out of the propane tank business. So it's just the last  
9 remnants of what they're doing. They're going to an  
10 exchange model on their outside of their store. So they're  
11 not going to be selling them inside the store anymore.

12 But other than that, I don't know of any mass  
13 retailer that we've picked off or put in a big effort to  
14 get. I mean we go and we give quotes every year to all the  
15 retailers. We've done that for years. But very often we're  
16 told that our price is too high, so we can't get that  
17 business.

18 But I think the increase that you're -- on the  
19 RV side it's been just because the RV market organic growth  
20 there because of the growth in that particular market, and  
21 in the gas companies. It's just been because companies feel  
22 that we're actually doing something for -- that speaks to  
23 them.

24 MR. VON SCHRILTZ: And thank you. Worldwide.

25 MR. CANCELOSI: Brad Cancelosi. Sure, we

1 won't deny any opportunity to go after any business that we  
2 can. But up to this point, the majority of our cylinder  
3 sales are for the RV market.

4 MR. VON SCHRILTZ: All right, thank you.

5 MR. OCHS: If I could, Mike Ochs with RVIA.  
6 To a degree I have to disagree with the premise that the  
7 switch started in 2008. Some of our major manufacturers  
8 were using imported much prior to that, bringing it in from  
9 YSN and selling to all of one major manufacturer. So I'm  
10 not sure I agree with their premise that it all started at  
11 the Great Recession.

12 MR. VON SCHRILTZ: Thank you for that. Mr.  
13 Newman, you talk a lot about innovation and you say  
14 innovation doesn't have to necessarily be with the tank  
15 itself. It could also be with customer service and  
16 packaging. I was wondering if you could share  
17 post-conference your R&D expenditures, the R&D expenditures  
18 over the Period of Investigation, the money that you spent  
19 to develop these new innovations.

20 MR. NEWMAN: Sam Newman, sure.

21 MR. VON SCHRILTZ: Thank you. Let me see if  
22 there are any -- well, I guess to go back to the Taiwan  
23 issue, now I've heard from both Worldwide and Flame King  
24 that you're not aware of any Taiwanese producer of the  
25 subject steel propane cylinders. You stated, Mr. Newman,

1 that the U.S. Department of Transportation website doesn't  
2 indicate that any Taiwanese producer has the necessary  
3 certification to make tanks for the U.S. market.

4 This morning, I heard from Petitioners that  
5 the Chinese producer, the big Chinese producer, TPA, sort of  
6 shares a parent company with a cylinder manufacturer in  
7 Taiwan, and they also suggested that importers would have  
8 the ability if they wanted to or needed to to shift their  
9 sourcing of subject steel propane cylinders from China to a  
10 facility in Taiwan.

11 I'm wondering if you could discuss if there  
12 would be any barriers to doing that. Obviously, if the  
13 producer in Taiwan -- well first of all, is there a producer  
14 in Taiwan that is affiliated with TPA in China, and two,  
15 would you be -- would importers be able to source their  
16 steel propane cylinders from Taiwan if an order were to be  
17 imposed on steel propane cylinders from China and Thailand?

18 MR. NEWMAN: Sam Newman here. So just to  
19 clarify, TPA is the parent company, has a manufacturing --  
20 the parent company's in Taiwan. They have a manufacturing  
21 facility in China. When you get -- honestly, I find it hard  
22 to believe that the Petitioners don't know this, because  
23 this is 101 with manufacturing of propane tanks.

24 In order to get approval, you have to get  
25 approval on the product. So every product that you're going

1 to make has to have DOT approval, but then prior to that you  
2 need to get manufacturer approved, and that is the facility  
3 has to actually be approved. So besides just the tank, it's  
4 not a matter of just if there's an order they're just going  
5 to shift their production.

6 There is no facility in Taiwan. They happen  
7 to have a -- they have a facility in China, but they don't  
8 have any manufacturing facility to make tanks in Taiwan. So  
9 even if they would in theory you want to go down this road  
10 of if an order was put in place, can they turn on the spigot  
11 tomorrow and start making tanks, the answer is no.

12 They would have to first of all build a  
13 facility to do it. They would have to apply for DOT  
14 approval on the facility, get the DOT approval on the  
15 facility after an audit which can take a year, because DOT  
16 has to actually fly out and do an in-person audit.

17 Then you have to have an independent inspector  
18 at site during all production, and to start the independent  
19 inspector has to certify the product that you're going to  
20 make, now that you have the approval. So we're talking  
21 about a long road to producing anything in Taiwan.

22 MR. VON SCHRILTZ: Thank you for that. I  
23 heard, Mr. Ochs, in your testimony you were saying that  
24 there were certain quality problems with the domestically  
25 produced steel propane cylinders, and I believe that they

1 related to the durability of the cylinders. You said that  
2 the production process, the RV production process is kind of  
3 rough and tumble, and that the domestically produced  
4 cylinders tended to get dented a lot.

5 Does that have to do with the thicker gauge  
6 steel that's used on the imported cylinders, or what is the  
7 reason for that? Do you know?

8 MR. OCHS: Mike Ochs with RVIA. I'm not sure  
9 of the reason that the imported ones seem to withstand the  
10 process better. It could be the thicker gauge of steel.  
11 I'm not an expert in any way to make that determination.

12 MR. NEWMAN: Sam Newman here. I'll just jump  
13 in. It is because of the thicker gauge that is used. So  
14 the foot ring and the hand ring -- well, let me -- there's  
15 two different issues. You have foot ring, the hand rings  
16 bending, which a hand ring has no -- that's not the two  
17 millimeter requirement because it's the actual pressure  
18 vessel.

19 But a lot of times what he's talking about  
20 you'll get a dent in the actual tank, because when the tank  
21 comes to the manufacturer, it is not filled yet. So there's  
22 no pressure in the tank. So if it falls, you'll get a ding  
23 in the wall. If you get a ding in the wall, the tank is  
24 gone. So when you have thinner walls, you're more likely to  
25 get a ding in that wall.

1                   MR. CANCELOSI: Brad Cancelosi. I would also  
2 agree that the wall thickness and also the foot ring and  
3 collar thickness, it should be to the durability of the  
4 tank, especially in the plants.

5                   MR. VON SCHRILTZ: Well then I'd like to  
6 follow up. I heard Mr. Campbell, you analyzed the pricing  
7 data that was reported in the questionnaire responses, and  
8 according to your analysis the Pricing Product 2 was --  
9 which is I believe the 30 pound cylinder, and that would be  
10 the one that's primarily used by the RV industry, was  
11 undersold.

12                   Now I'm wondering if the imports are necessary  
13 and advantageous, they have thicker steel which I assume  
14 would entail greater cost, because you know, the steel  
15 contributes to the cost of the cylinder, why was their  
16 underselling for Pricing Product 2? Wouldn't importers be  
17 able to charge more, since they offer thicker cylinders and  
18 apparently shorter lead times than the domestic producers?  
19 Why was there underselling for Pricing Product 2?

20                   MR. CAMPBELL: I'll ask Sam Newman if he can  
21 help me on this one. You know, I can't speculate on -- I  
22 don't have enough information to speculate on how or why the  
23 imports are priced the way they are. I will say that based  
24 on our analysis, yes, it showed some underselling for  
25 Product 2. But at the same time also as I testified, there

1 was no price depression. The U.S. producers were able to  
2 increase their prices of Product 2.

3 So if Mr. Newman or anyone can help me out on  
4 the pricing, that would be fine. Otherwise, I would just be  
5 speculating.

6 MR. NEWMAN: Sam Newman here. What was  
7 alluded to earlier about the on-time inventory that the  
8 domestic suppliers are selling over the last, well the  
9 investigation period, steel has been rising. So if we have  
10 steel coming -- if we have built up inventory at a lower  
11 cost steel, that would make the difference in the pricing.

12 And if steel has been rising over the last  
13 couple of years, since 2016 it's been on the rise, that  
14 would be one of the reasons I can think of just off the top  
15 of my head why at times we would be under-selling, even  
16 though it's a thicker steel.

17 MS. SALZMAN: Just a correction on Product 1,  
18 the 20 pound, that's now more popular in the RV market than  
19 on Product 2. So that's the one that we're talking about  
20 being the major increase in the major amount of the imports.

21 MR. CANCELOSI: Brad Cancelosi. I also want  
22 to point out there are other costs associated with the  
23 importation of the cylinders, which are not directly  
24 reflected in the unit price. And again, I sell to  
25 distributors, so I don't have my own distribution facility.

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But what happens with our tanks is they're foreloaded to save freight costs, and when those containers come in, often with 1,300 or 1,700 cylinders on them, they're foreloaded in bubble-wrapped bag and then they're immediately offloaded by hand labor and placed on pallets, and then separated with a paper board separator, shrink-wrapped and then stored.

So there's -- there are other expenses that could offset costs from overseas.

MR. NEWMAN: Just Sam Newman here just to second what Worldwide just said. Shipping prices would play a big significant part of that, because over the investigation period shipping did have -- there was some peaks and valleys, and especially in the RV industry, which -- and again I would have to look at the data. We can do this more in the after meeting brief.

But our peak season of shipping is opposite the peak season of retail shipping. What I mean by that is there's always a peak season surcharge, and I think over the last two years shipping rates have been low during the peak times of the RV industry, so that has helped offset some of the costs of the RV tanks. It's been on the shipping, not on the actual production.

MR. VON SCHRILTZ: Thank you for your

1 responses. So I heard testimony -- we heard testimony from  
2 Petitioners this morning that their performance has  
3 declined, according to several metrics including financial  
4 or financial performance has declined. I think I've heard  
5 from this panel that nothing has changed. RV demand has  
6 gone up. So what explains the declining performance of the  
7 domestic industry?

8 MR. NEWMAN: Sam Newman. That's a really  
9 loaded question. The domestic industry spends a lot of time  
10 and energy trying to negatively affect the import cylinders,  
11 and I think if they spent as much money and time counseling  
12 their sales people and dealing with their internal issues,  
13 we wouldn't be having this discussion.

14 Like I said the word before "arrogance."  
15 There is a real -- that's one word you'll hear from a lot of  
16 customers in the market. There's a certain arrogance  
17 between the two domestic manufacturers that we are what we  
18 are, we do what we do and that's it. It's that arrogance  
19 that I think is what is affecting their business, and if  
20 they would look in the mirror and start focusing on the  
21 customers rather than the manufacturing of the cylinders and  
22 who they are, I think Worldwide and Flame King would have a  
23 more worthy opponent.

24 We've been -- just to give you some background  
25 from when we started, we've been dealt with many different

1 side circuses that the Petitioners have thrown our way over  
2 the last 18 years, that have nothing to do with cylinders.  
3 Just to muck up the water, cause confusion in the industry,  
4 and ultimately at the end if we're left standing, if we  
5 prevail, it makes them look pretty bad.

6 That's kind of a sentiment out there with  
7 their customers. You know, they've heard all these things  
8 about how horrible the import cylinders are, and then  
9 Manchester goes and buys the import cylinders. Well how  
10 does that make sense? For years, you're telling us that  
11 they're going to blow up, and we're putting all of our lives  
12 at risk and then the next thing you know you're providing us  
13 those same cylinders?

14 That's one example. At Worthington with the  
15 one pound business and with some of the Bernzomatic line,  
16 leveraging that in retail and twisting the arms of  
17 purchasers that they better buy the whole line or they're  
18 going to see price increases. I mean as I sit -- we sell to  
19 Costco. The only reason we're in Costco is because  
20 Worthington sent a price increase by letter over a decade  
21 ago, and the buyer said we're such a good customer of yours  
22 and you couldn't even make a phone call?

23 That's what I mean when I say arrogance. So  
24 the issue in the industry is not their quality, not their  
25 manufacturing capabilities. It's them getting in touch with

1       what the market is, and what they need to do to capture that  
2       market.

3                   MR. CAMPBELL:   Jay Campbell, White and Case.  
4       I would say looking at the questionnaire data and avoiding  
5       BPI, I would say from a financial standpoint a major factor  
6       has been the increasing steel costs over the past two years,  
7       beginning in 2016.

8                   We submit that subject imports were -- are not  
9       a cause of price suppression.  We know this because Product  
10      1, the 20 pound tank, which is the predominant product in  
11      the market and for U.S. producers, again for that product we  
12      submit that subject imports have consistently oversold.

13                  MR. VON SCHRILTZ:  All right.  Thanks for your  
14      responses.  I have no further questions at this time.

15                  MR. CORKRAN:  Thank you, Mr. Von Schrilztz.  
16      Now we'll turn to Ms. Preece.

17                  MS. PREECE:  I would like to hear more about  
18      the RV industry, how much demand has increased in the  
19      industry.  Also, any information about any kind of shift  
20      from the large kinds of RVs that were shown in this here,  
21      yeah, this kind of large RV, large RV to something that was  
22      more manageable, shall I say?

23                  Just because I'm, you know, it would be  
24      interesting to see what that is and see how that might be  
25      affecting demand.

1                   MR. OCHS: Mike Ochs, RVIA. From 2008 and  
2 '09, we shipped about 160,000 units to dealers, our  
3 manufacturers did. Last year we shipped 504,600. The  
4 majority of what we ship is in towables. It's travel  
5 trailers, more on the small line. What you see there is a  
6 Class C motor home. Motor homes make up about 15 percent of  
7 shipments. Towable trailers make up about 85 percent. So  
8 the majority of our shipments were the smaller trailers.

9                   MS. PREECE: Thank you, can you -- since we're  
10 supposed to look at this Period of Investigation, that's '15  
11 to '17 inclusive, can you say give me an idea of what's  
12 going on in that period particularly?

13                   MR. OCHS: Over the last three to five years,  
14 we've seen increases of about 10 to 15 percent each year. I  
15 can get you the exact number and submit it in the  
16 post-conference brief.

17                   MS. PREECE: Yeah, that would be great. That  
18 would be great, and also any kind of movements between the  
19 Class C and the smaller towables.

20                   MR. OCHS: Over the last couple of years,  
21 motor homes have picked up a little bit in their proportion  
22 of sales, of shipments. But they've always been between 10  
23 to 15 percent of all shipments, even back two and three  
24 years ago. But I can get those exact numbers for you.

25                   MS. PREECE: Great. That will be very

1 helpful. That's -- it seems like we have sort of a panel  
2 that's strong in the recreational vehicles, but not so  
3 strong in the other parts, partly because you're there and  
4 you're not the other places. So but to any extent you can,  
5 can you give me an idea of what you see the whole market for  
6 this thing being, what shares are in RVs, which shares are  
7 in the other sections, and kind of declare how you would  
8 break that out?

9                   Also, there was some discussion -- no, stop,  
10 stop, stop. Okay. Next, this valve change question. When  
11 did that occur? Was that during the period or before the  
12 period?

13                   MR. NEWMAN: Sam Newman. That was before the  
14 period.

15                   MS. PREECE: Okay, great. I don't need to  
16 worry about that. So there's still some discussion about  
17 whether this recertification is 10 years or 12 years. Is  
18 that -- or is it decided?

19                   MR. NEWMAN: Sam Newman here. It's decided,  
20 but there's still some discussion. They decided on ten  
21 years --

22                   MS. PREECE: It is ten years, okay.

23                   MR. NEWMAN: And the National Propane Gas  
24 Association is discussing it with DOT. So from my  
25 understanding they're not enforcing the stamping of 10 years

1       versus 12 yet. But they've decided 10, and that's probably  
2       what it's going to shake out to be.

3                   MS. PREECE: Okay, okay, okay. And what the  
4       U.S. producer said was they thought these tanks lasted for  
5       20 years. Is that the estimate you would have for imported  
6       as well? Would you see any difference between the two?

7                   MR. NEWMAN: Sam Newman. I don't think  
8       there's a difference in the life span of the cylinder. What  
9       I think that the Petitioners fail to address or recognize is  
10      that we're also under pricing pressure from the retail  
11      customers. The reason for that is when 20 pounders get over  
12      a certain price, people don't buy them. They use their old  
13      ones, and if the price gets --

14                   When the price is below the mid-20's, people  
15      will if their tank is dirty, they got grease on it or  
16      whatever, they'll say ahh, you know, I'll just buy a new  
17      one. So there's -- the pricing pressure is not just --  
18      it's not the imports.

19                   We get the same pressure from the retailers  
20      they get. We've got to get the price down, we've got to get  
21      the price down because they want to sell more volume of the  
22      tanks, and get people to put aside their old ones or get  
23      additional ones or whatever you want -- whichever way you  
24      want to look at it.

25                   MS. PREECE: So in that kind of situation, if

1 somebody says oh, my tank is greasy, let's get a new one, do  
2 they turn it in? Do they buy -- they're buying a new one?

3 MR. NEWMAN: Yes. Sam Newman. They would use  
4 that tank as a secondary tank, and they'll buy a new one.  
5 But more often if someone's buying a new grill, because  
6 grills don't last more than a couple of years, they're out  
7 in the element, that's kind of -- that kind of pushes  
8 people. Yeah, I'm getting a new grill. I want to have a  
9 nice new cylinder underneath it too.

10 Again, so if they still have their old grill,  
11 they'll grow the old grill away but they'll keep the old  
12 cylinder. Or they'll go and exchange the old cylinder for a  
13 newer cylinder and keep it as a backup cylinder. But really  
14 the idea is in retail at least is to kind of push customers  
15 that are buying new grills to buy new tanks.

16 And that's why a lot of retailers, even though  
17 they have an exchange cage outside the store where they can  
18 -- someone can just pick up a tank that's not new but  
19 fill, they'll still be selling new tanks that are empty  
20 inside the store, because they're trying to get the  
21 consumer, when they're buying a new grill, to also buy a new  
22 cylinder.

23 MS. PREECE: Okay. I guess people are  
24 different than me. I can't -- the idea of buying something  
25 new when I had something that was old and I could still use

1 it would be just horrifying. But that's all right.  
2 Different people are different, okay. New grill, doesn't  
3 come with new cylinder. But if you buy the new cylinder  
4 separately, okay.

5 MR. NEWMAN: Sam Newman. Traditionally grills  
6 used to come with cylinders.

7 MS. PREECE: Why?

8 MR. NEWMAN: Walmart pushed the industry or it  
9 was actually around the time when the new valve went into  
10 effect, and it had to do a lot with production capacity.  
11 They couldn't get the cylinders.

12 (Simultaneous speaking.)

13 MS. PREECE: The availability of valves, okay?

14 MR. NEWMAN: Because traditionally the thought  
15 was oh, nobody's going to buy a grill without a cylinder.  
16 So they want to get the new cylinder with the new grill.  
17 But they had production issues because of the new valve  
18 rules. That's when it started. You know that's, you know.  
19 We'll sell it without the cylinder, and they saw it didn't  
20 affect the sales of grills, so they just continued to do it  
21 that way.

22 MS. PREECE: Okay, okay. And you don't -- I  
23 mean RVs definitely come with the cylinders, but you don't  
24 know of anything else that usually typically comes with the  
25 cylinder?

1                   MR. NEWMAN: Oh, there's a lot of different  
2 things that come with cylinders. You'll have forklifts,  
3 will come with a forklift tank. It's outside the scope of  
4 this.

5                   MS. PREECE: Yeah, no. I'm only talking about  
6 our scope product.

7                   MR. NEWMAN: You'll have different kinds of  
8 cookers, custom grills that will still come with bigger  
9 tanks attached to it. So we have customers that are OEM.  
10 They're not in the RV business. They make tailgating  
11 grills, and they'll have a 30 pound that will come along  
12 with the grill. So yes, there is a lot of application. Not  
13 a lot, but there are applications, yes.

14                   MS. PREECE: There are applications, but you  
15 wouldn't say that's a large share?

16                   MR. NEWMAN: No.

17                   MS. PREECE: I mean specialty made barbeque  
18 thing is going to be pretty small in whole of the market I  
19 would assume?

20                   MR. NEWMAN: That's correct.

21                   MS. PREECE: Okay, okay. Good, good, good.  
22 Have you ever seen a cylinder from Taiwan?

23                   MR. NEWMAN: Okay, you got me. I've seen  
24 them. No, I'm joking. I've never seen a cylinder from  
25 Taiwan again.

1 MS. PREECE: And Brad, have you ever seen one?

2 MR. CANCELOSI: No ma'am, I've never seen a  
3 cylinder --

4 MS. PREECE: Okay. I've never seen one  
5 either, so there we are. But that -- since I've seen about  
6 five cylinders in my life, I think that's not a good sample.  
7 Okay. What are the features when a purchaser says features  
8 as an important factor in purchases? What features do you  
9 think they are referring to? You talked about the heavier  
10 steel. What other features might be -- there was some  
11 packaging differences.

12 But do we have any other features that they --  
13 that maybe you haven't mentioned yet?

14 MR. NEWMAN: Yes, Sam Newman here. So the  
15 other feature would be the valve that comes with a gauge  
16 built into it, especially on the 20 pounders, that some  
17 retailers will want to add that as an added value. So  
18 that's a feature that could be put in, could not be put in.  
19 There's also features related to POP, Point of Purchase  
20 Marketing.

21 That would be on how you build the pallets and  
22 having some marketing material on the pallets so that it's  
23 more visible, to try to entice people to buy more tanks. So  
24 there's other than the feature on the tank itself, in the  
25 purchase process there's features. For example, all of our

1 tanks that go to retail have a six inch lip on the corrugate  
2 packaging, and that was because retailers were having an  
3 issue with once they cut the banding off and the wrap,  
4 cylinders were falling off and they wanted to make sure that  
5 that didn't happen.

6 So it's features like that. It doesn't mean  
7 that we're reinventing the wheel and making a different  
8 tank. Probably if you saw the three tanks right up there,  
9 you would not be able to tell the difference.

10 MS. PREECE: I'd read their names.

11 MR. NEWMAN: But other than reading the name  
12 and the tare weight and everything else, they would look the  
13 same.

14 MS. PREECE: Right, uh-huh, uh-huh, uh-huh,  
15 yeah.

16 MR. NEWMAN: But it's more -- if you look at  
17 the dollars and cents of, you know, and the retailers today  
18 they look at what's selling more. They'll put -- in some  
19 stores they'll put one brand, they'll put the other brand in  
20 another, and they'll see the same -- what the difference was  
21 in sales per month. And because of our marketing or because  
22 of our features we're selling better, that would be an  
23 advantage other than price.

24 MS. PREECE: Okay, that's very helpful and we  
25 certainly don't want anything falling on people's heads.

1                   MR. CANCELOSI: Brad Cancelosi here. I would  
2 just like say that surface finish is probably the number one  
3 characteristic that our clientele look at, especially with  
4 the UV inhibitor that's in the coating. The reason is  
5 because after the units are manufactured in the RV, they  
6 could sit on a dealer's lot for up to a year before the  
7 ultimate consumer finally gets them.

8                   So their resistance to sunlight and  
9 maintaining its finish throughout its life cycle until it  
10 gets sold is extremely important, and that we have a valve  
11 which is manufactured by the same cylinder location.

12                  MS. PREECE: Okay. Does anybody else have a  
13 valve that's made in the same location, or is that only --

14                  MR. CANCELOSI: There might be one more, yeah.

15                  MS. PREECE: Okay.

16                  MR. NEWMAN: Yeah, Sam Newman here. TPA also  
17 makes a valve at the same facility. But like I said, they  
18 were having production -- because of the area that they're  
19 in, I believe they have labor issues there. It's ironic  
20 that there used to be two manufacturers of valves here in  
21 the states, the LPD. The original when they came out was  
22 Sherwood and which -- and Stopfill, and both of them were  
23 passed over by Manchester and Worthington.

24                  One of them went out of business, and the  
25 other one moved their factory to Mexico and then to wherever

1       they moved to or stopped production. So it's ironic that  
2       we're sitting here and we're talking about protecting the  
3       local manufacturers, when there's no manufacturers of the  
4       valves anymore in the States because the Petitioners put  
5       them all out of business by going overseas.

6                   MS. PREECE: Okay, okay. That's good to know.  
7       I mean I don't know about the last part, but that they're  
8       not making them is I could take that, yeah. Okay. Do you  
9       have any more to say about the substitutes, composite  
10      fiberglass ASME and one pound disposables, and how good  
11      substitutes those would be for subject product?

12                   MR. NEWMAN: Sam Newman here again.  
13      Cost-wise, I don't think any of those would be a good  
14      substitute.

15                   MS. PREECE: Okay.

16                   (Pause.)

17                   MS. PREECE: And you don't know of anything  
18      besides propane that's being brought into the United States  
19      in a very similar kind of container?

20                   MR. CANCELOSI: Brad Cancelosi here. I could  
21      attest to some products, and specifically I would kind of  
22      like to address the tariff schedule and I'm going off  
23      memory. I had some background information a few years ago.  
24      There was an anti-dumping case issued against Seamless High  
25      Pressure Cylinders. That's why if you review the tariff

1 schedule, the 0030 classification is defined as the 3AA, 3AX  
2 DOT classification.

3 That was so that U.S. Customs and Border  
4 Protection could more easily define the cylinders coming  
5 into the U.S. that would fall under that anti-dumping duty.  
6 The 0060 cylinder, if you read the harmonized tariff  
7 schedule page is for DOT-approved cylinders only, and then  
8 the 0090, as it's laid down on the page, would be any OSI  
9 classification, which is the not elsewhere or otherwise  
10 specified or included.

11 So that would be other, other, other, which  
12 would be cylinder is not DOT-approved. So the 0090 wouldn't  
13 fall in scope with this case in my opinion. Secondly, you  
14 would ask what cylinders would those be, and I would say  
15 that those would be by definition cylinders manufactured in  
16 a typical -- in a similar fashion, but not DOT-approved and  
17 not inspected prior to shipment.

18 Cylinders like that could include, if you've  
19 ever seen a helium balloon kind of bolo tank with a handle,  
20 it's basically two things welded together with helium  
21 inside. Another thing is I heard previous testimony where  
22 somebody pointed out that there is a large spike in the 00  
23 classification quantity, but not in either the weight or the  
24 value.

25 My suggestion for that it would be an

1 expansion tanks, expansion tanks for either hot water  
2 heating systems or wells, outside wells. It usually has a  
3 bladder inside. That carries a certification from UPC,  
4 which is Universal Plumbers Code, but is not DOT approved.  
5 So those are two examples just off the top of my head that  
6 would fall into the 0090 classification that I could think  
7 of.

8 MS. PREECE: Okay.

9 MR. NEWMAN: The other one would -- Sam Newman  
10 here. The other would be refrigerant tanks. There are lots  
11 of different kinds of refrigerant tanks that would -- that  
12 are made the same way. They're different pressures and they  
13 hold different gases. But if it was -- if the scope was  
14 just by the U-shaped handle, one weld with one spud, that  
15 would include and grab a bunch of other cylinders that are  
16 used, whether it be propylene, different refrigerants.

17 So there are other markets that use tanks that  
18 are outside the scope of this, that would be captured by the  
19 scope and make things very complicated for other industries.

20 MS. PREECE: Okay. So basically but the real  
21 dividing line is the certification, you know. If you're not  
22 certified for propane by the Department of Transportation,  
23 nobody in their right mind is going to put propane in you  
24 and try to go off, I mean there are crazy people all over  
25 the place. So we know that.

1                   MR. NEWMAN: So the propane is at 240 psi. So  
2 when you look at the label, for example, on the Worthington  
3 cylinder, on the stamped portion on the handle, it will say  
4 "4BA," which is indicative of there's one weld. When you  
5 talk about 40 pounders and there are three welds, which  
6 means the weld down -- the middle, those would be 4BWs,  
7 which I don't know if that is included in the scope or not.

8                   But 4BA would be the type of DOT approval that  
9 would be in the scope, and then it would be 240 psi. Any  
10 propane tank in that category needs an OPD valve. So it's  
11 a specific valve that you would not find on any industrial  
12 tank, like a propylene or refrigerant kind of tank. That  
13 would be a completely different kind of valve.

14                  MS. PREECE: Okay, okay. Well that's -- I  
15 think that's very helpful. Oh yes.

16                  MR. CANCELOSI: Brad Cancelosi here. I'd just  
17 like to add one thing. With regard to 4BA and 4BW, only the  
18 40 pound cylinder would call under the 4BW classification in  
19 the scope of the investigation. But I find it a bit ironic  
20 that the 50, 60 and 100 pound propane tanks are not also  
21 included in the scope of the investigation, for some various  
22 reasons.

23                  MS. PREECE: Well, you know, we have to draw a  
24 line somewhere, and we always do. Maybe not a good line,  
25 but it's there. Okay. I think I've asked all the questions

1 I want to ask today or now, maybe later.

2 MR. CORKRAN: Thank you, Ms. Preece. Now  
3 we'll turn to Mr. Boyland.

4 MR. BOYLAND: Thank you. Thank you for your  
5 testimony. I don't have any questions. Thank you.

6 MR. CORKRAN: Thank you. Now we'll turn to  
7 Mr. Thomsen.

8 MR. THOMSEN: Well my colleagues again have  
9 done a good job at anticipating a lot of my questions. I  
10 did have a couple of questions that I believe are still left  
11 over from the morning panel that I wanted to ask you. The  
12 first one is really data-driven, and you may be able to  
13 answer here if it's -- if it's just important to you. If  
14 not, you can do it in a post-conference brief.

15 But I was wondering, what percentage of your  
16 sales are to the RV market for the subject product? Is it  
17 100 percent is it close to 100 percent, or is there a  
18 smaller number? I guess, I believe Mr. Newman you said that  
19 you had some sales to a retailer, right? So maybe it's not  
20 100 percent.

21 MR. NEWMAN: Sam Newman here. We can address  
22 that in the post-conference brief.

23 MR. THOMSEN: That's great, that's great.

24 MR. CANCELLOSI: Brad Cancelosi. I'll do the  
25 same.

1                   MR. THOMSEN: That would be wonderful. Thank  
2 you. Do you, I guess maybe this is for the RV Association.  
3 Do you have any data for the 20 pound versus 30 pound  
4 cylinder usage? You had said -- you had given general  
5 numbers for the usage, maybe I think it was -- maybe it was  
6 Mr. Newman. I can't remember.

7                   About, you know, when 15 years ago it may have  
8 been like 70 or 80 percent in the 30 pound and now it's more  
9 along the 20 pound tank. Maybe you know off the top of your  
10 head.

11                  MR. OCHS: Mike Ochs, RVIA. That was not in  
12 my testimony, and we didn't go to that. I can find that  
13 information out for you. I think it's about an equal mix  
14 right now, but I'm not certain and so I would like to find  
15 that out for certain and include it in the post-conference  
16 brief.

17                  MR. THOMSEN: And is that -- if you could also  
18 find out whether that's split between the Class C versus the  
19 pop-up trailers, if there's a difference between the two?  
20 That might be interesting as well.

21                               (Simultaneous speaking.)

22                  MR. THOMSEN: Class C's use the 40 pound.

23                  MR. OCHS: Are you asking what type of propane  
24 cylinders are included with each of the various types of  
25 motor homes and travel trailers?

1 MR. THOMSEN: Exactly, exactly.

2 MR. OCHS: I can try to find that out for you.

3 MR. THOMSEN: Perfect. And this is a little  
4 bit more technical, but it's a question that we usually ask  
5 to purchasers in a final phase, but one of the things that  
6 we typically look at is the percent of the final cost of an  
7 RV that would be attributable to the propane cylinder tank,  
8 because these tanks, I don't want to give away any  
9 proprietary information as to what a single tank might cost.

10 But is there a range or estimate that you  
11 could give in terms of the cost of a total RV that's  
12 attributable just to a propane cylinder?

13 MR. OCHS: I can try to find that out for you.  
14 Again, Mike Ochs with RVIA. But the difference in the  
15 percentage of cost on a pop-up travel trailer is going to be  
16 much higher than it would on a regular travel trailer, which  
17 is going to be much, you know. A full-blown Type A motor  
18 home is going to have a completely different percentage.

19 So it's going to vary. The percentage will  
20 vary depending on the type of RV being produced. But I can  
21 try to find out what -- a range.

22 MR. THOMSEN: Of course, and right. And just  
23 a couple of -- yeah, a range would be fine.

24 MR. NEWMAN: Sam Newman here. I just wanted  
25 to add that when you look at the -- from the RV

1 manufacturers, they buy -- a lot of times, I would say  
2 most of the time they buy the complete kit.

3 MR. THOMSEN: Oh okay.

4 MR. NEWMAN: So it's not -- they're not  
5 separating out the tank itself. They're buying the tanks  
6 with the hoses with the regulators, with the mounting  
7 bracket, I mean everything that would go along with that,  
8 and they want to know what the overall price for the whole  
9 kit is.

10 I mean perhaps the Petitioners don't provide  
11 the whole kit or the overall price is different. I don't  
12 know how they sell it to them. But a lot of times when they  
13 look at it, they say what is the final price of the whole  
14 package?

15 MR. THOMSEN: And as you say that, that  
16 reminds me that I would like to ask you what the cost is of  
17 the cylinder as a proportion of that entire package.

18 MR. NEWMAN: We can address that in the  
19 post-conference brief.

20 MR. THOMSEN: That's great. Okay, and you  
21 also sounded very knowledgeable about the 4BW versus 4BA  
22 type. What is the difference between that and just a 4B  
23 classification for DOT? Are you familiar with the 4B  
24 classification?

25 MR. CANCELOSI: I believe that -- Brad

1 Cancelosi here. I believe that 4B is just the general  
2 overall classification, which is then further subdivided  
3 into different manufacturing methods.

4 MR. THOMSEN: Okay. The reason I ask is  
5 having looked at the manufacturing cylinder listing from the  
6 DOT, I do see one firm that is listed here, but they are not  
7 a 4BA or a 4BW. They are just listed as a 4B manufacturer.  
8 The name of it is King Li Hygienic Materials Company  
9 Limited. Have either of you heard of this company before?

10 MR. NEWMAN: Sam Newman here. No. I looked  
11 at the same thing on the list, and I can't figure out what  
12 they're doing or what their approval is, or if they're  
13 manufacturing anything. But I saw the same thing, but it's  
14 not -- if it was propane, it would be 4BA or 4BW, and it  
15 would be listed on the PHMSA site as that.

16 MR. THOMSEN: Okay.

17 MR. CANCELOSI: Brad Cancelosi. I'm also not  
18 aware of King Li Group.

19 MR. THOMSEN: If there's anything that you're  
20 able to find out in the next week, I know that there will be  
21 parties that are interested in what you can find out, and  
22 I'm actually going to open that up to Petitioners as well.  
23 Okay.

24 I may have one more question. Actually, I  
25 think you have answered it, so I guess the last question is

1 are there other gases that are stored in the propane  
2 cylinders that you produce, or are they specifically only to  
3 propane, you know, whether it be butane or any of the other  
4 explosive fuel-type gases?

5 MR. NEWMAN: Sam Newman here. So different  
6 areas have different mixes. When they say "propane," it's  
7 really broad. A lot of time if it's a hot climate, they can  
8 be mixing some butane in. Butane has a lower pressure and a  
9 lower freezing temperature, or excuse me higher freezing.  
10 So if you're -- for example, if you're out on a cold day,  
11 you won't get any pressure out of a butane tank, because it  
12 freezes.

13 So different areas, some of the U.S. islands  
14 might have a greater mix of butane, just because it's hot  
15 and it's -- I think it's cheaper as well. But it will be a  
16 propane -- be called propane, and it won't have another gas  
17 per se. Like for example, putting helium in a propane tank,  
18 because the valves and the cylinder, the relief valve on the  
19 cylinder are specific for that particular gas, and when the  
20 expansion of that gas and when that gas would need to be  
21 relieved from the cylinder.

22 The seals that are used, the material for the  
23 seals of the O-rings and everything else would be  
24 gas-specific as well in the valves.

25 MR. THOMSEN: Okay, thank you. And actually

1 my last question actually has to do with thinking about the  
2 thinner versus thicker or lighter versus heavier steel  
3 cylinders. The picture that the Petitioners had submitted  
4 did show that the propane tanks were held in the back of the  
5 RV there. You know, thinking about a safety issue if there  
6 is a rear-ender in there, and there is, you know, possible  
7 heavy object that goes into there.

8 Do the thicker-walled steel propane cylinders  
9 have some sort of benefit to being thicker in that they  
10 would leak less or explode less or have some sort of safety  
11 feature, or has that never really come up?

12 MR. NEWMAN: Sam Newman here. So I'm happy  
13 you drew attention to that picture, because when I talk  
14 about the whole kit being sold, in that picture you can see  
15 the whole kit. You can see the -- and that's page number  
16 five. You can see the two tanks next to each other, the rod  
17 going up the middle, the bracket holding them both down, as  
18 well as the white regulator that the hoses are going into.  
19 That would be the entire kit that I kept referring to.

20 This picture's actually on the side of the RV,  
21 not in the back of the RV. But I don't think there's any  
22 data on -- that a thinner wall makes it any less safe. The  
23 minimum required is where the safety requirement is, and  
24 every cylinder -- when we produce cylinders, out of every  
25 batch of 200, everybody that produces cylinders has to do a

1 lot test.

2                   They have to do a burst test to see where --  
3 to make sure that it's double, over double the pressure of  
4 the cylinder, that where it's going to -- where the cylinder  
5 would -- because the relief valve will activate at one and a  
6 half times pressure. The cylinder, it needs to be at least  
7 double the pressure for safety, or two and a half times. I  
8 might have misspoken there. So there is no -- I don't think  
9 there's any data as far as --

10                   The DOT requirement is the requirement when we  
11 talk about thinner or thicker, it has a lot to do with if  
12 the cylinder tips over or if there's some mis -- if there's  
13 some handling issue, that with the thinner steel you're  
14 going to get, it's going to be easier for it to be damaged.  
15 So that's really -- where they're addressing.

16                   And it just reminded me of one of the things  
17 you asked me earlier, what we were talking about earlier.  
18 When we produce overseas, we're actually at a disadvantage  
19 because the domestic producers do not need an independent  
20 inspector on site during production. They're allowed to  
21 self-regulate and they're able to have audits from DOT at  
22 different times, and submit what they -- that they meet all  
23 the requirements.

24                   Any foreign manufacturer needs to have one of  
25 the listed independent inspectors, and if you go to the FMSEA

1 site, they have independent inspectors that are certified by  
2 DOT to do inspection for them, and they have to be onsite  
3 and stamp every cylinder that is approved.

4 So you'll see -- on the import cylinders,  
5 you'll see either at ATI normally or an Arrowhead stamp.  
6 Those are the certification labs that -- who Hon Re and SMPC  
7 and TPA use. That's a full-time, full-time employees that  
8 are there the whole time during production.

9 MR. THOMSEN: Okay. Well thank you --

10 Well thank you. I appreciate it, and I have  
11 no further questions.

12 MR. CORKRAN: Thank you, Mr. Thomsen.

13 And I have one more question.

14 MS. PREECE: I'm going to be a trouble maker.  
15 Sam's Club, somebody mentioned that they were starting to  
16 sell, but Sam's Club had changed its method of selling. Can  
17 you--you understand this market. We're still sort of trying  
18 to work our way through it. So what were the outside thingy  
19 versus the inside thingy, and can you give us details about  
20 this whole thingy that I don't yet understand, really.

21 MR. NEWMAN: Sam Newman here. So traditionally  
22 cylinders were sold empty in the store, and then people  
23 would go fill it at a refill--a propane refiller.

24 Over the last 15, or I'd say 20 years, Amerigas  
25 and Blue Rhino have saturated--or not saturated, but have

1 really blanketed the market with cages, where you'll have a  
2 tank that's already full. So rather than going to a  
3 refiller and waiting for them to fill it, you just pay a set  
4 price and swap out the tank.

5           So a lot of retailers, because of--mass retailers  
6 will not have refill stations because of liability, but they  
7 will do exchanges. So they'll have a cage in front of their  
8 store that customers can come back with an empty tank and  
9 swap it out with a used but cleaned full, or almost full,  
10 over 15 pound tank.

11           So when I alluded to Sam's Club earlier, I think  
12 the question was what retail business that we picked up  
13 during the investigation period, and the only major business  
14 that I was able to think of was the Sam's Club order, which  
15 wasn't that significant because they're in the process of  
16 installing Amerigas cages in front of each one of their  
17 stores. And as soon as the Amerigas cage goes in, the  
18 cylinders go out. So they're not going to carry them in the  
19 stores anymore.

20           So I think over half of them already are  
21 installed, and it just takes time because there's city  
22 permits and other permits at each location installing those  
23 cages. So it wasn't really as much of a loss to the  
24 domestic production, producers. It was actually the market  
25 shifting from selling empty new tanks to doing exchange.

1                   And Blue Rhino and Amerigas are constantly  
2                   pushing all the retailers: Why sell a empty tank when you  
3                   can just have your customers go outside and pick up a full  
4                   used one? And cut out one process of the purchase. And  
5                   there is some shift in that direction in some areas. You  
6                   know, so that's something that retail--some of the shifting  
7                   ground in retail that has nothing to do with domestic or  
8                   import.

9                   MS. PREECE: So if I go in to Sam's and buy  
10                  myself a grill, then I go outside and I have to pay extra  
11                  because I'm not turning in the old? Is that basically  
12                  what's happening then?

13                 MR. NEWMAN: Sam Newman. So, yes, so if you  
14                 were to not have a tank to exchange, they'll charge you \$30  
15                 to \$40 for a used--a clean used tank that has gas in it,  
16                 propane in it. If you have a tank to exchange, then it'll  
17                 be \$15 to \$20 to do that exchange.

18                 So sometimes people will buy the tank on the  
19                 inside--well, historically they'd buy an empty one on the  
20                 inside because it's cheaper to do that at times, and then go  
21                 outside and do the swap, than buying a full one, because I  
22                 guess sometimes it can be up to \$50 for a prefilled used  
23                 tank if you're not turning one in.

24                 But the market is, as retailers are trying to  
25                 limit the amount of skews that they carry in the store, the

1 first thing to go is their empty propane tank because if  
2 you're selling it in front of the store there's no reason to  
3 sell it outside of the store as well, or vice versa.

4 And I'll add that the domestic producers enjoy  
5 the vast majority of the big exchange company production in  
6 the United States. Amerigas and Blue Rhino both are  
7 domestic. They buy from Manchester Worthington. So I don't  
8 know if that affects or actually helps them because they  
9 pick it up on the other side.

10 MS. PREECE: Thank you very much. It's  
11 confusing if you don't know the market, so it's very helpful  
12 to have an idea of what's going on. So thank you very much.  
13 That was helpful.

14 MR. CORKRAN: Alright, thank you very much.  
15 With that, staff has completed questions, and we will take  
16 just about a two-minute break to try to get thoughts in  
17 order, and then begin with closing statements. Thank you.

18 (Whereupon, a brief recess is taken.)

19 MR. CORKRAN: Mr. Secretary, we're about ready  
20 for closing statements. Are there any preliminary matters?

21 MR. BURCH: There are no preliminary matters.  
22 Closing remarks in support of their position will be given  
23 by Paul C. Rosenthal of Kelley Drye & Warren. Mr.  
24 Rosenthal, you have 10 minutes.

25 CLOSING STATEMENT OF PAUL C. ROSENTHAL

1           MR. ROSENTHAL: I will not take all that time.  
2 I don't have enough time to discuss all the contradictions  
3 in the testimony we just heard a little while ago.

4           On the one hand we're hearing that the imports  
5 have an advantage over the U.S. producers supplying the RV  
6 market, even though Manchester is located down the street.  
7 And then later on we actually get an acknowledgment that  
8 there isn't any real explanation for why the U.S. producers  
9 can't adequately and with very good quality and service  
10 supply the RV market.

11           And I can assure you the estimates that you heard  
12 earlier from the RV witness are inaccurate concerning the  
13 ability to supply the quantities needed. There is plenty of  
14 excess capacity to supply the RV market.

15           We can talk about under-selling. We can talk  
16 about a lot of data. We can talk about the claims we heard,  
17 which are totally incorrect concerning the superior  
18 delivery, quality, nonprice factors that have driven the  
19 imports into the U.S.

20           There is no basis for that. But if you don't  
21 believe me, believe the purchasers. Take a look at slide  
22 number 15 here. The folks who responded to you, in my  
23 opening remarks, basically every purchaser who responded to  
24 you and told you that they purchased from other sources said  
25 that the purchasers were buying the imports--reported that

1 their prices were lower, and they were shifting to imports  
2 principally due to price. Not due to other qualities. Not  
3 due to service. Not due to the thickness of the walls--  
4 which is a ridiculous argument to be made here. What we're  
5 talking about is lack of quality control, not a superior  
6 product characteristic. And you can see the significant  
7 quantity of the purchasers that have reported purchasing  
8 based on the lower priced imports.

9           If you look at nothing else in this record which  
10 will explain the financial performance of this industry, not  
11 arrogance--that's not the reason why the domestic industry  
12 is suffering. Not arrogance. This is an industry that has  
13 done a great job of managing its costs, doing everything  
14 they can to be efficient and service its customers and keep  
15 jobs in the U.S.

16           We heard the witness for Worthington talk about  
17 how they have done everything they can to keep their  
18 employees employed and make sure that they can participate  
19 in the profit sharing program. That's not arrogance.  
20 That's concern for their employees.

21           They want this production in the United States.  
22 They can easily go offshore. These companies are large and  
23 sophisticated. They can import everything. They're here  
24 because they want the jobs to be in the United States. They  
25 want their workers to get a decent paycheck.

1           It is not arrogance to ask for relief from this  
2 Commission because unfairly traded imports are undermining  
3 the domestic producers.

4           So with that, I will close and look forward to  
5 supplying you additional information in our posthearing  
6 brief.

7           MR. CORKRAN: Thank you, Mr. Rosenthal.

8           MR. BURCH: Closing rebuttal remarks in  
9 opposition to the imposition will be given by Jay Campbell  
10 of White & Case. Mr. Campbell, you have 10 minutes.

11           CLOSING STATEMENT OF JAY CAMPBELL

12           MR. CAMPBELL: Again, hello again. This is Jay  
13 Campbell. I of course--I will not be taking the full 10  
14 minutes, or anywhere close.

15           But to close, I was surprised this morning that  
16 the Petitioners focused so much on the past and the future.  
17 In terms of the past, they spoke a lot about what happened  
18 with a--what they claimed happened in the post-Recession,  
19 and imports came, subject imports came and took market share  
20 in the RV segment.

21           Again, that occurred well before the POI. It's  
22 not relevant to the Commission's analysis. To the extent it  
23 is relevant, it does explain why we see an increase in  
24 subject import volume over the POI, and we do submit that,  
25 you know, to the extent subject imports have had success in

1 the POI, as you heard based on the testimony it's primarily  
2 on the basis of nonprice factors.

3 The Petitioners also focused a lot on the future.  
4 They didn't claim that--at least I did not hear it--I did  
5 not hear them claim that, you know, at this present time  
6 there is a significant presence of subject imports in the  
7 retail segment and with the exchangers.

8 I only heard claims that, well, you know, the  
9 subject imports are making inroads, and we're worried.  
10 We're worried about the future.

11 Well, you know, those types of concerns and  
12 speculation about the future, don't say anything, and don't  
13 support present material injury, and speculation about the  
14 future is insufficient to demonstrate threat.

15 So let's talk about the present. The fact of the  
16 matter is that their story does not hold up. Their basic  
17 story is that imports have increased in market share because  
18 they are lower priced. And the under-selling, the pricing  
19 data on the record will show that for the primary product,  
20 the 20-pound tanks which constitute the large majority of  
21 the U.S. producer sales, and also where RV manufacturers are  
22 making a shift, that the subject imports were over-sold.  
23 This over-selling of the U.S. product. This completely  
24 corroborates our witness's testimony that they have been  
25 successful largely due to the quality of their service and

1 their innovations. Let's also put this into some context  
2 here. The U.S. producers are big. They have a dominant  
3 share of the U.S. market. They have--and that just speaks  
4 to the advantages they have in this market.

5 So to the extent importers are going to compete,  
6 they have to get creative. You know, the U.S. producers are  
7 producing tanks to the best of their abilities, and they're  
8 trying to sell their tanks. But the importers are getting  
9 creative. They are thinking of other things.

10 They are looking beyond the product itself. They  
11 are looking to how can we help our customers save on freight  
12 costs by optimizing the stacking in a container and on  
13 pallets? You heard testimony from Sam Newman of Flame King  
14 that they developed a completely environmentally friendly  
15 and welcome product, a one-pound refillable cylinder.

16 Now of course that's not subject, but the fact  
17 that they do these types of things, and they innovate has  
18 really improved and enhanced their brand in the U.S. market.  
19 And these are the reasons why subject imports have been  
20 successful.

21 Now to conclude, I will briefly conclude on  
22 threat. As far as the--I won't speak about the Chinese  
23 industry, but as far as the Thai industry is concerned, SMPC  
24 is the Thai producer that is relevant for purposes of this  
25 investigation and this analysis.

1           SMPC has limited excess capacity. And also, for  
2           some context, from their standpoint the U.S. market is  
3           small. They are predominantly selling to Africa and Asia  
4           where 20-pound and 30-pound cylinders are much more commonly  
5           used for heat generation and cooking than in the United  
6           States.

7           If you look at SMPC's questionnaire data, those  
8           are their markets, primary markets, by far. So we submit  
9           that, you know, there's no threat from the Thai industry,  
10          and we'll elaborate on the Chinese industry, as will World  
11          Wide in their postconference briefs. So thank you very  
12          much. I really appreciate the opportunity to present today,  
13          and I'm done.

14          MR. CORKRAN: Thank you very much, Mr. Campbell.  
15          We appreciate everybody who has been here today.

16          On behalf of the Commission and the staff I would  
17          like to thank the witnesses who came here today, as well as  
18          counsel, for helping us gain a better understanding of the  
19          product and the conditions of competition in the steel  
20          propane cylinders industry.

21          Before concluding, please let me mention a few  
22          dates to keep in mind. The deadline for submission of  
23          corrections to the transcript and for submission of  
24          postconference briefs is Friday, June 15th.

25          If briefs contain business proprietary

1 information, a public version is due on Monday, June 18th.  
2 The Commission has tentatively scheduled its vote on these  
3 investigations for Thursday, July 5th, and it will report  
4 its determinations to the Secretary of the Department of  
5 Commerce on Friday, June 6th.

6 Commissioners' opinions will be issued on Friday,  
7 July 13th. I apologize. Actually I believe we will report  
8 our determinations to the Secretary of the Department of  
9 Commerce on July 6th.

10 Thank you all for coming. This conference is  
11 adjourned.

12 (Whereupon, at 2:55 p.m., Tuesday, June 12, 2018,  
13 the conference in the above-entitled matter was adjourned.)  
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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Steel Propane Cylinders from China, Taiwan, and Thailand

INVESTIGATION NOS.: 701-TA-607 and 731-TA-1417-1419

HEARING DATE: 6-12-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

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