

U.S. International Trade Commission

**Hydrofluorocarbon Blends and Components Thereof from China
Inv. No. 731-TA-1279 (Final)**

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Good morning. I am Richard Winick, and I work for the Fluorine Products business at Honeywell International Inc. selling refrigerants. I recently became the Business Director for our Automotive Products business, which includes refrigerants such as R-134a, but for the entire period of the investigation covered by this case, I was the Sales Director for the Fluorine Products business, making me responsible for our sales of all refrigerants, including HFC blends and components. I personally called on all of the major HVAC accounts, including the people who make air conditioners like Carrier and Trane (whom we call OEMs), and aftermarket customers, including blenders, repackagers, and distributors.

Let me start by talking about the **aftermarket**, which is a segment of the business where we have witnessed fierce head-to-head competition from Chinese imports in recent years. The HVAC aftermarket is made up of four types of businesses, all working to get HFC blends and service parts into the hands of contractors quickly and efficiently for the repair of HVAC systems:

1. There are **Blenders**
2. There are **Repackers**
3. There are air conditioning **OEM Distributors** — companies like Carrier, Trane, and Goodman — who operate stores that resell packaged HFC blends to contractors
4. There are **Independent Distributors**, who operate stores that resell packaged HFC blends to contractors as well. Several important independent distributors are United Refrigeration (who also owns National), Watsco, Johnstone Supply and Grainger. You may have heard of one of these companies.

A contractor who comes to your home to service your AC unit typically walks into a distributor's store and walks out with a small easy-to-handle 30 pound tank of refrigerant. There are two examples right here. The tank is stored in the back of the service tech's truck until he needs to grab it to charge up a system. These technicians repair not only residential air conditioning systems but also large grocery store freezer and refrigerator cases, convenience store coolers, larger building AC or chiller systems, as well as other stationary commercial HVAC and refrigeration systems. There are thousands of distributor retail locations spread out across the US all competing for this contractor business.

I've explained the categories of businesses serving the aftermarket and how HFC blend products get into the hands of contractors. Now I'd like to talk to you about the **OEM customers**.

The people who make air conditioners (OEMs) who I mentioned earlier (like Carrier, Goodman, and Trane) also operate a chain of aftermarket distributor stores and compete with the independent distributors for the same sales. These OEM distribution stores provide HFC refrigerants and a diverse assortment of HVAC parts and accessories used by contractors to service HVAC systems.

I've given you some examples of OEMs who operate an HVAC distribution stores business. Now I'd like to highlight a few of the larger independent distributors. United Refrigeration is one of the largest coast-to-coast distributors to the HVAC aftermarket in the US (almost 500 stores), as are Johnstone Supply and Grainger. United Refrigeration also owns National Refrigerants, which is the blending and repacking arm of their business.

Unlike most other repackagers in the market today, National purchases HFC components and blends those components into HFC blends, and fills those products into disposable tanks or cylinders. To compete with the low prices offered by Chinese importers of already packaged HFC blends, National has invested in its own fleet of ISO tanks, so that it can import bulk components directly from China using its own equipment. It then blends and repackages these

imported HFC refrigerants in its own facilities. I should also mention that National Refrigerants is an important customer of Honeywell. We have supplied them — and are currently supplying them — with significant quantities of bulk HFC components and HFC blends.

The last point I'd like to make is how the influx of dumped Chinese HFC components and blends influences the prices that we can charge for our OEM factory fill business. As I mentioned before, the purchasers in this market are the manufacturers of HVAC equipment, companies like Carrier, Goodman, and Trane. These customers usually operate two businesses— a replacement market aftermarket business, as I've described earlier, and an OEM new equipment sales business.

We have experienced head-to-head competition with Chinese HFC blends in this segment. Moreover, when we negotiate prices, these OEMs are well aware of pricing in the aftermarket, and they expect us to match competitive pricing from China in that segment if we want to keep our sales volumes. In the end, if my per pound price for bulk HFC refrigerants sold for use in the OEM's factory is higher than the per-pound market price that the same OEM can pay for packaged HFC refrigerants in the aftermarket, we will be uncompetitive in the OEM segment.

I would be happy to answer any questions you have about the structure of the market. Thank you for your attention.