UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	
HIGH PRESSURE STEEL	)	Investigation Nos.:
CYLINDERS FROM CHINA	)	701-TA-480 and 731-TA-1188
	)	(Preliminary)

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Wednesday,
June 1, 2011

Room 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

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

APPEARANCES:

On behalf of the International Trade Commission:

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Staff:

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EDWARD PETRONZIO, INVESTIGATOR
KARL TSUJI, INTERNATIONAL TRADE ANALYST
CLARK WORKMAN, ECONOMIST
CHARLES YOST, ACCOUNTANT/AUDITOR
MICHAEL HALDENSTEIN, ATTORNEY
JAMES McCLURE, SUPERVISORY INVESTIGATOR

APPEARANCES: (Cont'd.)

In Support of the Imposition of Antidumping Duties:

On behalf of Norris Cylinder Company:

JERRY VAN AUKEN, President, Norris Cylinder Company
MIKE CAMP, General Manager Huntsville Factory, Norris Cylinder Company
DANIEL KLETT, Principal, Capital Trade Inc. Inc.

EDWARD M LEBOW, Esquire
NORA WHITEHEAD, Esquire
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In Opposition to the Imposition of Antidumping Duties:

On behalf of Cyl-Tec, Inc and Beijing Tianhai Industy Co., Ltd.:

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Washington, D.C.

P R O C E E D I N G S

(9:30 a.m.)

MS. DeFILIPPO: Good morning, and welcome to the United States International Trade Commission's Conference in connection with the preliminary phase of countervailing duty and anti-dumping duty Investigations Nos. 701-TA-480 and 731-TA-1188, concerning imports of high pressure steel cylinders from China.

My name is Catherine DeFilippo, and I am the Commission's Director of the Office of Investigations. And I will preside at this conference.

Among those present from the Commission's staff are, from my far right, James McClure, the Supervisory Investigator; Edward Petronzio, the Investigator; Michael Haldenstein, the Attorney Advisor; Clark Workman, the Economist; Carl Tsuji, the Industry Analyst; and Charles Yost, the Auditor.

I understand that parties are aware of the time allocation. I would remind speakers not to refer in your 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 presentation.

Finally, speakers will not be sworn in, but

are reminded of the applicability of 18 USC 1001 with regard to false or misleading statements, and to the fact that the record of this proceeding may be subject to Court review if there is an appeal.

Are there any questions?

(No response.)

MS. DeFILIPPO: Hearing none, we will proceed with the opening statements. Mr. Lebow, please begin with your opening statement when you are ready. Welcome.

MR. LEBOW: Thank you. My name is Ed Lebow of the law firm of Haynes and Boone. I am here with my associate, Nora Whitehead, and Dan Klett of Capital Trade, representing the Petitioner, Norris Cylinder Company. I will introduce Norris's company witnesses to you shortly.

Madame Director, the U.S. market for high pressure steel cylinders is being inundated with dumped, subsidized imports from China.

As recently as three years ago, before the onset of the financial crisis, the domestic high pressure steel cylinder industry was doing reasonably well. It sales were robust, and its market share, although already less than half, was adequate. It could produce in volumes that allowed a reasonable

allocation of fixed costs, and of prices that allowed for acceptable profits, given its variable production costs. And I mean variable, particularly for steel.

When the market collapsed late in 2008, imports from China continued to enter the U.S. market, and importers were apparently holding large inventories at the end of the year. So even though imports fell off in 2009, competition from sales of subject imports in the U.S. market remained intense, and the impact of low pricing of Chinese cylinders on the already weakened domestic industry began to be felt more acutely.

As 2010, last year, progressed, market demand recovered somewhat. And early in the year, monthly volumes from China averaged less than 20,000 units.

However, starting in June 2010, Chinese cylinders came roaring back in, with monthly volumes generally doubling, and being consistently at levels not seen since 2008. In fact, during the past 12 months, the total volume of high pressure steel cylinders from China has exceeded the level in 2008, based on census data.

The total market for high pressure steel cylinders, however, is nowhere near what it was in

2008, and so the Chinese volume comprises a much larger share of the U.S. market. According to the latest census import figures, somewhere in the range of two thirds to three fourths, while the domestic share is half of that.

This surge cannot be explained by the loss of domestic capacity from the closing of the former Taylor Wharton plant in Harrisburg, Pennsylvania, or from declining imports from non-subject countries such as Canada.

What is happening is that imports from China are consistently underpricing the domestic producer, Norris; and thus, taking sales and market share. In 2010 Norris made no money in the high pressure steel cylinder business.

Norris has been able to increase the volume of its sales somewhat in 2010, as the market has recovered from the recession, so it has been able to spread its costs a bit more widely, and thus has returned to the black. But its profits in absolute dollar terms are meager.

With the Chinese producer BTIC last year acquiring a major U.S. distributor, America Fortune Company, and with the Chinese moving increasingly into the larger size and higher grossed margin into the

business, even these low profits are endangered.

There is no reason for prices in this industry not to cover increased steel costs, except for imports from China with access to subsidized steel. There is no reason for the domestic industry's volume growth to be a fraction of that of imports, or for the domestic industry to be consigned to a decreasing minority position in its own country, except for dumped imports from China, sold at whatever prices are necessary to take the business.

There is no reason for the domestic industry to earn little or no profit, and not to be able to afford the investment needed to grow with the market, except for dumped and subsidized imports from China taking an increasing share of the U.S. market.

And there is no reason for the domestic industry to see growth niches, such as cylinders for use in cell phone towers, under pricing assault from day one, except, of course, for dumped and subsidized imports from China.

Our witnesses this morning will provide additional details of what has been going on in the domestic high pressure steel cylinder industry these past few years, and what is about to happen if the Chinese producers, particularly BTIC, are not required

to abide by international norms of fair trade.

Thank you very much.

MS. DeFILIPPO: Thank you very much, Mr. Lebow. We will now have opening remarks from Respondents. Welcome, Mr. Schutzman. Please proceed when you're ready.

MR. SCHUTZMAN: One small housekeeping item. Our presentation will be much less than one hour, so I may go over a bit on this introduction. Would that be okay, just slightly?

MS. DeFILIPPO: Slightly.

MR. SCHUTZMAN: Thank you. Good morning. For the record, my name is Maxoff Schutzman, a member of the law firm of Grunfeld, Desiderio. And I'm here with my colleague, Dharmendra Choudhary, representing the interests of Beijing Tianhai Industry Co., Ltd., or BTIC, a manufacturer in China of subject merchandise -- high pressure steel cylinders -- and its U.S. affiliate, America Fortune, a U.S. distributor of those cylinders.

Also accompanying us today is Mr. Bill Zheng, America Fortune's Chief Operating Officer, as well as Mr. Richard Rottmann, Manager, Technical Projects, of ThyssenKrupp Steel Services of Houston, Texas. Mr. Rottmann will be making a presentation as

well, and Mr. Zheng is here to help answer any questions you may have following the presentation of the prepared statements.

We appreciate the opportunity provided by the Commission to present the exporters' and importers' views of the facts that underlie this investigation. We believe that when all the relevant data have been gathered and analyzed, the Commission will be satisfied that, based upon that data, there will be no basis upon which to find a reasonable indication of injury or threat to the domestic industry by reason of Chinese imports.

In a number of very important ways, this is actually quite a different investigation than those with which the Commission usually deals. We would like at this time to highlight some of those distinctions.

Typically, the Commission is called upon to protect the jobs of a large complement of American workers, and a significant number of domestic producers, from allegedly unfair trade practices. That's not the case here.

For one, the U.S. industry here is solely synonymous with the Petitioner, Norris Cylinder Company, since Norris is the only producer in the

United States of subject merchandise.

For another, Norris's business, producing high pressure steel cylinders, is a highly automated, labor-unintensive one, accounting for the use of modern computer-operated manufacturing equipment, and the employment of relatively few production workers as a result. That Norris is the only U.S. producer of scope merchandise, with a relatively minimal workforce and a production capacity that cannot come close to serving the needs of the American market for steel cylinders, are key aspects of this investigation that will factor significantly into the Commission's ultimately decision.

Second, the Commission normally deals with a relatively expansive scope definition, designed to cover as much of the U.S. industry's like product as possible. Here, this, too, is not the case.

As you can well see, Norris has taken great pains to circumscribe the scope definition so as to eliminate from that definition as very significant portion of the like product: cylinders made to ISO and UN specifications.

We think it will become readily apparent to the staff and the Commission when analyzing the critical sales and financial elements of Norris's ISO

and UN specification cylinders, which it should request, precisely why Norris has chosen to keep those products out of this investigation. We believe those cylinders are squarely part of the like product definition of the subject cylinders, and any analysis of injury or threat must, as a consequence, consider those cylinders, as well.

Thirdly, it cannot be gainsaid that conventional allegations of injury by Petitioners include an analysis of the harm their production operations have suffered over the course of the entire three-year period of investigation by reason of subject imports. Here, that, too, is not the case.

First, the publicly available data is clear, and Norris admits, that the worldwide economic recession in 2009 took a heavy toll on not only its cylinder business, but upon the U.S. business of Chinese imports, as well. Indeed, imports of subject merchandise by quantity from China declined precipitously from 2008 to 2009, by 55 percent by quantity, and by 70 percent by value. Even in 2010, imports are still well below 2008 levels.

Second, the record will be clear that over the POI, it is imports of spun cylinders, the smaller-capacity items of up to 150 cubic feet, and especially

those under 80-feet cubic capacity, where the Chinese-origin cylinders have been most prolific. Yet that is precisely the product where competition from Norris has been attenuated, at best, and non-existent, at worst, over that three-year period.

Before its acquisition of the Taylor Wharton production facility in the latter half of 2010, Norris did not even make that size product, but sold spun cylinders in the U.S. produced by Worthington Industries in Canada.

Indeed, we believe that when all the facts are known on this issue, the Commission may well wish to segment the scope into at least two separate like products: one in the over-150, and the other below that capacity.

Next, in most cases presented to the Commission, the economic performance of the petitioning industry is typically consistent with that of others within its commercial sector, and especially its affiliates.

Again, not so in this investigation. While Norris pleads poverty based upon severely reduced sales and severely reduced revenues, dwindling profits, and substantially reduced market share as a result of Chinese imports, the portrait of the

industry painted by Norris's parent company, Trimass Corporation, on the other hand, is considerably different. Thus, Trimass, in its 2010 annual report, extolls the virtues of Norris's unique process for producing ISO cylinders, trumpets its UN certifications enabling it to expand its product portfolio, and heralds the increase in sales of its business. Hardly the stuff of gloom and doom as alleged in the petition.

In conclusion, we urge the Commission and the Commission staff to pursue further inquiry of these unique issues in this investigation, as well as others that will become clear during the course of this conference, and from a review of the questionnaire responses.

I thank you for your time.

MS. DeFILIPPO: Thank you very much. We will now move to direct testimony for those in support of the imposition of anti-dumping duties. If that panel would like to come up, and please proceed when you are seated and ready to go. Thank you.

Welcome.

MR. LEBOW: Good morning again, Madame Director and members of the Commission staff. I'd like to introduce our company witnesses.

To my immediate right is Jerry Van Auken. Jerry is the President of Norris Cylinder Company. He has been with Norris for four and a half years, and has over 15 years' experience in the cylinder business.

To Jerry's right is Mike Camp. Mike is the General Manager of Norris's Huntsville, Alabama facility. Mike started in that facility 35 years ago. I think he was in the quality control department, and worked his way up to be General Manager of the facility.

And to Mike's right is Dan Klett of Capital Trade, whom you know. And to my left is my associate, Nora Whitehead.

Jerry, why don't you start us off by describing exactly what is meant by a high pressure steel cylinder?

MR. VAN AUKEN: Thank you, and good morning. First of all, I guess I'd like to try to describe what products we are talking about. We did bring a couple examples of cylinders.

This is a completed cylinder, what is called a 20-cubic-footer. It's the smaller size, smaller range of the cylinders that are manufactured. This happens to be a cutaway of that same cylinder, so you

can see inside how these things are constructed.

They are formed by a pressing operation, usually under temperature and pressure, to extrude the steel or the tube into the shape that it needs to be. You'll notice that on the bottom here we have a bump-back that allows the cylinder to stand upright, like you see it there. And on the other side you see that there's a dome or a form; that's done by a spinning operation to close and create a neck that later will have, will be drilled, so that a valve can be installed that will allow the pressure of the gases to be released.

So we'll get into the manufacturing process a little more with Mike, but that's the cylinder we're talking about. They come in all different aspect ratios. I believe you all have a handout that we provided to you. And if you go to the second page, you can see the, kind of the scope of the products that are being talked about here.

The cylinder silhouette on the very left is the 20-cubic-footer that you see here on the table. And of course they range up in sizes based on a diameter change and a length change to the cylinder, as well as wall thickness changes that are designed into the cylinder for the different pressures that

they're going to be put under.

These cylinders can hold all kinds of different gases. Examples of those would be helium, nitrogen, hydrogen, argon, oxygen, air; a lot of different types of gases. And again, those are all regulated by the Department of Transportation as to how the design and the manufacture of the cylinder needs to occur.

The uses of these are also into other areas like specialty gases. If you have a flat-panel TV at home, it's likely that there was a cylinder involved with a very exotic gas that's in it; some of them are very poisonous. But they're used in the manufacture of the flat-panel displays. So they have a lot of different applications. Fire suppressant, Co2 bottles used to extinguish fires, many different applications.

The pressures that we would define as a high pressure cylinder really begin at about 1800 psi, pounds per square inch, similar to your tire, and range all the way up to 6,000 psi.

And the sizes range from that 20-cubic-footer that you see, all the way up to 670 cubic foot, depending on the type of air and gas that you're using.

And so with that, I'd like to have Mike Camp

kind of describe a little bit the manufacturing process, to get you more familiar with how this, this cylinder is formed.

MR. CAMP: There are actually two principal ways to make a high pressure cylinder. From a billet, where you cut a slug of steel, you heat the steel up to over 2,000 degrees Fahrenheit. That, in turn, is going to go through a pressing operation, where the steel is forged into a cut, and then extruded into the diameter and to the wall thickness and the length of the product you're making.

The other way is from tube. And with tube you take a length of tube, cut to size, and you will heat the open end of one side. You'll go into the hot-forming operation to actually spin that closed, and in so doing seal the center portion of that through a super heating.

And then, as Jerry mentioned, with the bottom inverted here, we'll do a bump-back to form the base of that cylinder.

From that point, you're looking at a billet or a tube that is an open-end shell. The end process is to form the top. And that's another hot-spinning operation. In both cases, whether it's from billet or tube, you will again heat this up, and we're over

2,000 degrees again at the starting point. We will form that closed into the neck that you see here.

And on the third page of the handout is some examples, there's some photographs. This is the tube process. But at the top left you will see cut tube that's going into the process. At the top right is the open end that has been preheated, and is ready to introduce to the spinning process.

The bottom left is the initial start of that spinning process. And then the end result, to the bottom right, which is the neck complete.

Following the spinning, the product will go through a heat treating, a quench, a temper process, to set the properties of the steel. The uniformity of the steel is very important for the safety of the product. We will do a threading of the neck, so there's a machining operation to put the threads in place.

One hundred percent of the cylinders will go through a hydrostatic test, which is a proof pressure test. And that's at five-thirds the service pressure. So in terms of any of the 1800 up through 6,000, you can see that the cylinder will be subjected to a pressure much higher than that, 100 percent.

Once that is complete, and this is done

through the third-party inspectors witnessing that test or performing the test, the cylinder is then marked according to the DOT specification that it's being built to. There are markings on the shoulder. There will also be the service pressure assigned to it.

There will be a test date or manufacturing date required to be put on it. There will be a unique serial number, specific to that cylinder, that will be assigned to it. And that number will reflect the metallurgical test data, it will reflect the hydrostatic test results, and the customer that we sell that cylinder to.

The cylinder will also have on it a manufacturer's approved symbol, or a manufacturer number assigned by DOT. It will also have a third-party inspector's symbol for the approved DOT third-party inspector.

There may be other markings, if a customer so wishes, his name or other information that we can apply. But those are the required markings for the cylinder.

From there, the cylinder will be finished to the customer's requirements. It may be a valve for a certain gas service, a certain valve protection, or

just the paint colors that we will apply before we pack and ship that to the customer.

I think safety is critical for the high pressure cylinder. Storage and movement of gases under pressure, you can see at 1800 psi up to 6,000, it's understandable that cylinders must meet stringent tests and be controlled as far as the process that we produce them.

The testing and the certification is the same for all manufacturers. That includes the Chinese manufacturers. And once qualified, this product, they're all similar and interchangeable in our marketplace.

MR. LEBOW: Thanks, Mike. Jerry, would you take it from there, and lay out sort of an overview of the global high pressure steel cylinder industry?

MR. VAN AUKEN: Sure. These cylinders, of course, are used all over the world. Many of the same applications, cutting, welding, wherever construction is going on; many of the previous applications that I described to you are obviously, in other countries around the world. There are other producers besides Norris Cylinder and the Chinese cylinders in question here today. There are cylinders manufactured in Canada, India, Italy, Czech Republic, Austria, Brazil,

and Korea. So basically, all over the world they're making these cylinders in various kinds and various types.

We are of course the only manufacturer that is left here in the United States. Our previous competitor, Taylor Wharton, went bankrupt last year and closed its Harrisburg operation in Harrisburg, Pennsylvania, that made the larger high pressure cylinders, and proceeded to try to sell the assets of the Huntsville operation in Huntsville, Alabama. We, of course, bid on that project, and were successful in winning the bid, and took over the Huntsville operation in June of 2010.

During the time prior to the acquisition, Norris Cylinder had a need to have small high pressure cylinders like you see here, and we would purchase those from Worthington, Worthington Cylinder, which is part of Worthington Industries. That relationship was one that we desired only because we needed to have a complete product offering.

One needs to understand that it's not a good thing to be able to just sell one type of small cylinder, and not have the large one. And a supplier, or a customer is not going to want to have to go to two different suppliers in order to get what it is he

needs. So we needed to have a complete product line; that's why we went to Worthington.

That relationship really didn't pan out, mostly because we could not control the cost of the product; so therefore, the price was kind of dictated to us, and we had to sell and sold at a loss. One of the reasons that inspired us to go after the Huntsville operation to try to gain control of the manufacturing process.

The Norris purchases of also the assets that were acquired in the Harrisburg operation were part of this deal. So we bought the forge and some of the other pieces of equipment that were there, with the idea that when the volume did come back from what was the 2008 levels, that we would have even additional capacity to build. But we have not deployed that, because that volume just has not returned to Norris.

It was our intention, based on the synergies and the acquisition of the Huntsville operation, to complete our product line, and that we feel we have done. The consolidation of those volumes would hopefully then bring back the volume that's very necessary in a fixed asset, highly fixed-asset manufacturing organization, to leverage that volume. But that volume just has not returned.

And we've done other innovative things, like moving from the tube manufacturing process to just the billet process in Huntsville, by using some of the billet capability in Longview, Texas, where we do the billet piercing, and finishing those products down in Huntsville, to keep us as competitive a cost structure as we can on those products.

MR. LEBOW: Jerry, who are the customers for the high pressure cylinders?

MR. VAN AUKEN: Broadly spoken, there's probably two categories of customers, generally. The majors, these would be the large gas companies that I'm sure many of you are familiar with, the air gases and air products of the world. Others would be Air Lockheed, Praxair, Matheson, Lindy. These are all major players either here in the U.S. or across, across the world.

The other section of those customers would be fundamentally in what we call buying groups or consortiums, and there are four major ones in the U.S. I won't bore you with the details. It's called the IWDC, the Big Group, the ADA, and the AIWD. And these are essentially groups of welding and distributors and end users who get together, and leverage their requirements together, working with their vendors to

get the best possible price, and obviously the best possible deal, for them and their members.

The degree to which these operate vary depending on the groups. Some are much more structured; others, it's just a recommendation and/or information to the buyers of those groups to buy cylinders and/or other pieces of equipment. It's not just cylinders, by the way; it's tips, it's welding helmets, it's anything that would be used in the welding industry, for example. And we're just part of that.

We are preferred at the present time with the IWDC. The preferred means that they really want their members to buy from us. If you're not preferred, you're approved. And in either case, the price of the product drives the decision to buy. So it's not, it's not mandated by any of the groups that they have to. There are obviously incentives to do so, either through loyalty rebates on the back end or total purchases that would then, of course, feed back as a rebate structure at the end of the year based on total sales earned.

There are other OEM customers, as well, the Fikes and Kitty Fenwells of the world, who are using our product as an end item inside their equipment for

let's say the fire suppressant industry. So they're not in those buying groups.

Roughly half -- and these are just estimates. But roughly half of what we sell would go to either majors or to buying groups. That's how it splits out. And it varies, based on the time of year, and it varies based on product mix. But as an overall statement, I think that's fairly accurate.

There's a trend in our industry for the little guys who get bought by the big guys. And so many of the welding distributors in the U.S. have been bought by the larger gas companies: Air Gas or Praxair is a good example of companies that have gone and bought the more profitable small welding distributors, and brought them into the fold under the Air Gas or Praxair umbrella, for example. And of course, that creates more buying, pricing pressure for Norris Cylinder, as that, of course, creates a larger buy and it commands a lower price.

MR. LEBOW: In addition to that, Jerry, could you talk about some of the other trends in the U.S. market over the past three years?

MR. VAN AUKEN: Well, in 2008, I think as was mentioned, you know, the economy was very strong. Most of the industrial marketplace was doing very

well. And that certainly was true for Norris and the gas, our customers, the welding distributors.

During that period of time, too, it's important to note that steel prices were going up significantly; probably some of the highest rises in steel prices and shortage of supply in the industry. And it's also evident that during that period of time, that we were seeing strong pricing pressure, price reductions from the Chinese.

As you all know, the market did crash roughly in October. It was a black day for most people, and certain we felt that. There was a lot of inventory that was in place that had to be worked off. We certainly saw the inventory availability from the Chinese here in the U.S., and it was certainly evident to us that we were seeing even lower prices for them during this period of time. Even though there was maybe a reduction in the imports, there was no, no doubt that the prices were still being very aggressive.

Although the import volume in 2009 was significantly lower than in 2008, the market, and the prices from the Chinese, were really being very aggressive. And it was a tough period of time.

Back in 2010, last year, we started to see a

resurgence in the industrial base. And certainly we saw some of that. The market did recover. Unfortunately for Norris Cylinder, because of the price demands of the customers, to be competitive, we didn't see a lot of that. Most of our domestic sales were either flat or declining, in the domestic marketplace now I'm talking.

Chinese imports really exploded in the second half of that year, and especially in the smaller sizes. But we've seen that pricing pressure now grow into these larger silhouettes that you have, larger sizes continually in the last three years.

So the, I guess the end story about the trends is that there has certainly been higher import levels in 2011. And certainly the demand for the price differential that we see with our customers is widening, and is coming, a larger disparity as months go by.

MR. LEBOW: Dan Klett will summarize just a bit of the public data on imports.

MR. KLETT: Good morning, this is Dan Klett with Capital Trade.

As you're aware, there is a separate harmonized terror system category that is specific to the subject product; but because there may have been

some misreporting of imports into this harmonized category for the proposed conference brief, of course we will be relying on the importer questionnaires for most of our analysis.

However, I still think, at least for this public forum, talking about using trends from that harmonized terror system category are still, still relevant.

From 2008 to 2009, imports from China fell by more than 50 percent, reflecting the downturn in U.S. demand, as well as inventories of imports, in '08, that continued to be absorbed into a very weak market in 2009. So as Mr. Van Auken indicated, the import volume in '09 was down, but it doesn't reflect. That's apparent consumption that doesn't reflect the competition, because there were still some inventories of imports left over from '08 that continued to compete in the market in 2009.

Based on a review of the monthly data, imports from China averaged about 20,000 units a month through May of 2010. Starting in June of 2010, the import volumes increased significantly. They have consistently been more than, say, 38,000 units, and through March of 2010 -- from June 2010 through March of 2011, they've averaged 48,000 units a month, more

than double the monthly import volume since May of last year.

And in his opening, Mr. Schutzman indicated that 2010 import volumes were in fact lower than 2008 import volumes. And while that is correct, I think it's important to look at what happened during 2010 with regard to the import volumes.

Although U.S. demand has increased somewhat, a large share of this increase has been at the expense of, has been captured by imports at the expense of high pressure cylinder sales by Norris.

And moreover, Norris's Longview and Huntsville plants have sufficient capacity to supply the market with the full range of high pressure cylinders, so Respondents cannot argue that the increase in their imports is the result of Norris not having the capacity to supply that increasing demand.

Thank you.

MR. LEBOW: Jerry, would you go on from there, and discuss what Norris has been doing to push back against the increasing imports from China?

MR. VAN AUKEN: Well, during this period of time, of course, customer after customer is really, have really pressured us on price, without a doubt. And we've had to move, move on price in order to do

what we can to try to maintain that business. And we have, but at the sacrifice of even lower margins than we were getting before.

Additionally, we've had to turn orders down, where in fact we would know that, in fact, be shipping dollars worth of cylinder, in order to take the order we would, in fact, not take those orders. So we've seen a lot of that going on.

We don't feel that our market share is increasing; in fact, we feel it's decreasing during this period of time, as hard as we do fight. But the price differentials are just there.

BTIC of course has the capability to produce all of these cylinders. They are very capable of every one of the sizes that we've talked about here. And so we see those pressures coming in and flowing from the smaller sizes to the larger sizes on a continual basis.

We're really in need of having this complete product line. As I mentioned earlier, not having a complete product line is definitely a negative in this industry. And albeit that we've had, you know, a mix, the Norris mix has been mostly in the larger sizes, we still feel we're not getting the market share of that. And we need to have that volume in our manufacturing

organization in order to attain the cost effectiveness of the fixed assets we have in place with the manufacturing sites.

During this period of time, American Fortune has had its operation in Houston where it stocks these cylinders. They have also announced that they're expanding this into California with their operations in, by adding a warehouse in California, which is a further threat to us from the standpoint of availability.

We've lost our position in a number of cases with some of the buying groups, where we were preferred. We have lost that status. And where we have the status, we still lose orders because we do not, are not able to meet the prices that are being put in front of us by our customers. And at the end of the day, we lose those orders.

This industry, as I mentioned before, has high fixed costs, and so profit is very much a factor of the volume that we run through the, through our facility. We've had to do a lot of cost actions, laying off people. And I don't care whether it's two people or its 2,000 people, people are important in our industry, and we certainly have felt the effects of that. And also we've cut back on the number of

shifts that we operate.

We make every effort to maintain and get the best possible buy we can on steel, as steel is a big factor in the total cost of production and the cost of a cylinder. And we just, you know, from the standpoint of the steel purchases we make, we think we get good flexibility, and we get security of supply. But the price is something that we have to pay; it's not something we get to negotiate.

Our capital spending has been reduced. We have cut back on some of the cap-ex items that we would want to put in place, mainly because of the current condition of our, of our business.

As I mentioned earlier, we bought a press. I mean, it's a great buy at a great cash discount, taking advantage of the Taylor Wharton assets that were in Harrisburg. But I still cannot deploy that press because I don't have enough volume.

So you know, the Chinese are not standing still. They are very aggressive in every market that we have, whether it's in the fire suppressant market or the welding and gas cutters, or it's in the majors. They are competing with us very strongly again on price. That is the key in this.

MR. LEBOW: Thank you. Madame Director,

we're done with our direct presentation. We'd be happy to respond to, obviously to questions, including any one of the points Mr. Schutzman made. You can be sure that we're ready to answer them.

MS. DeFILIPPO: Thank you very much, Mr. Lebow. Thank you very much, Mr. Camp, Mr. Van Auken, and Mr. Klett. It's always very helpful having company people come and explain the product to us, so I thank you for taking the time from your I'm sure what is a busy, busy day at your plant and operations.

We will turn to staff questions, and I will start with Mr. Petronzio.

MR. PETRONZIO: Edward Petronzio, Investigator. I just want to thank you guys for coming; it was very helpful, the opening statements and presentation.

If we could talk a bit about, it seems the DOT standards are something that, you know, is stated in the scope as defining the product. Could you talk a bit about the regulations, as far as what makes something DOT-approved, or the process that would come about to make a product DOT-approved? Versus the ISO. And talk a bit about the standards and regulations for those two.

MR. VAN AUKEN: Well, yes. The DOT

standards, of course, have been around a very long time; the ISO standards are relatively new. The ISO standards are essentially international standards, and how steel cylinders are actually purchased in the rest of the world. It's not to say that DOT cylinders haven't left the U.S. and gone to other countries; but fundamentally, that's a standard that is used, a specification that is used for the purchase of cylinders internationally.

The specifications are similar in some ways, but very different in others. The most, the biggest distinction I can give you is the actual steel itself. The steel is a high-strength steel. It commands a much higher cost to purchase, and the manufacturing process to support the ISO manufacturing is, has additional testing that has to be done.

They do, for example, what's called an ultrasonic test for flaw detection in the steel. That's not required by the DOT specification. It requires a hardness test to be done that's not required by the DOT specification.

And the actual process flow of the product through the manufacturing process is much slower. For example, heat treating. It runs at a slower rate because of the higher-strength steel.

These cylinders are fundamentally, except for a few cases, not really used in the U.S., and most of our customers who would see an ISO cylinder would tell you it's a foreign language to them. You know, first of all, they'll say the cylinder is a 300-bar. Well, what's a 300-bar? Everybody in our industry is used to psi.

So the U.S. market has not adopted that cylinder to any great extent.

MR. PETRONZIO: Okay. And Mr. Camp, the production process for the billet or spun from tube, you talked a bit about the relationship between the small-, medium-, and large-sized cylinders. Does that, what is the production process for each of those sizes, does it change depending on if it's a larger cylinder versus a smaller cylinder?

MR. CAMP: The billet is more prevalent in the larger sizes. So if you go back to the shadow graph we gave you there, and look at, from the 150, starting from the 150 and the 220, that's the split.

From the 150 down, you would see those more from a tube process; from the 220 up, more from the billet process.

But as Jerry mentioned earlier, the fact that we are now part of Norris, Norris has the forging

capabilities, we are now working to forge some of these intermediate sizes. The 150, the 125, the 80. So we're focusing in on where we can synergize our factories, so that there is sort of a crossover in those middle, intermediate sizes to be either billet or tube. Most of the small will be tube.

MR. PETRONZIO: Is there a large difference in terms of cost? The production process versus the two methods?

MR. VAN AUKEN: Typically, tube is more expensive as a raw material than a billet is. It requires an additional step for the forming of the bottom. Where in a tube manufacturing process, this would be spun closed, just like the top is, and then there would be a bump-back operation which would allow the cylinder to be bumped back in.

In a billet-piercing operation, this is all formed in one pressing operation. So that would be the major difference. The cost of material I would say would be the biggest.

MR. CAMP: There are additional testing requirements for that bottom, as well. On a tube, you do have to do a proof-pressure test or lead check on the bottom itself, to assure you did, the center did seal itself during the spinning process.

MR. PETRONZIO: So is it more expensive to, the spun-by-tube process you would say is, by far there's more steps and it is more costly?

MR. VAN AUKEN: I mean, there's some tradeoffs in both. But I guess I'd say generally yes, it would be a little more expensive than tube.

MR. PETRONZIO: Okay. In terms of the end users, the distributors that purchase these small, medium, or large, are there different, are there specific buyers that are more prone to buy the larger-sized cylinders? In terms of their end uses.

MR. VAN AUKEN: It's pretty diverse. Generally speaking, people that are buying, especially a welding and gas distributor is going to buy the portfolio of product. He's going to have a need for the small high-pressure and the large ones.

The smaller ones tend to, in our industry are usually called non-asset cylinders. And as you get into the 220s, the larger sizes, they become asset cylinders. And so those are used in rentals and leases with the distributors to, you know, fill in and provide gas. And they go back and forth where the smaller ones are, although they get filled, they are not necessarily considered assets.

But generally speaking, you know, I'd say

most customers are buying most of the product line, from a size-disparity point of view.

MR. PETRONZIO: Okay. So prior to Norris's acquisition of TWI's assets, you were sourcing your smaller-sized material or cylinders from Worthington in Canada?

MR. VAN AUKEN: Yes.

MR. PETRONZIO: At any point, were you purchasing from TWI? I mean, was there a reason why you chose to source from Canada, rather than, I'm assuming the Huntsville plant was producing the smaller-sized cylinder. Was that ever an option?

MR. VAN AUKEN: There was a relationship with Worthington that was already existing, and that we also manufacture acetylene shells. And so we had some relationship there already. Taylor Wharton was viewed more as a competitor than Worthington was, so we went in that direction. And we felt we could also get better pricing from them.

MR. PETRONZIO: And in terms of imports from China, were there trends as far as did you see the smaller-sized cylinders coming in from China first? Or was there a particular market segment that you saw the imports coming in?

MR. VAN AUKEN: I think it's pretty well

understood in the industry that the smaller ones were where the initial impact of the cylinders came in. And as time has gone on, we see them into the mainstay of the product, in the large 250s and 300-cubic-footers. And I think that can be supported by the import data.

MR. PETRONZIO: Okay. Could you talk a bit about, so on the petition you talk about some of the assets from TWI were purchased, some of them were scrapped, some were sold, some were destroyed.

Is there any way you could elaborate a bit about the actual assets? You talked about there was a forge that, is it being used, or is it idled? Could you just elaborate about some of the assets that were involved?

MR. VAN AUKEN: I wouldn't want to get into too much detail in this particular environment. But I can say to you that one of the key purchases was a forge, which is kind of the heart and soul of most manufacturing, cylinder manufacturers. It is a forge that we feel very confident we can deploy. It is sitting at our site waiting to be deployed. And we're just waiting for that volume, trying to get that volume so that we can substantiate the cost of getting it running.

MR. PETRONZIO: Okay, I think that's all. Thank you very much.

MR. VAN AUKEN: Thank you.

MS. DeFILIPPO: Thank you, Mr. Petronzio. We will now turn to Mr. Haldenstein, our attorney.

MR. HALDENSTEIN: Thank you. Good morning. I'm Mike Haldenstein in the Office of the General Counsel. I am curious about the ISO-marked cylinders. Are they manufactured by your company? And are they used in the U.S.? Could you address that?

MR. VAN AUKEN: Sure. The markings on the ISO cylinder are completely different. They do have some of the same test data, but they're marked with the ISO, not the DOT, markings. That's the fundamental difference, besides, as I mentioned before, the specification and testing.

We have some customers in the U.S., but I'd say the bulk of our manufacturing device cylinders is for export. These are going to every -- we ship ISO cylinders to every continent in the world. So I mean, it's well over 90 percent of what we ship is going offshore.

MR. HALDENSTEIN: And the DOT marking, that stems from the, the need for these cylinders to be used in transportation?

MR. VAN AUKEN: Yes, the DOT does control that. And since these are cylinders that are under high pressure or containing gases that are going to end up on a truck traveling across the highway, the DOT obviously exercises control over that. 49 CFR is the regulation.

MR. HALDENSTEIN: I see. And are, all of these cylinders are used for transportation?

MR. VAN AUKEN: No. They are transported over highways, but their end use is at a site, like a construction site for example. There is a great distinction, and I should point this out, in fuel gases that are used in vehicles that are, may be an alternative fuel, for example, that are going to be used for transportation; versus these cylinders, which are going to be moved over a highway and put in place at a location as a portable gas to be used in a certain environment. Whether it be gas or welding or cutting.

MR. LEBOW: May I add something to that? Even though not every cylinder spends most of its time in motion, because so many are moved, the regulations happen to be administered by the DOT. And they have something called the Pipeline and Hazardous Materials Safety Administration within DOT, which regulates

pipelines and regulates gas cylinders, high pressure cylinders.

MR. VAN AUKEN: I think you are all familiar with the flatbed truck with all the cylinders driving by. So I mean, that's why the DOT is obviously controlling that.

MR. HALDENSTEIN: Thank you. And the acetylene cylinders, those are excluded from the scope, is that correct? Could you address --

MR. VAN AUKEN: Well, again, an entirely different -- they're low pressure cylinders. They are welded, not seamless, so there are welds that are used to create an acetylene cylinder. These are made out of, stamped out of coil, deep-draw process, not the billet piercing or tube process that we've been talking about.

They're filled with a porous mass, and then they are acetone, so that the acetylene gases can be accepted into the acetone. So they're just totally different, different cylinders.

MR. CAMP: The pressure is 250 psi for an acetylene, so you can see there is quite a difference. If the high pressure starts in the 1800-psi range.

MR. VAN AUKEN: And it's only for one specific gas. It's just acetylene.

MR. HALDENSTEIN: I see. So these cylinders aren't used for acetylene.

MR. VAN AUKEN: No, high pressure cylinders are not.

MR. HALDENSTEIN: And they're used for, but they're used for welding with other sorts of --

MR. VAN AUKEN: They can be used in combination with something to do that, yes.

MR. LEBOW: Jerry, why don't you explain that, I think it may not be clear that in welding there might be two different cylinders, one with acetylene and one with the gas.

MR. CAMP: The last page actually shows a fuel tank set.

MR. HALDENSTEIN: So they're using two different gases here.

MR. VAN AUKEN: That's correct.

MR. HALDENSTEIN: One of these is an acetylene cylinder, and one is not.

MR. CAMP: Exactly.

MR. HALDENSTEIN: Now, you probably heard the Respondent speaking of some like-product issues in this investigation, and a dividing line between 150 I guess cubic-foot cylinders and below, and above the 150-cubic-foot cylinders. Could you address that,

whether there is a dividing line there? Whether there are different uses or physical characteristics? I think I heard they're produced differently.

MR. VAN AUKEN: Well, I guess I would be getting into some proprietary -- go ahead.

MR. LEBOW: You can go ahead and talk about it.

MR. VAN AUKEN: Okay. Up to the 150, first of all, the specifications for this little cylinder or the large cylinder are the same. There is no difference. The only difference is the size and maybe the pressure that it's under, whether it's an 1800, 2300 psi. Those are the only real differences.

As far as the manufacturing process is concerned, that's up to the manufacturer. As I mentioned, all those companies around the world that are making these cylinders, some are spinning from tube, some are billet piercing, some are doing both. Norris is doing both. Norris is moving more towards billet piercing for all of its operations, including the 80 through the 150, where our competitors may be only using tube.

But when they're done, they're going to the same market, the same customers, with the same pricing structures that are in place.

MR. HALDENSTEIN: I see. And they're essentially used for the same type of applications?

MR. VAN AUKEN: Yes, yes. So I don't, from my view I don't see where they split off. My customers are demanding both and needing both for the same applications. It's just how much gas you need. Whether you need a very portable gas for a very small job, or you need much more gas for a much larger job, that's what's driving that.

MR. HALDENSTEIN: Now, the ISO cylinders, they also referred to those as, as a type of cylinder that probably should be in the like product, because they were suggesting it was sort of an artificial carveout in the scope. But I think I heard those are distinct products with a much higher, is it a higher - -

MR. VAN AUKEN: Much higher pressure, yes. They start at, you know, they start at 4500 psi. I mean, these type-two cylinders that we make for export are usually much higher pressures. They are usually required for, especially for export, in lighter weight.

So if you compared a DOT cylinder to an ISO cylinder, the ISO cylinder is much lighter. And again, much more expensive. Much more expensive. Our

markets, especially the DOT market, just would not accept the cylinder.

There are niches for everything, but I mean, the general market doesn't.

MR. HALDENSTEIN: Could they use it? Would it have to be marked DOT, or could they use an ISO cylinder?

MR. VAN AUKEN: They could use an ISO cylinder if it has a UN stamp on it, which was brought up earlier. So the UN certification of an ISO cylinder to allow it to be used in the U.S. is there.

MR. HALDENSTEIN: I see.

MR. VAN AUKEN: The customers aren't, but the markings are.

MR. HALDENSTEIN: So they can be used interchangeable just to a certain extent.

MR. VAN AUKEN: Well, I mean, can they be used? Yes. Are they high-priced and overkill for the market that they're being put into? Yes.

MR. HALDENSTEIN: I see. For the post-conference brief, could you be sure to address these two separate like-product issues, and go through the Commission's six factors?

MR. LEBOW: Certainly, we'll do that.

MR. HALDENSTEIN: Also, on these HTS

numbers, I heard there was some misreporting of the imports coming in. But do these HTS numbers also include products that are not within the scope? Is that true, or not?

MR. LEBOW: The HTS number is precisely coextensive with the scope. And if the imports were reported properly, the public data in the HTS category, the census data, would be the data you'd be working with.

We can't talk too much more about what we've learned from the questionnaire responses, other than to say there is some indication there has been some misreporting. And so the final numbers may be somewhat different, but certainly the trends will be the same.

MR. KLETT: Mr. Haldenstein, this is Dan Klett. I mean, conversely, there may have been some subject product coming in under harmonized terror system categories, other than the 731100030. So for those two reasons, we plan to rely primarily on your questionnaire, questionnaires for imports.

But in theory, that one HS category, if everybody had properly classified their high pressure cylinders, you'd be able to use that. But because of some misreporting one way or the other, it's not

precise.

MR. HALDENSTEIN: Thank you. Do producers have to become, have to be certified to obtain the DOT stamp that they place on the cylinders?

MR. VAN AUKEN: Yes.

MR. HALDENSTEIN: And how would that work? Is it easy to enter this market?

MR. VAN AUKEN: Oh, yes. To be a manufacturer of DOT cylinders, you have to go through a site visit from the Department of Transportation to witness your processes. They also, you also have to provide a third-party inspector who is approved by the DOT, that you hire, but works for the Department of Transportation, to witness your testing.

So those things have to be in place. And there has to be design approvals that are done for each one of the product types that pass certain specifications, that they get to witness and test, and validate that you are a manufacturer of that. And then they will award you a symbol, in our case; or in the current world, an M number; which identifies you as being approved to manufacture these cylinders by the Department of Transportation.

MR. KLETT: And Mr. Haldenstein, this also -- it may be evident, but this also applies to any

foreign-produced cylinders that have to be imported into the U.S. The same DOT standards apply to those, in addition to U.S. manufacturing.

MR. HALDENSTEIN: Thank you. Are there many foreign producers that are certified?

MR. VAN AUKEN: Most are certified, a lot are capable and aren't certified. But I'd say more than half are capable and are certified by the DOT. And there is a listing at the Department of Transportation that you can investigate. It shows all the people that are approved to manufacture DOT cylinders.

MR. HALDENSTEIN: How long would it take to obtain a certification if a foreign producer wanted it? Do you have any idea?

MR. VAN AUKEN: Well, all I know is right now the backlog at the DOT is pretty high, and it takes a while for that to happen. We got approvals for other designs that we're working on, that have been taking over a year. So I'd say it's going to be at least a year, from the start. Could be longer.

MR. HALDENSTEIN: Thank you. And on the non-subject imports that are in the market, how would you characterize those? Are those, would you say they're a significant presence? Anybody can address

this.

MR. LEBOW: Let me just explain what you mean by non-subject imports, if I may, to Mr. Van Auken, and I'll let him answer.

He's asking, you know, what is the presence in the market -- volume, price impact, and so forth -- of imports not from China, but from other countries.

MR. VAN AUKEN: Very small. The biggest in from China. I'm only aware of one other that really has had a significance in here, a company called Jendun. But the rest are coming from other countries; mostly from Canada, a little bit from Europe, from Heiser, which is Worthington in Europe. Some from Silbrus and Brazil. But nowhere near what we're talking about here. Nowhere near.

MR. Klett: And at least from the import statistics, there is also a fairly small volume coming in from Korea. But declining over the years.

MR. HALDENSTEIN: Thank you. Once these cylinders are certified and marked with a DOT stamp, are they pretty much a commodity product? Or are there perceived differences in the quality of the Chinese and other, and the U.S. product?

MR. VAN AUKEN: That's a difficult question to answer. There are perceptions in the industry

certainly that are viewed, versus a U.S. cylinder, versus let's say a Chinese cylinder. The DOT requirements are very strict about the manufacturing process and the quality of the product that they need to have. And certainly we feel BTIC fills that need.

MR. HALDENSTEIN: So you would say the quality isn't, you emphasized that safety was very important. But in the marketplace the perception is the Chinese product is perfectly fine?

MR. VAN AUKEN: Yeah. I mean, I think that's evident by the amount of volume that they've been able to penetrate and take away. No doubt, it's evident.

MR. HALDENSTEIN: Thank you. I have no further questions.

MS. DeFILIPPO: Thank you, Mr. Haldenstein. We'll now turn to our economist, Mr. Workman.

MR. WORKMAN: Mr. Van Auken, I wanted to be sure if I understand, in terms of which of the material inputs for making these cylinders are either billets or steel tube, as I understand. Which of the two is the more important, in terms of, you know, if you can tell me that?

MR. VAN AUKEN: For Norris Cylinder, I'd say billet is the most important. Because we have moved

to billet from, we have been using billet for most of our manufacturing process, Mr. Workman, and we have now moved it into those smaller sizes. So we're moving in that direction, and trying to not use tube because of the availability and cost of tube.

MR. WORKMAN: I see. Okay. I had one other question. You know, you mentioned that this industry depends very heavily on the general economy, you know. And if there's a serious downturn, why, the sales of cylinders fall off, as I understand.

Are there any particular economic variables in addition to the gross national product that your company follows, monitors, or anything like that?

MR. VAN AUKEN: Well, obviously we follow the big major gas companies and what they're doing. So I mean, that would be one indicator of how are the Air Gases, Air Products, Air Lockheeds of the world, who are really commanding most of the gases that are used inside these cylinders, is obviously a good indicator.

I would also suggest to you that the construction industry indicators are very important to us. And so whether new construction, industrial construction, what's happening in those industries kind of will drive, or eventually will have an impact

on our business.

MR. WORKMAN: Okay. So the construction industry kind of drives a demand for these cylinders. As you're building new things, you need more of it? That's the situation, or what?

MR. VAN AUKEN: I would say that that's a factor in it, without a doubt. Certainly, these are portable gases that are being moved to places for use of those gases. So the more we create the need for portable gases, the more the industry is driven.

MR. WORKMAN: Okay, thank you. I don't have any other questions.

MS. DeFILIPPO: Thank you, Mr. Workman. We will now turn to Mr. Tsuji, our Industry Analyst. Do you have any questions for this panel?

MR. TSUJI: Yes, technical questions about the product. For the high pressure cylinders, according to their various sizes, do the DOT regulations specify the specific wall thickness of the cylinders, as well as the capacities? Depending upon the size.

So in other words, for any particular capacity, say if it's like the 150, would the thickness always be the same for the cylinder of that size to meet the DOT regs?

MR. VAN AUKEN: That's a great question, and it varies by every manufacturer. But the control of the wall thickness is a design criteria that is measured in the strength of the steel. So as the strength of the steel is greater, obviously it allows for the walls of the cylinder to be smaller. And they will regulate the maximum strength.

There are what we call tensile-strength tests that have to be done on these cylinders, where we actually pull the metal apart and break it. And it has to meet a minimum requirement that is set by the DOT.

Some manufacturers will have a thicker wall than other steel manufacturers. It becomes one of a margin of safety; it also becomes a matter of process control for that particular manufacturing site. Whether they're doing billet piercing or whether they're using tube will have an impact on the size of that wall. Some people can buy tube at the exact wall thickness that's required, and others will do a hydro forming operation to adjust that wall thickness to the design criteria.

I hope I'm addressing your question. But it's really controlled by the DOT, but through a requirement for tensile strength that will end up

being a wall thickness calculation.

MR. TSUJI: Okay, that's helpful.

MR. VAN AUKEN: Thank you.

MR. TSUJI: Further questions on the production process. I notice from your sample there, looks like after the neck is shaped, I presume you call that the spout? The part of the tank that joins the valve?

MR. VAN AUKEN: The outlet.

MR. CAMP: And the inlet, yeah.

MR. VAN AUKEN: Outlet, inlet.

MR. TSUJI: The inlet? Okay. That has to be tapped to produce the threads to accept the valve. Minor question. How do you keep the threads, the cuttings out of the tank?

MR. VAN AUKEN: You want to answer that one?

MR. CAMP: I can do that. During the machining process, and we do C and C and also tapping, there is a cleaning process after that, where we will literally go inside the tank and do a cleaning. So it will be inverted.

MR. VAN AUKEN: Upside-down, and we'll lance inside it.

MR. CAMP: And we'll lance up, clean it out, and actually do a visual inspection for particularly

anything that might remain, such as a chip from the threading operation.

MR. TSUJI: Okay, thank you. And for the larger tanks, it looks like, per your diagram at page 2, size 80, there's a protective cap. I presume that prevents the valve from accidentally breaking off during transport and handling.

MR. VAN AUKEN: Great question, yeah.

MR. CAMP: Right.

MR. TSUJI: I presume you've produced your own, your own taps. I presume it's a deep-drawing process?

MR. CAMP: Taps are produced through a deep draw, and it would be something that would screw in place on the top. Yes.

MR. TSUJI: Okay. That's made of sheet steel, plate steel?

MR. CAMP: Yes.

MR. TSUJI: Same type of steel as the cylinder itself?

MR. CAMP: Lower carbons.

MR. TSUJI: Lower carbon, okay. And then for certain industrial gases, those that may be corrosive or even hazardous, do the cylinders require to have a coating on the inside? According to the

DOT? Or is the quality of this chromium steel such that no coating is needed?

MR. VAN AUKEN: That's a great question, as well. There is a cleaning requirement for a standard DOT cylinder you have to meet, which is a cleanliness spec. And that's measured, that's measured by a visual inspection, number one, and also there are some solution tests for hydrocarbons that can be done to ensure that the inside of the cylinder is clean.

But to your point, there are additional applications. One of them that I mentioned earlier, which is the electronics manufacturing process, for example, where an exotic gas may be brought in that is very corrosive. And there will be coating put inside that. We do not do that, but there are some companies that will provide a coating inside; a nickel plating, for example. That's something that Norris Cylinder doesn't do. But we can provide cylinders for nickel plating that will eventually be used in those applications.

MR. TSUJI: Okay, thank you very much. That's all.

MS. DeFILIPPO: Thank you, Mr. Tsuji. We will now turn to Mr. Yost, our Auditor. Do you have questions for this panel?

MR. YOST: Yes, thank you very much. A followup on the line of questioning from my colleague here on my right. Is it the same high-strength steel alloy that's used in all of the cylinders? Or does it vary by the capacity of the cylinder?

MR. VAN AUKEN: We use the same alloy for all DOT cylinders. It's what we call a 4130-type steel. Every manufacturer will have slight variations to that 4130 steel; that is proprietary, of course. But fundamentally, it's the same steel for all of those.

MR. YOST: Okay. Is this also, to the best of your knowledge, is this also used on the imports from China?

MR. VAN AUKEN: Yes.

MR. YOST: A similar alloy?

MR. VAN AUKEN: Similar.

MR. YOST: You had talked about the ISO standards. Are DOT standards also accepted outside the United States?

MR. VAN AUKEN: Some countries still accept the DOT standards, mostly towards Mexico, South America, and Canada.

MR. YOST: Okay. So you're able to export cylinders, our subject-product cylinders, to these

foreign destinations.

MR. VAN AUKEN: Yes. Not a great deal, because most of them are asking for ISO cylinders. But I can't tell you that we haven't exported a DOT cylinder; certainly, we have.

MR. YOST: Okay. I have a couple of additional questions. And if you feel that you can't answer now because of confidential business or proprietary business information, I'd encourage you to put the answer in or write the answer in your post-conference brief.

And the first question is, what led to Taylor Wharton's bankruptcy? If you can speak to that.

MR. VAN AUKEN: I think there were many factors that led to it. But, you know, we were involved in the due diligence, obviously, for Taylor Wharton, and so there's a lot of proprietary stuff that I would rather not answer in this forum here.

MR. YOST: Okay. Again, I would encourage you to, you know, complete the answer in your post-conference.

MR. VAN AUKEN: Sure.

MR. YOST: Then if you could specify, what did Norris buy out of the bankruptcy estate?

MR. VAN AUKEN: We bought the assets of the Huntsville operation.

MR. YOST: Only Huntsville.

MR. VAN AUKEN: Only Huntsville.

MR. YOST: With the exception, I think you mentioned the hot forge or the billet forge at Harrisburg.

MR. VAN AUKEN: Right. And then there was some equipment that became available in Harrisburg as a result of that plant closing, that we bought at a discount price.

MR. YOST: Okay. Did you buy the records of Taylor Wharton? The business records.

MR. VAN AUKEN: We bought the business records of the Huntsville operation.

MR. YOST: Okay. I'm trying to also ascertain as to what, you know, how complete our information might be, in terms of shipments and sales and costs of Taylor Wharton. And I think what we have right now is we have your Longview plant, and we have your and the combination of Taylor Wharton's Huntsville plant. But we're missing, correct me if I'm wrong, but we don't have information regarding the Harrisburg plant.

MR. LEBOW: We provided you a little bit of

information on Harrisburg, which is all the information we have.

MR. YOST: Okay. I think that was the limited information regarding shipments, right?

MR. LEBOW: That's correct.

MR. YOST: Could you clarify one phrase for me? What is a stalking horse bid, from the bankruptcy? I've seen it, but you know.

MR. VAN AUKEN: I guess the best way to describe it is that we placed a bid for the assets of the Huntsville operation. And during that time then, other people can, for a certain period of time, come in and counter that bid. And if no one does, then the bid of the stalking horse will be the bid that is used for the purchase.

MR. YOST: So this is, in effect, the Judge presiding over the bankruptcy proceeding decides whether the stalking horse bid is the best use of the assets? And if there is nothing else, then there is no plan of reorganization presented, the stalking horse bid is accepted?

MR. LEBOW: I'm not sure if Mr. Van Auken is, or I am in a position to opine on bankruptcy law.

MR. VAN AUKEN: I would prefer not to.

MR. YOST: Understand, that's fine. That

was just for clarification. Thank you very much.

MR. VAN AUKEN: We can expand on that, though, I'm sure. Separately.

MR. YOST: All right. Other than being painted green and having all the various marks, including the M mark that you're assigned from DOT, is there anything that might distinguish your cylinders from Chinese cylinders or Canadian cylinders? I mean, is the color-coded something important? Or is, or would a purchaser have to look for the M designation mark?

MR. VAN AUKEN: Well, the truest way of identifying a cylinder manufacturer is by the stamp, either the M number, or in our case we were awarded the diamond stamp. So there's a diamond M on it, or a diamond C in the case of the Huntsville operation, which indicates where it was manufactured.

MR. LEBOW: The paint color, the blue -- the green, excuse me -- is not necessarily standard. Every customer can say what color they want it, striped or whatever.

MR. VAN AUKEN: We have customers that have every color under the rainbow. They'll have three or four colors sometimes on one cylinder. Don't ask me why. But that would be one identifier.

There are some subtle things that can be done. For example, we have a heat stamp on the bottom of the cylinder that identifies the heat, because these all have to be traceable. So the steel heat that we bought from the mill for the steel, whether it will be a stamp that's put during the forging operations, it will be put on the bottom of the cylinder, which we also can identify and trace it.

So if there was ever a need to trace the steel, we can. And that's another requirement, by the way, for the DOT, is to have complete traceability of the manufacturing process.

So the heat of the steel, when it was billet-pierced, and when it was hydroed, and when it was heat-treated. All of those things are traceable inside from the cylinder.

And there is, by the way, a serial number on it, as well, specific to that. Every cylinder gets a serial number. Some of those are computer-generated, others are requested or presented to us from the customer to put on the cylinder.

MR. YOST: Okay. And my last question is, what's the life of a cylinder? How many times can you refill it and reuse it? You know, you had mentioned an inventory overhang. Well, how long would that

inventory overhang last?

MR. VAN AUKEN: Well, we always had -- we joke about that a little bit in our industry, that we make a lot of these, and we don't know where they all go. They seem to go out there, and they last forever.

A cylinder has to be retested at intervals. So in other words, a typical thing would be a 10-year retest, for example, in our industry, where a gas filler, let's say Air Gas, would receive a cylinder to be filled. They'll look at the date-stamp or the hydro stamp on the cylinder. And if it's past due, they have to do an inspection on that and recertify that cylinder before it can go back out into the market.

So that cycle is always going on in our industry. And if it's something that came in that was 20 years old that hadn't been hydro-tested, it would have been put out of service if it didn't pass inspection.

MR. YOST: Is the cylinder then restamped?

MR. VAN AUKEN: Yes, it will be restamped, and it will have a new hydro date that can be put onto it, and those will be cycled through. There are retesters, hundreds and hundreds of retesters, all throughout the United States that do this, as well as

some of the major gas companies.

MR. YOST: Okay, thank you very much. That concludes my questions.

MS. DeFILIPPO: Thank you, Mr. Yost. We'll now turn to Mr. McClure.

MR. McCLURE: Jim McClure, Office of Investigations. As far as what you know about the 10 or so Chinese producers, do they tend to specialize in large or small? Or do most produce the full range of, of products?

MR. VAN AUKEN: I'd say most produce a full range.

MR. McCLURE: But their initial entry into the market started with the smaller cylinders, and then --

MR. VAN AUKEN: I'm not sure, you mean into our market here in the United States? I'm sorry.

MR. McCLURE: Yes, yes.

MR. VAN AUKEN: I would say to you that that has been our experience, is that we've seen the pricing pressure on the smaller sizes and migrating to the larger sizes. Yes.

MR. LEBOW: Just to clarify, Mr. McClure. There's only really one really major Chinese producer in the U.S. market now. BTIC.

MR. VAN AUKEN: BTIC.

MR. McCLURE: Okay. But I was also curious about the others.

MR. LEBOW: Sure, sure, sure.

MR. VAN AUKEN: They all have that range of product, sir.

MR. McCLURE: On the buying groups, has that always been a part of the way product is purchased in this industry? Or is it a relatively new phenomenon? Seems like one-stop shopping. You said there are other products, aside from cylinders, that --

MR. VAN AUKEN: Many of them -- yes, it's been going on for quite a while. And many, many years. And some of them actually have what I call a convention, or a gathering of all the members.

Recently, the IWDC just got through with one in Las Vegas. So they do occur. And they, and you're correct; they are really dealing with a broad product line. Not just cylinders, but anything that's used in their industry, they will have the people come in, and they'll have their own booths and set up booths and display, and talk to them.

MR. McCLURE: Anything for a convention.

MR. VAN AUKEN: Yes.

MR. McCLURE: The other products would be

what kinds?

MR. VAN AUKEN: For example, a welding helmet, for example. So the flip-down welding helmet. The wire for welding, the tips for the welding and the cutting devices, all that kind of thing. Clothing, gloves, you name it. It's a potpourri of things.

MR. McCLURE: The fact that a customer, I would take it they're building a forensic, the central forensic lab across the street. So you've got a construction site.

Is a construction site going to be using the full range of products? And if so, what are the various uses of the products? Obviously, you know, we see welding every day outside our window. But what other, you know, smaller or larger products would you likely see at a construction site?

MR. VAN AUKEN: Well, the size of the cylinder would be dictated by the construction site. So if there is let's say a lot of welding or a lot of cutting, you're going to typically see the larger bottles associated with it.

MR. McCLURE: The larger.

MR. VAN AUKEN: And if it's a remote site, you're going to see something like that. So let's just say heating and ventilating, air conditioning is

a good example, where people are fixing air conditioners. Well, they're going to have very small ones that they're going to be carrying around to do that. So I think that's really it.

Again, these are portable gases going to remote sites, so it will be dictated by that environment as to what they're going to use. Industrial uses may have many large cylinders put into a rack, and they might be all coupled together, so that they have a much larger capacity.

So you could take our 300-cubic-footer that you see on that list, and there might be six- or 12-packs of these all put together. And then that will be transported, so that there's even more gas, and less need to transport back and forth.

MR. McCLURE: Okay, thank you. And 9one last thing regarding the question that was asked, you know. Where do cylinders go when they're finished, to heaven or what? It sounds as though they never go to heaven, they just come back and get recertified.

At some point, it seems yet production occurs, additional sales occur. It strikes me, or maybe I'm missing something, isn't there a limit to the number of cylinders that can be out in the marketplace?

MR. VAN AUKEN: Well, my smart answer to that, I sure hope not.

MR. McCLURE: Obviously that's not the case. But if they don't --

MR. VAN AUKEN: No, it's a great question. And I don't know how to answer it with complete definition, other than to say that if it's part of an asset, let's say for an Air Gas or a major, they're probably keeping track of what cylinders they have. And they're trying to manage those inventories, just like any other company does in managing your inventory.

And if there's a need for new construction and it goes beyond what capacity they have to have portable gas, they're going to order more cylinders. And that's what they do.

Now, there are other parts of this, where they may be going into the mom-and-pop gas and welders, and these cylinders go out into some cornfield to fix a tractor, and you may never see it again. It may never come back. So I mean, that's what's going on.

So some will go into oblivion and never be used again, and others will keep coming back. And then at some point, some inspector will say there is

contamination, or there's a crack in the cylinder, and they take it out of service. And they'll actually cut a hole in it, so that no one can put gas in it.

MR. McCLURE: Okay. Then your mention of asset, and you mentioned non-asset earlier and asset. Could you run through that for me one more time, I mean, so I understand? I mean, a non-asset is what?

MR. VAN AUKEN: Non-asset would typically be something like this 20-cubic-footer. And depending on the company, so there's no pat answer to this, the general range is between 20 and 150, that would maybe be considered non-asset.

As they get into larger sizes, they're going to keep that on their inventory records as an asset and track it, and know where it is. And in many cases these are being leased or rented, so they know where those cylinders went, how long they've been there, and obviously charge for them.

MR. McCLURE: So the more likely a cylinder is to be portable, it's more likely to be a non-asset? I mean, the smaller, or I'm assuming the portability --

MR. VAN AUKEN: I'm misleading you there, in a sense that these, whether it's portable or not. All of these are portable. They're going everywhere.

MR. McCLURE: Well, yes.

MR. VAN AUKEN: It's just that this one is likely to disappear.

MR. McCLURE: A human being picks it up.

MR. VAN AUKEN: Yes. This one is likely to disappear at some point, and no one will care. Or they may just replace it, based on the value, and get a new one.

MR. McCLURE: All right, thank you very much. Those are all of my questions.

MS. DeFILIPPO: Thank you, Mr. McClure. Just to follow up on that a little bit, in terms of the questions on asset versus non-asset.

It seems there is almost a size divide, if that's what you're saying, where the non-asset cylinders are the smaller ones. So does that lead to a market where the production is predominantly in the smaller sizes? Because they're not being recertified and held as long as the larger ones? So do we see a bigger market on the smaller size, and is that just a natural function of the fact that they're not kept as long, and they're not recertified?

MR. VAN AUKEN: I would say that there's certainly more volume there, no doubt about it. And I think part of what you say is true; in other words,

they're not as strictly controlled as other cylinders are. So I think that's what most customers are doing.

And again, depending on that customer, they may view a 150 as an asset cylinder, and an 80 as a non-asset cylinder. So it just depends on who you're talking to. What customer you're talking to, I mean.

MS. DeFILIPPO: And we talked a little bit about the recertification once it gets past its date. I assume there's costs involved with that?

MR. VAN AUKEN: Sure.

MS. DeFILIPPO: I mean, is it expensive? I mean, is there some point where you might make that decision to say okay, this is old enough, it's going to be recertified, we'll just buy new? Or is it not a significant cost for the recertification?

MR. VAN AUKEN: Well, the recertification is a cost, and it's a cost factor to every business that they have to consider. That's certainly not the price of a new cylinder.

However, based on whatever they may find wrong with the cylinder, it may be easier to replace that cylinder than, let's say to replace, if the inside is corroded, for example, beyond where it needs to be. To fix that or do inside blasting on it might be a lot more expensive than just getting a new one.

Or it may be too risky, from a safety point of view.

MS. DeFILIPPO: On the example that we have in front of us, Mr. Yost was asking someone, or Mr. Tsuji, about the cap. The valve, that is purchased by your company? And you apply it before it's shipped out?

MR. VAN AUKEN: Well, that varies. Some cylinders leave our plant, and the customer valves their own cylinder. That's done mainly with the majors. For example, they'll probably buy the cylinder without a valve, install it themselves, and fill it.

There are other customers, like in the buying groups, where they'll buy it with a particular valve that they've asked for, for a gas service, and we'll install it.

MS. DeFILIPPO: And since throughout the morning's conversation it's become very apparent that safety is a big issue. So on the valves, are there markings also that could be traceable to the manufacturer of the valve?

MR. VAN AUKEN: Oh, yes.

MR. LEBOW: Yes.

MR. VAN AUKEN: Everything in this particular industry is traced. It better be.

MS. DeFILIPPO: That's a good thing, I think. Just a couple little cleanup questions.

We talked, you know, about your different production-process billets versus tube. To your knowledge, do the Chinese do both? Or are they concentrated in one type of production process? Or do you not know?

MR. VAN AUKEN: Well, I think BTIC is obviously capable of both. We know that. I think there may be other suppliers over there that are more tube than they are billet.

MS. DeFILIPPO: And you may have said, and if so, I apologize. You talked some about shifting the production process for some of them from tube to billet, from a cost basis.

Are there any differences in quality based on producing it in the different manners?

MR. VAN AUKEN: No.

MS. DeFILIPPO: You also mentioned supply in terms of acquiring assets, and having now the smaller ones instead of purchasing it. Was there any time during the POI when you had supply disruptions or problems where you could not supply your customers? And if this is something you'd rather answer in a post-conference brief, please feel free to do so.

But not necessarily because you didn't produce that product size; but for some reason or another, you were having production problems where you had to either, you know, defer the deliveries to customers, or couldn't give them the amount they wanted?

MR. VAN AUKEN: I mean, we feel we have plenty of capacity for the market. I think we could answer that in more detail off line.

MS. DeFILIPPO: Okay, thank you. You also mentioned the term preferred status; that you had preferred status with some customers. Can you just briefly tell me what that means, and how that's an advantage?

MR. VAN AUKEN: Well, it's supposed to mean something in that obviously the consortium has decided that you are going to be the key supplier. They may approve whoever else bid on the project as approved, and that's how it starts; and so they encourage all of their members. And I think that's the best way I could describe it to you, is they encourage all of their members then to use the preferred supplier.

But what really, in my opinion, happens is that then there becomes a price differential, and that's held in front of you. Okay, well, I can get it

for this price, and you will either win or lose the order on price.

MS. DeFILIPPO: Do the customers tend to dual-source? Or if they have a preferred supplier, they tend to just single-source from that?

MR. VAN AUKEN: I think most of the industry likes having more than one supplier. We certainly get indications of that. So I think they probably want to predominantly use one, and have one as a backup. We certainly feel the same way about our suppliers; we never want to be just sole-sourced with someone.

MR. LEBOW: Excuse me, what about the rebate? Doesn't that make a preferred supplier --

MR. VAN AUKEN: That's a good point. The rebate schedules are set up such that in many cases there may be tiers of volume that are achieved, that then command a certain rebate at the end of the year that go back to those members.

So especially if you're preferred, you might be getting the best rebate deal. So you're kind of, that being said, there may be a deal done on the side by one of the members, and you don't know anything about it. The rebates drive that a lot.

MS. DeFILIPPO: Okay, that's helpful, thank you. I think those are all the questions that I had.

I'll just look up and down the table, see if anyone has any additional ones that came to mind. Mr. Yost.

MR. YOST: Sorry for that. Followup on the question of rebates.

I assume for the annual periods that you report in the financial, could you tell us where the rebates might be classified? What cost category? Selling, general administrative?

MR. VAN AUKEN: It's selling.

MR. YOST: Again, if you want to answer this in the post-conference.

MR. VAN AUKEN: I think I'd prefer to do that at this point, yes.

MR. YOST: Okay. And again, on the annual, I assume the rebates are somewhere in the financials. But that might not be the case for the two interim periods. And if you would look into that, as well, I'd appreciate it. That concludes my question.

MS. DeFILIPPO: Thank you, Mr. Yost. And again, I thank this panel for coming and spending some time with us this morning. It's been very helpful for us to understand this industry.

Seeing there is no more questions, I will excuse this panel. We're going to take a 10-minute break in between panels just for people to stretch

their legs. So it's 11:03; we'll come back in 10 minutes, around 11:13. Thank you.

MR. VAN AUKEN: Thank you.

(Whereupon, a short recess was taken.)

MS. DeFILIPPO: Welcome back everyone. We will now move to direct testimony of those in opposition to anti-dumping and countervailing duties. Mr. Schutzman, are you ready to proceed?

MR. SCHUTZMAN: We are.

MS. DeFILIPPO: Thank you. Then please do.

MR. SCHUTZMAN: Mr. Gurley will make the initial statement.

MR. GURLEY: Good morning. My name is John Gurley from the law firm of Arent Fox. We represent Cyl-Tec. Inc. in this investigation. I'm here with Jim Bennet, president of Cyl-Tec and Mark Lunn, also of Arent Fox.

The testimony you will hear today for Cyl-Tec will paint a very different picture than what has been presented in the petition and what you heard today from Norris.

Since the end of the recession, we believe that all major players in the high-pressure steel cylinder industry are doing increasingly well. We think that is true for Norris, ETIC, and ourselves.

We think that Norris is filing this case just at a time when things are becoming much better for it.

But if Norris is indeed having any financial problems as alluded to by Mr. Schutzman, is because of their purchase of antiquated assets from Taylor Wharton, something totally unrelated to imports from China. Mr. Bennet will provide valuable testimony today on that critical issue.

In Cyl-Tec's opinion, another reason Norris's performance may not be as good as it thought it would be is because of the impact of aluminum cylinders. For certain sizes and applications, U.S. customers are increasingly buying aluminum cylinders instead of seal cylinders. Again, this is something totally unrelated to imports from China.

As also mentioned by Mr. Schutzman, Mr. Bennet will testify today of Petitioner's exclusion of UNISO steel cylinders from the scope of the case. We think Norris has painted a very inaccurate picture of that segment of the market. Some ISO cylinders compete directly with VOT standard cylinders and we believe Petitioner has carved out ISO cylinders from the scope simply because they are making substantial profits on this product.

Mr. Bennet will also explain today why

Cyl-Tech believes it has some success in the U.S. market. We believe those reasons are unrelated to price. They relate to shorter lead times, breadth of its product line and technical services. The facts in this case simply do not support a preliminary finding of injury.

I will now turn to Mr. Bennet, president of Cyl-Tec.

MR. BENNET: Thank you. Good morning.

My name is Jim Bennet. I am president of Cyl-Tec, Inc. Cyl-Tec was founded in 1991 by my father. Cyl-Tec is a family-owned, U.S. company with over 60 employees. We are involved in the distribution, testing or retesting, and servicing of a wide range of cylinders, including the subject merchandise. I am here today because I believe that the petition filed by Norris has many factual errors and incorrectly describes the U.S. market for high-pressure steel cylinders.

First, I would like to discuss import levels. We believe the import data in the petition is incorrect, but we acknowledge that there was some confusion as to the proper customs classification for some cylinders we imported into the United States.

Cyl-Tec included asetalyn, cryogenic

cylinders in the same customs category used for high-pressure steel cylinders. Our questionnaire response and those of other importers will show the actual importation of the subject merchandise. We believe that it is a much lower amount than the imports statistics show. We believe that the actual imports are significantly below that alleged in the petition.

It is true that imports of steel cylinders have increased somewhat since the low level of 2009, which was a time of recession, but I am sure the Commission has seen such increases for many cases that have come before it. After declining from 2008 through 2009, the business cycle has improved. Imports have increased just as we assume U.S. producers, production and shipments have also increased, therefore the level of imports is actually a sign that the U.S. economy is rebounding and that the market for steel cylinders is improving. This not a sign of injury.

We are proud that Cyl-Tec has had some success in the U.S. steel cylinder market. Of course, we try to be cost competitive, but the main reasons our customers buy from Cyl-Tec are Cyl-Tec's reputation and the services that we provide.

Cyl-Tec started out as a U.S. Department of Transportation approved retesting facility like was talked about earlier and we still have an unsurpassed reputation for testing and servicing steel and other types of cylinders. We also have a broader product line than that of Norris. We sell cryogenic cylinders, asealyn cylinders and aluminum cylinders and related accessories that go along with those cylinders. This is a big advantage.

Many customers like one-stop shopping. Cyl-Tec also keeps adequate inventories of our product in our Aurora, Illinois facility and we can provide superior lead times to our customers. We also maintain the largest cylinder service and testing company in the United States. Put simply, a decision to purchase cylinders from Cy-Tec is based on a wide variety of factors, but we believe the key factors are actually the quality of service and the short lead times that we provide and our broader product line.

Norris, as was stated, is the sole U.S. producer of steel cylinders. Norris by itself cannot serve the entire U.S. steel cylinder industry. While the petition suggest Norris has a lot of unused capacity, Norris itself is well known for long, long lead times. In customers minds and mine, long lead

times are a clear indication that Norris really does not have a lot of extra operating capacity.

Norris claims that it has been injured by imports from China, but I think that the Commission should look very carefully at the underlying facts in this case. Until 2010, Norris itself was a purchaser of small steel cylinders until 2010. Small cylinders are the largest part, by quantity, of the U.S. steel cylinder market.

Norris freely admits in its petition that prior to its purchase of Taylor Wharton's manufacturing assets that it purchased cylinders from third parties. In fact, up to 2002, Norris purchased Chinese small cylinders from us, from Cyl-Tec. But then Norris eventually moved that business to Worthington who supplied them with the Canadian cylinder.

Norris, the all American company, which is now seeking trade relief from imports was itself until 2010 an importer of Canadian product for the very product which it is trying to seek relief. The obvious question is, and one that Norris missed -- one reason its testimony why didn't Norris purchase cylinders from Taylor Wharton?

There is a very good reason for that.

Norris was not buying small cylinders form Taylor Wharton because it was well known in the steel cylinder industry that Taylor Wharton had very antiquated, inefficient equipment. They had notoriously long lead times and service problems. Taylor Wharton product was always viewed as over priced due to its inefficient production process and high overhead. The reason Taylor Wharton went out of business was not because of China or Canada. It was because of production problems and bad management.

If Norris believed they could obtain small cylinders at reasonable prices on a timely basis from Taylor Wharton, they would have done so, but they could not. Then in 2010, Norris knowingly bought Taylor Wharton's antiquated production assets.

Let's be clear, the Taylor Wharton equipment that Norris bought is old. We think most of it is at least 50 to 70 years old. Having purchased antiquated equipment from a failing company it is not unexpected that Norris would now have its own problems. But any problems at Norris have nothing to do with imported products from China. It has everything to do with Norris's lack of foresight in anticipating the problems that the Taylor Wharton production assets would cause it.

Norris itself does not have an efficient production process. It has two factories. One in Texas and one in Alabama. For many sizes of cylinders, it sales unfinished shells, as we described before from its Texas facility to Alabama for the spinning that we talked about -- that was talked about and the finishing. This is an extra and unnecessary cost that it tries to pass onto its customers.

In summary, the problems at Norris I have just described have nothing to do with China and they are self-inflicted problems.

Another reason that Norris is not doing as well as it would like is because of aluminum cylinders, a different product that wasn't talked about are clearly competing with steel cylinders in certain segments of the market. This is especially true of the medical and beverage industries.

Cyl-Tec sells aluminum cylinders and we know this issue very well. Not all cylinders can be made out of aluminum, but many small sizes are increasingly being made out of aluminum material. Aluminum is lighter than steel. It has better cosmetics and it does provide certain advantages over steel.

In recent years, aluminum pricing has been greatly reduced. The lightweight nature of aluminum

cylinders has almost eliminated the demand of certain small sizes of cylinders -- small steel sizes of cylinders. This is certainly an important factor that Norris should have mentioned to the Commission.

We also note that Norris has specifically excluded cylinders produced to the ISO specifications. We understand that Norris claims that ISO cylinders are always constructed of very high strength steel and are designed to withstand internal pressures of two to three times higher than cylinders produced to the normal DOT standards.

This is only partially true. There are two ISO specifications, 9809-1 and 9809-2. ISO specification 9809-1 is essentially the same as DOT specifications 3A or 3AAA. Indeed, there is very little difference between DOT specifications and ISO 9809-1.

There is a second ISO specification, 9809-2, which does require a different steel alloy and typically is designed to withstand much higher internal pressures. Cylinders produced to DOT standards clearly compete with the ISO 9809-1 cylinder, products sold by Norris and other producers.

We suspect that Norris has excluded the ISO cylinders because they are making a lot of money on

these items. ISO-certified product is becoming more prevalent around the world and it's starting to begin in the United States also. Major multinational companies such as Erlicheed and ParckAir would prefer to have a single world cylinder. ISO-certified cylinders meet that need. Cyl-Tec requested the Commission to collect price information on ISO cylinders. We understand that the Commission did not request such data, but we believe that obtaining pricing and profitability data on ISO cylinders is important as some ISO product competes directly with U.S. DOT standard steel cylinders.

Also, in its petition Norris has mentioned that it has lost sales to Cyl-Tec and blames our low prices. As I noted earlier, customers prefer Cyl-Tec for a host of reasons other than price. Cyl-Tec, of course, tries to have a competitive price. But many times, based on our market experience, especially recently, we are not the price leader. We make price increases and others like Norris follow.

Prior to the purchase of Taylor Wharton in 2010, Norris did not produce small cylinders. It had to purchase small cylinders from companies like ours and Worthington, therefore Norris is new to the small cylinder market and may be trying to regain the market

share that Taylor Wharton lost, but still using the same antiquated and inefficient production facilities.

Norris also repeats many times that it is the only U.S. producer, but many of our customers ins the United States market are very important, multinational companies. Most multinational companies and even smaller local companies do not want to rely on one single supplier. Why would a U.S. company put all their eggs in one basket with Norris, especially when an important part of its production equipment is the antiquated Taylor Wharton production assets that Norris purchased.

The Norris petition focuses on China, but the Chinese are not the only exporter to the United States. Products come in from Canada made by Worthington as well as Korea, Italy, the Chez Republic and Brazil. Italy, which was not mentioned by Norris in the petition, produces almost one million units a year. This was a major omission, we believe. We know that many U.S. companies have problems with Norris. We think that even if China were put out of the market our company as well as other distributors and end users would simply look to other foreign suppliers of cylinders.

Of course, some of them would continue to go

to Norris as one of their suppliers, but as I noted earlier most companies would prefer to have at least one other source. Norris would have you believe that this is an open and shut case, but the facts complicate Norris's story. We think Norris is doing just fine, even with Chinese product in the market. If Norris is having problems, they are self-inflicted. Ones relating to its decision to buy Taylor Wharton's very old production assets.

Thank you for letting me have the opportunity to be heard today. I will answer any questions that you might have.

MR. SCHUTZMAN: Thank you, Mr. Bennet.

Our next witness will be Mr. Richard Rottmann, seated to my right. Mr. Rottmann is an individual who has a wealth of experience in the steel cylinders business in the United States and he is currently the manager of technical products at Tyssen Krupp Steel Services. Mr. Rottmann?

MR. ROTTMANN: Good morning, members of the Commission staff my name is Richard Rottmann and I am the manager of technical products for Tyssen Krupp Steel Services in Houston, Texas. I'm responsible for purchasing, establishing purchasing standards, and for sales of high-pressure steel cylinders which we sell

exclusively to end users for fire suppression purposes only.

These end users are operators of factories, office buildings, and other structures that utilize cylinders to house fire retardant suppression gases for emergency release purposes. I've been involved in the steel cylinder business in the U.S. for 25 years. The last ten of which with Tyssen Krupp Steel. Tyssen purchases it full complement of steel cylinders from BTIC in China on an FOB Chinese port basis in which Tyssen is responsible for shipping the product from China to the U.S. and functions as a U.S. importer of record.

Tyssen maintains two U.S. warehouses for this product. It's main warehouse being Marionette, Wisconsin and a smaller warehouse located in Connecticut to service East Coast end users.

Tyssen competes for the fire suppression customer cylinder business with Norris. Thus, some of our customers also purchase from Norris as well as other such as Korean and Canadian suppliers. There have been occasions with our customers at Tyssen quoted prices for given cylinders have been higher than those of Norris and we have lost business to Norris as a result.

However, high-pressure steel cylinders with many of our customers are not purchased based strictly on price. Other relevant considerations are level of attention, service, product available, just-in-time availability, short lead times, scope of product offered and quality as well as supply chain control. These latter factors are not window dressing, but are very significant elements of the purchasing decision of our customers.

Also, on the issue of price, the Commission staff should be aware that our prices with BTIC are strictly negotiated on a product-by-product basis and it is not uncommon for BTIC to inform us that price increases are needed due to escalations and the cost of raw materials or other factors beyond its control. My experience with the BTIC over many years is that it functions much like any market economy company in that it attempts to maximize profit, given the circumstances of the market within which it functions.

We have also had instances where BTIC has refused to reduce prices to allow us to obtain given orders in the face of competition from Norris or others and we have lost those orders as a result. Additionally, it should be noted that a number of U.S. purchasers of steel cylinders are owned by and/or are

affiliated with foreign companies that established global purchasing programs for high-pressure steel cylinders and negotiate worldwide deals with BTIC to supply all global affiliates with needed supplies of steel cylinders. This is quite contrary to Norris's claim that BTIC is specifically targeting U.S. businesses for it demonstrates that much of BTIC cylinder sales and customers purchases are truly multinational in scope with worldwide pricing arrangements being conducted on a regular basis.

Within terms of the sizes and models of product offered, Norris does not offer the full array of high-pressure steel cylinders that BTIC does and this is another factor in U.S. and global customer accounts opting to purchase from BTIC rather than from Norris. So-called one-stop shopping is definitely a factor considered by buyers of steel cylinders in my experience.

I am also aware that Norris has claimed that imports of high-pressure steel cylinders from China were down substantially in 2009 due to the existence of substantial inventory in the U.S. of Chinese-made cylinders. Although I am unable to speak for anyone else in this regard, this is simply not true for Tyssen Krupp. During 2009, our inventory position was

no different than it was before or since. Our orders from BTIC are based solely upon orders received from customers and we agree to maintain the three-month supply of consignment inventory in our warehouses at the customers disposal, but no more. Tyssen therefore had not glut of inventory in 2009.

It is also my understanding that the Taylor Wharton machinery purchased by Norris in 2010 was very old and inefficient stock. It was common knowledge in the industry that Taylor had not reinvested in and upgraded its U.S. production facilities for years and that is more than any factor likely to have lead to its ultimate demise.

As a viable steel cylinder producer, the purchase of these assets also likely constituted a significant financial drain on Norris. As far as I know, Norris offers and has always offered various programs, rebates, discounts to customers and incentives to purchase. Tyssen Krupp has never done this. Our price is our price. Also, even before Chinese-made cylinders became a prominent factor in the market, Norris was a very aggressive competitor, willing to cut prices and make special deals routinely to make a sale.

We saw this continuously years ago when the

principal competitors in the U.S. market were European companies. This is not a new phenomenon with Norris. Pricing for this product has always been susceptible as you might expect to the world market price of basic raw materials -- steel. As the price of steel goes, so goes the price of steel cylinders. This is clearly the most important factor affecting price and we have seen this continuously manifested in BTIC pricing.

I would be pleased to answer any questions you may have. Thank you.

MR. SCHUTZMAN: Ms. DeFilippo, that concludes our presentation. I'm sure there will be a few questions.

MS. DeFILIPPO: Yes. Thank you very much and thank you to the industry witnesses that came today to speak with us. It's been very helpful.

We will turn first to Mr. Petronzio for questions he may have.

MR. PETRONZIO: Thank you for that presentation. It was very helpful.

There was a lot of talk about this antiquated technology and the Taylor Wharton purchase. I wonder if you guys can elaborate a bit about maybe some of the evolution of the production of steel cylinders over the years. I mean what are actually

talking about when you say antiquated technologies? In what ways has the process improved over the years maybe in China or just other sources?

MR. BENNET: Since I'm not really in the manufacturing business, my knowledge on production equipment is limited from a manufacturer's standpoint. It's just that it's very common knowledge that the production equipment for billet cylinders Taylor Wharton's billet production is very old. Their billet presses is extremely old and I do know that modern presses and modern equipment are much more efficient and faster. But my area of expertise on the different types of equipment and how it's progressed over the years is fairly limited.

MR. GURLEY: We can provide additional information in our post-conference brief. Some of the other officials from Cyl-Tec have more direct experience with this.

MR. PETRONZIO: Mr. Rottmann, do you have any insight as far as -- is it in terms of output or is there any kind of specific quality?

MR. ROTTMANN: I think output is one factor, but again, Cyl-Tec has the expertise in that regard as far as machinery is concerned.

MR. PETRONZIO: Okay. We talked a bit

earlier this morning about the different market segments for the different size cylinders and Petitioners allege that it was in the small-size segment that was the first where the Chinese imports really made an impact. Can you maybe speak a bit about that from your experience of bringing in imports from China as far as why that was the case where the small market segment was the first one where we saw the imports come in?

MR. BENNET: I don't think we actually experienced that. When we started selling cylinders we sold the full array of products, so I'm really not sure why Norris is claiming that small cylinders came first. I can tell you that the small cylinders are considered -- the large cylinders, 200 cubic foot and up are considered asset cylinders by a lot of our customers because they're more expensive.

They generally rent those cylinders to customers that are using the gases and the smaller cylinders are sometimes called ownership cylinders where they'll sell those products to the companies and then they'll bring those to the welding supplier or the gas supplier and they'll have them exchanged, but they actually own those cylinders.

Those smaller ownership cylinders have

vastly higher quantities sold in the United States, and historically, those smaller cylinders generally are made out of the spinning process like what was described by Norris versus the billet pierce process.

MR. PETRONZIO: Would there ever be a situation where a customer would request a spun tube? Is there a quality -- I assume they have a higher quality or is there a reason why a customer would specify?

MR. BENNET: No, not that I'm aware of. It's generally driven by the manufacturing and the cost of manufacturing.

MR. PETRONZIO: You spoke a bit about aluminum cylinders and how they can be substitutes for the products we're looking at. Could you elaborate a bit about a bit more of the benefits of using aluminum? Can they be DOT approved? Are we talking about very equal substitutes or are there any kind of differences where aluminum can't be DOT approved?

MR. BENNET: Aluminum cylinders have DOT approval just like steel cylinders do. It's a different approval process, a different approval, but they can both be used for similar processes. Aluminum cylinders of course being made out of a different alloy aluminum than steel. But through the range of

spectrum that steel cylinders can be sold, there are generally compatible aluminum cylinders that go along to that range.

They are more prevalent in the smaller cylinders and especially in the medical industry and the beverage industry where it's more important to have a lightweight product, more portable. Aluminum cylinders are more attractive. They're shiny. They're aluminum.

Steel cylinders have to be painted and maintained, part of what we do. Steel cylinders will rust and they'll become corroded more often. Aluminum cylinders are more high tech and in many cases customers prefer aluminum cylinders. And recently with the cost of aluminum cylinders coming down in the market, it's become more attractive.

We actually on some of the smaller sizes, medical aluminum cylinders have actually almost obsoleted some of the steel cylinder models. We've got some of those dinosaurs on our inventory right now of steel cylinders.

MR. PETRONZIO: When did we start seeing aluminum come into the market? Was it a cost? Was a functional price? Why did people start looking to aluminum for that reason?

MR. BENNET: I mean aluminum cylinders have been in the market for quite a while, but recent competition between U.S. manufacturers and new manufacturers have come into the market, causing more competition and kind of driving the price of aluminum cylinders down in some cases to where they're very close to their steel brothers and sisters. And therefore, the customers are choosing the aluminum cylinders over the steel cylinders, not for all cylinders, but it's moving I n that direction.

MR. PETRONZIO: In terms of the cylinders that are painted, is it just based on a customer's preference that you would bring in a product that it's either painted or not, or do you paint them at all? Do any of the importers have facilities or capabilities to paint the cylinders?

MR. BENNET: We do mostly because our original business was the retesting and decertification and maintenance of the cylinders. We have always had the ability to paint and install valves and do the finishing work for the new cylinders. The colors of the cylinders are usually determined by the end user, but sometimes, for example, for medical cylinders it's determined by the FDA. For example, a medical oxygen cylinder is

generally green, but in other gases it varies.

MR. PETRONZIO: I think I remember hearing something during the course of the investigation about these cylinders are primed. Are they primed first and then painted or will they come in primed? Could someone elaborate on that? Is it done at the same time?

MR. BENNET: It depends.

MR. ZHENG: It depends on the customers. When the customers they ask we need the cylinder green. We just paint it in the factory. You know, some of them they just ask priming only and then ship those cylinders to the United States our customers -- for the customers as they request it.

MR. BENNET: Our company because we have the facilities, the paint booths, the shot blasting equipment are very good at customizing the cylinders for the customer, for the end user, depending on what color they want. So some cylinders we buy we bring in are just primer coated and some of them are painted. Some of them that almost always have the same color we will bring in already painted, but the vast majority of them we've bringing with a primer coat that we can paint and customize.

MR. ROTTMANN: Ninety percent of the

cylinders that we bring in for the fire suppression industry are brought primer coated because our customers determine what colors and what type of paint they would like to have on the outside surface. So most of the time, 90 percent of the time everything is in a primer coated condition to protect against rust during ocean voyage.

MR. PETRONZIO: And are the aluminum cylinders typically painted?

MR. BENNET: No. No, they're pretty as they are.

MR. PETRONZIO: Those are all the questions I have. Thank you very much. It was very informative.

MS. DeFILIPPO: Thank you Mr. Petronzio. We'll now turn to Mr. Haldenstein.

MR. HALDENSTEIN: Thank you.

On the aluminum cylinders how does the pricing compare with the steel cylinders?

MR. BENNET: Historically, in the past aluminum cylinders have been more expensive than steel cylinders. But recently, as I mentioned before with increased competition aluminum cylinder pricing has come down to where in some models, especially the small cylinders the pricing has been so close that

it's almost a slam dunk decision for the customer to choose the aluminum cylinder over the steel cylinder.

MR. HALDENSTEIN: I see. Are you arguing that aluminum cylinders should be within the light product that the Commission is defining or is it just a condition of competition the Commission should take account of?

MR. GURLEY: We'll be arguing both in the alternative, but it may be difficult for the Commission to obtain all the information you need with respect to aluminum right now, but I think you should.

MR. HALDENSTEIN: Mr. Schutzman?

MR. SCHUTZMAN: Yes, the same answer, Mr. Haldenstein. I should also add that I learned from Mr. Rottmann actually that in the fire suppression business there is also the possibility of aluminum cylinders being used by firefighters who wear them on their backs fighting fires and obviously there's a benefit to the use of aluminum because it's much lighter. So yes, we will expand upon this in our post-conference briefing and provide that information to you.

MR. HALDENSTEIN: Could you please be sure to go through the Commission's six factors when you're arguing for aluminum cylinders.

On the ISO cylinders, I believe I heard testimony that it's really the 9809-1 cylinder that's comparable to the DOT cylinders, is that what your arguing should be within the Commission's light product or is it both sets of ISO cylinders?

MR. SCHUTZMAN: We will argue that. Yes.

MR. HALDENSTEIN: It's both, 9802?

MR. SCHUTZMAN: 9801.

MR. HALDENSTEIN: And on the 150-cubic foot and under, are you also arguing that there should be a dividing line between them?

MR. SCHUTZMAN: We will argue that as well. Yes.

MR. HALDENSTEIN: Okay. So how do you see the Commission's light product being defined? There's a split between the 150 and up and down and the aluminum and the ISO as well?

MR. SCHUTZMAN: Yes.

MR. HALDENSTEIN: Thank you.

How would you characterize demand in 2011? Was it back to where it was in 2008 or better or a little less?

MR. BENNETT: From my side I think that that's kind of proprietary information and I'd rather not discuss that in a public conference like this, but

possibly later in the briefs.

MR. GURLEY: We can do that.

MR. ZHENG: Yes, we have seen the demand increasing of those.

MR. HALDENSTEIN: Thank you. If you could address that in your briefs that would be helpful.

Does anyone know how many of the Chinese companies are certified to make DOT cylinders?

MR. ZHENG: As far as I know there are three manufacturers in China who got DOT certified cylinders. One is BTIC and the other one is Jeng Dun in -- province. The third one is in Jeng Hi.

MR. HALDENSTEIN: Thank you. But it's my understanding that it's mainly BITC that's currently exporting or are the others exporting just in smaller amounts or do we know?

MR. ZHENG: I don't have the detailed information, but as far as I know not only the Chinese exporting to the United States as well as the other countries they mentioned. The other two manufacturers have small amount. I don't know the details.

MR. HALDENSTEIN: Thank you.

Do any of the importers here sell the ISO cylinders in the U.S.?

MR. BENNET: We do, small amounts. A number

of our companies are multinational companies and they're encouraging us to put inventories in of ISO cylinders that we can sell to both their locations offshore and also to their domestic facilities. It's a smaller percentage, but it's growing and we know that they have an initiative to move in the direction of ISO cylinders.

MR. HALDENSTEIN: I think I heard from Norris that they weren't really used in the U.S. or you would disagree with that or am I -- small amounts maybe?

MR. BENNET: From what I heard, they mentioned small amounts. Yes. But that is growing. Our multinational customers especially are telling us and putting pressure on us to keep those in stock and that their requirements are going to be growing in the U.S., especially the multinationals.

MR. HALDENSTEIN: Thank you.

Are the cylinders ever marked with the DOT and the ISO stamp or is that not done for some reason?

MR. BENNET: It's not done currently. I'm not sure why.

MR. HALDENSTEIN: Okay. Thank you.

I have no further questions.

MS. DeFILIPPO: Thank you Mr. Haldenstein.

Mr. Workman?

MR. WORKMAN: Mr. Bennet, these aluminum cylinders I understand that they compete in the small cylinder segment of the market, but are they also competitive for larger cylinders or are they pretty much limited to just the small cylinder group?

MR. BENNET: That's a good question. The spectrum of models of aluminum cylinders does pretty much match the spectrum of steel cylinders. It's just right now in the small cylinders because they are more transportable. You're probably familiar with seeing medical oxygen cylinders that are in carts that nurses are toting around and stuff like that. There's just more of a reason to have a lighter weight cylinder in some of those applications. And again, the pricing on those aluminum cylinders has come down low enough where it's a much easier decision to buy an aluminum cylinder over a steel cylinder.

MR. WORKMAN: But they still are more expensive than the steel cylinder, I assume, isn't that true?

MR. BENNET: In general, yes. But again, the pricing on the aluminum cylinders, especially the small ones has come down low enough that it's relatively close. Like I said, causing a few of the

medical-sized, small cylinders to basically become obsolete. They're barely made in steel anymore. And also in some of the beverage applications, for example, beverage applications means carbon dioxide CO2 that's used for pumping soft drinks and stuff like at McDonald's and things like that.

MR. WORKMAN: So even though they're slightly more expensive, the advantages outweigh the higher cost?

MR. BENNET: Yes, you could say that.

MR. WORKMAN: Fine. I don't have any other questions.

MR. BENNET: Okay. Thanks.

MS. DeFILIPPO: Thank you, Mr. Workman. We'll now turn to Mr. Tsuji. Any questions for this panel?

MR. TSUJI: Yes, a follow up on Mr. Workman's question. And that is are the aluminum cylinders produced to comparable sizes to the largest sizes produced by Norris shown in the second page of their handout, which is the high capacity 6,000, for example or is there a upper limit to the sizes of aluminum cylinders that are currently available?

MR. BENNET: Yes, I don't know if there's an upper limit to the manufacturing ability, but I

believe that aluminum cylinders can go up to about to the 250-cubic foot range that's commercially available right now. But it would span the entire spectrum all the way down to even smaller cylinders than that smallest one there, that 20-cubic foot cylinder.

MR. TSUJI: Okay. Thank you very much.

MS. DeFILIPPO: Thank you, Mr. Tsuji. Mr. Yost, questions?

MR. YOST: Yes, besides thanking you for your presence and your valuable testimony this afternoon, I do have two follow-up questions.

Mr. Bennet, I'm sorry to belabor the point. You had mentioned aluminum cylinders a predominately in the small, do you mean the 20- and 40-size? Again, I'm looking at Norris's page 2.

MR. BENNET: That and other sizes that aren't indicated on here. And we can be more specific in our briefs.

MR. YOST: Okay.

MR. BENNET: But the 20, 40, and 55 also double as beverage CO2 cylinders. The 20 is a 5-pound CO2, the 40 is a 10-pound, and I believe the 55 is a 15. But there are also medical sizes on here that aren't represented by the Norris spec.

MR. YOST: And they are what, smaller than

the 55-cubic foot?

MR. BENNET: Yes, there are some smaller than that.

MR. YOST: So predominately, the overlap, if any, is in that lower than 55-cubic foot?

MR. BENNET: There is also overlap in the larger cylinders. It's just the popularity of aluminum cylinders has started with the smaller cylinders and it's kind of working its way up in the spectrum.

MR. YOST: Are these at the same pressures as steel?

MR. BENNET: Yes, comparable pressures.

MR. YOST: Norris had testified that the small ones start at 1800 psi and go up to -- I forget what they said, but it was upwards of 2,500 psi. And aluminum will do the same?

MR. BENNET: Again, Cyl-Tec we are a distributor of aluminum cylinders. We primarily distribute the smaller sizes, so I'm a little bit unfamiliar with the larger sizes that are offered by some of the manufacturers. But I can say that the 1800 psi on the lower end is accurate with aluminum cylinders or steel cylinders and will increase as the cylinders get larger. But we can give you more

accurate information in our briefs.

MR. YOST: Okay, I look forward to seeing that.

Mr. Gurley also promised that we would have more information on the statement that TWI's assets were outdated and outmoded and it was an inefficient producers, so I look forward to seeing that. Okay. Thank you.

MS. DeFILIPPO: Thank you, Mr. Yost. Mr. McClure?

MR. MCCLURE: Jim McClure, Office of Investigations.

Mr. Bennet, the aluminum product that you sell is that all imported from China? If that's giving away any BPI, you can answer it in your brief.

MR. BENNET: No, it's currently all manufactured in the United States.

MR. MCCLURE: It's all manufactured -- is there any aluminum coming in from China?

MR. BENNET: I'm not aware of any coming in from China right now.

MR. MCCLURE: Coming in from any other sources?

MR. BENNET: I hear that there is some, but I mean primarily the sourcing of aluminum cylinders in

the United States is from U.S. manufacturers.

MR. MCCLURE: And the aluminum manufacturers are discreet from the major aluminum producers like an Alcoa and a Kaiser or is it downstream?

MR. BENNET: Downstream, separate companies.

MR. MCCLURE: Okay, do you, on the subject product, and I mean by definition not just Chinese, do you import the steel cylinders from sources other than China?

MR. BENNET: We have imported from Korea and China.

MR. MCCLURE: I know you mentioned the fact that Italy produced 100 million units or whatever. You mentioned something about Italy, were you implying that there are imports from Italy? Are you aware?

MR. BENNET: Yes. Yes. We don't but our competition, other resellers do import from Italy quite a bit.

MR. MCCLURE: Everybody's asked the questions about the aging assets purchased by Norris. I've got one last question, and this is just idle curiosity and this is generally when I get in trouble.

But Tyssen why a warehouse in Wisconsin?

(Laughter.)

MR. ROTTMANN: Because one of our major

customers is located in Wisconsin and one of the services that we offer is just-in-time delivery, that is to say --

MR. MCCLURE: So that's coming down the St. Lawrence seaway?

MR. ROTTMANN: No, that's coming in through Los Angeles and going via mini-bridge.

MR. MCCLURE: Truck?

MR. ROTTMANN: Rail and truck. Rail to Chicago. Truck to Wisconsin.

MR. MCCLURE: Interesting. Thank you for your responses, for being here, and your expertise.

MS. DeFILIPPO: Thank you, Mr. McClure. It can be dangerous when you get curious, but that wasn't too bad. So thank you.

I've crossed off most of my questions that I had going through, but I think I have a couple of just cleanup ones. And if they are similar to questions that someone else asked that you're going to put in your brief, just note that.

I think Mr. Haldenstein asked about discussing like product factors with regard to the argument of steel cylinders versus aluminum cylinders and we've talked a little bit about where they overlap and what sort of segments that we're seeing that

overlap in -- beverage, medical, et cetera. If you have any ideas or estimates of what percent of the market in terms of consumption of sort steel and aluminum how big is that? How big are those segments of the market where we are seeing that competition. That would be helpful.

Also, with regard to the ISO versus the DOT, we talked about the overlap in terms of the specifications being fairly similar between 9809-1 and the DOT ones. If you had a specific size of cylinder that was the same and one was ISO and one was DOT, what's the approximate price differential? What we heard this morning was that it was a more extensive testing procedure or higher standards that the ISO had to -- or that a product had to meet in order to be certified as that. That to me would indicate perhaps an ISO would carry a higher price. I think we might have even heard that.

If you have any information -- I'm just trying to get a sense of the relative prices on the ISO and DOT because you talked about similar specs.

MR. GURLEY: We can provide that information.

MS. DeFILIPPO: That would be helpful. Mr. Bennet?

MR. BENNET: The ISO 9809-1 cylinders are made out of the same materials basically, the same types of steel. The production processes are almost identical. In fact, the ISO cylinders, the dash one cylinders can actually be made out of a thinner wall steel, which means less steel is used in those. There are some minor differences in the testing, but truly the cost to manufacture is very similar. It's just that up to this point manufacturers of ISO cylinders have been able to get a higher price than the DOT models.

MS. DeFILIPPO: I'm going to stay with you Mr. Bennet for my last question. This morning we heard that a portion of the product is used in construction applications. And since you sell these products, are you aware of any instances where there are Buy American provisions such that there may be construction projects where people are asking for domestic product, or have you not had any?

MR. BENNET: I'm not aware of any. And the construction industry is only a portion of the market for cylinders. There are growing markets. The medical market, the beverage CO2 market, Research and Development, specialty gas, many other markets that are different and more vibrant than the construction.

MS. DeFILIPPO: That leads me to then one additional request for post-conference submissions, to the extent that you can provide any information on your estimates of the different markets or to segments and their relative size and perhaps some notation on which ones you see as being growing and which maybe either flat or not. That would be helpful.

MR. BENNET: Sure.

MS. DeFILIPPO: Thank you.

Any other questions? Mr. Tsuji, I will allow you one.

MR. TSUJI: Thank you.

Just one quick question for the Respondents and that is the Chinese producers I presume they're using the similar processes as the Petitioner for producing these high-pressure steel cylinders, i.e., they're using both the billet piercing method as well as the tube spinning method, correct?

MR. BENNET: That's correct.

MR. TSUJI: As far as you're aware, for all of the Chinese producers?

MR. BENNET: I'm mostly aware with BTIC.

MR. MCCLURE: I see Rottmann nodding in agreement over there.

MR. ROTTMANN: In my estimation, yes, it's

basically to a cylinder manufacturer that's just the way it's done worldwide.

MR. TSUJI: Okay. Because Mr. Rottmann then answered the second half of my questions about the nonsubject producers as well. Thank you very much.

MS. DeFILIPPO: Thank you, Mr. Tsuji. Mr. McClure, you had one additional question?

MR. MCCLURE: Jim McClure, Office of Investigation.

You mentioned on the ISO that some of the multinationals are pushing you to have the ISO in stock. And we've had the terms "buying groups" and "majors." Are multinationals and majors the same thing or are they yet a third?

MR. BENNET: Multinationals are basically majors and the buying groups are groups of smaller distributors that band together to try to negotiate better pricing and such.

MR. MCCLURE: So when you're talking multinationals, you're talking air products and various things of that nature, various firms?

MR. BENNET: Yes, air products, practice air, -- those types of multinational companies.

MR. MCCLURE: With that, thank you again.

MR. BENNET: You're welcome.

MS. DeFILIPPO: Thank you. And I think this panel very much for your time in both providing the direct testimony and answering all of our questions. It has been very helpful. We'll take a five-minute break to allow both sides to get prepared for their closing statements and we'll resume at 12:16.

(Whereupon, a short recess was taken.)

MS. DeFILIPPO: Mr. Lebow, would you like to have a seat and proceed when you're ready.

MR. LEBOW: Thank you, Madame Director, members of the staff. For the record again I'm Ed Lebow of Haynes & Boone, representing Norris Cylinder Company.

For my closing statement, I'm just going to go throw what I hope is a reasonably comprehensive list of the points made by Respondents today and comment on those points.

First, the assertion that Norris has insufficient capacity is not borne out by the record. You can look at Norris's capacity in its confidential submissions and its capacity utilization. Norris is not looking to secure the entire market. It is not looking to be a monopolist. It's just looking for fair pricing in the market and is happy to compete with all comers at fair pricing.

Second, with respect to ISO, as we've noted the ISO products use different materials, different production processes, have different markets, different prices, different customer perceptions, all of which we'll detail in our post-hearing submission. And as to the distinction between 9809-1 and -2, although there may be some theoretical overlap as argued by Respondents, Mr. Van Auken assures me that Norris has virtually no ISO 9809-1 sales in the United States. Maybe a bit in Canada, but nothing in the U.S.

Regarding the recession and its impact on the industry, of course the recession took its toll. I suspect that's the case in every investigation you've been looking at for the last few years. And of course, domestic industries are recovering somewhat, which I certainly hope is the case in every investigation you've been looking at for the last couple of years.

The question is can you be injured as you are coming back out of the recession? We think that you can be. That if you find that you're having a smaller share of a smaller overall market you definitely can be injured. If you find that imports are growing faster than you're growing, you can be

injured. If you find that you're forced to stand on a smaller and smaller ice float, you can be injured.

And that brings me to the whole issue of aluminum. To the extent that the market is getting smaller because of aluminum, then what we have is the domestic high-pressure steel cylinder industry competing in what will likely be a somewhat smaller overall market and yes imports are returned to the full level that they were a couple of years ago. But the domestic industry is nowhere near there.

Also, regarding beverages and medical use for aluminum. This is not new. The implication some how that this was new. It isn't new. Those aluminum cylinders have been used for those applications for a long time. The argument was made by Respondents that competition was attenuated at the low end because during the earlier part of the period of investigation Norris wasn't at the smaller sizes, but GWI was. There still was a domestic industry producing high-pressure steel cylinders in the Huntsville facility actually at the beginning of the period of investigation and we've provided you data on the results there and the impact of imports on that segment of the market.

The reference to ten something -- 10K, 10Q,

I forget exactly -- of Norris's parent company is sort of standard Respondent Commission defensive behavior. You try to find some statement in some document that cuts against Petitioner's case. And I should point that the statement that was quoted here from TriMas deals specifically with ISO cylinders and not with DOT cylinders, which is the subject merchandise.

Cyl-Tec has made a lot of the fact that they have better lead times, better quality, fuller range of products. If they're so wonderful, why are they charging so much less? Usually, when you have a differentiate superior product, you charge more. And we ask you to take a look at your questionnaire response pricing data and draw your own conclusions about what is growing the business to the Chinese imports.

As for products from other countries, again you could look at the data. There just isn't much in the way of imports into the U.S. from places other than China. If the domestic industry were fortunate enough to win this proceeding, sure we'd expect to see some increase in imports from other countries, but not to the extent or with the pricing from China.

And finally, I'd like to talk about the antiquated facilities in Huntsville. You noticed when

you started asking some specifics all you got was, well, general knowledge. General knowledge. Well, here's at least the specific knowledge that I've been able to obtain from Mr. Camp, who has worked at TWI.

First, he wants to state on the record that he is not an antiquated facility and that neither are his employees. Second, although the Harrisburg facility did have some old facilities, the press which Norris bought from Harrisburg was totally rebuilt and refurbished as an excellent state-of-the-art condition. Third, regarding Huntsville itself, it has robotics, computer-controlled threading, a continuous production process for painting and it is a completely up-to-speed, up-to-date, modern facility able to produce high-pressure cylinders with the best of them. And certainly it would take its share of the domestic market if it weren't being consistently under priced by imports from China. Thank you.

MS. DeFILIPPO: Thank you very much, Mr. Lebow.

We will now turn to closing remarks from Respondents. Mr. Schutzman, are you doing them?

MR. SCHUTZMAN: Mr. Lunn is going to lead off, and if there is any time left, I'll take it.

MS. DeFILIPPO: All right. Sounds good.

Thank you.

MR. LUNN: There was a recognition that if Mr. Schutzman went first there would be no time left.

(Laughter.)

MR. LUNN: So again, for the record my name is Mark Lunn of Arent Fox. I'm here representing Cyl-Tec.

You've heard some divergent views today. However, I think as you look at the record in this case we believe that the issues will become clear.

First, we do believe that any injuries suffered by Norris was due to the inefficiencies that it knowingly purchased when it bought Taylor Wharton. Prior to this purchase, Norris did not even produce small cylinders. Rarely does the Commission have a case where the Petitioner literally purchases its own injury. Oddly, this is a case where Norris was not willing to even buy cylinders from Taylor Wharton, but for whatever reason decided to buy the company.

Second, we do believe that the like product should include both aluminum cylinders and ISO cylinders. While it's not uncommon for Petitioners to try to define the scope in like product in odd ways, it is truly uncommon to see a case as we have here where Petitioners have simply ignored a large and

growing portion of the market. ISO cylinders are produced today by both Norris and BTIC and they're being sold by Cyl-Tec.

Norris just said that it ships ISO cylinders to every continent in the world as well as to the United States. Given that the entire world is using or moving to this standard, it seems obvious that the United State, with or without any trade actions will be doing the same and that this is going to b a growing and increasing important part of the U.S. market.

Also, Norris, like all steel cylinder producers everywhere is losing market share to aluminum cylinders. As we heard, in certain segments of the market aluminum has completely replaced steel cylinders. These products again compete directly with steel cylinders. While it seems impossible to collect information prior to the preliminary determination on this segment of the market, if this case does go forward we strongly encourage the Commission to collect information on this segment of the market as well for the final determination.

Finally, we wanted to emphasize one issue that came up earlier. As discussed by Mr. Bennet, the customs imports statistics are possibly overstated by

a substantial amount. We strongly encourage the Commission to look at this issue as well.

Addressing one issue just brought up by Mr. Lebow, while Norris appear to suggest that it has a large amount of capacity, the market seems to suggest that there are strong lead times in delivering their products. Lead times that Cyl-Tec doesn't have, so we ask the Commission to consider this issue as well.

Cyl-Tec believes that once the Commission has a complete and accurate picture of the cylinder market it will see that Norris is not being injured due to imports from China. Thank you very much.

MR. SCHUTZMAN: I get time?

MS. DeFILIPPO: You do.

MR. SCHUTZMAN: Yippee.

Good afternoon once again. So what have we learned in the past three hours of listening to industry witnesses, attorneys, consultants on both sides of the aisle and what is that we know?

We think the record will show that the United States is a minor market for the Chinese and that the Chinese domestic market and other export markets are by far larger, so there is no targeting by the Chinese of the American market. That's for sure.

We've learned that Norris purchased Taylor Wharton production assets in Huntsville in 2010 and that added significant overhead to an operation that just could not support it. We learned that Norris is incapable of satisfying anywhere near the demand for steel cylinders in the United States and imports much continue to fill that gap.

We've learned that prices for Chinese-origin cylinders are competitive with those of Norris. And in certain case, Norris's prices are lower than those for the Chinese. We've learned that Norris's production includes ISO cylinders and the Commissioner could consider ISO cylinders in its analysis of Norris's production data.

We've learned that imports and sales of Chinese-made cylinders are most prevalent in the small sized spun cylinders market, a segment of the market Norris did not produce until late in the POI. We've learned that the data before the Commission will deflate Petitioner's claim of U.S. inventory overhang in 2009, that U.S. consumers and customers purchase Chinese-origin cylinders based upon factors other than price and that Chinese imports of steel cylinders in 201l0 were still well below import levels of 2008.

On the bases of these factors as well as

many others we cannot discuss because they're of a proprietary nature, we urge the Commission to reject Norris's petition and determine that it has not demonstrated the necessary requisites for relief in this case. Thank you.

MS. DeFILIPPO: Thank you very much. On behalf of the Commission and the staff, I would like to thank the witnesses who came here today as well as counsel for helping us gain a better understanding of the product and the conditions of competition in the high-pressure steel cylinders industry.

Before concluding, let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Monday, June 6. If briefs contain business proprietary information, a public version is due on June 7. The Commission has tentatively schedule its vote on these investigations for June 24 and it will report its determinations to the Department of Commerce on June 27. Commissioners' opinions will be transmitted to the Department of Commerce on July 5.

Thank you again for coming. This conference is adjourned.

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(Whereupon, at 12:32 p.m., the preliminary conference was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: High Pressure Steel Cylinders from China

INVESTIGATION NOS.: 701-TA-680, 731-TA-1188 (Preliminiary)

HEARING DATE: June 1, 2011

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

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

DATE: June 2, 2011

SIGNED: Raymond Vetter
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

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

SIGNED: Micah J. Gillett
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Gheorghiu
Signature of Court Reporter