UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation Nos.:**
ALUMINUM FOIL FROM CHINA	**)**	**701-TA-570 AND 731-TA-1346 (PRELIMINARY)**

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
ALUMINUM FOIL FROM CHINA	) 701-TA-570 AND 731-TA-1346
	) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, March 30, 2017

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

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Michael Anderson, Director of Investigations

Justin Enck, Investigator

Daniel Matthews, International Trade Analyst

Aimee Larson, International Economist

Jennifer Brinckhaus, Accountant/Auditor

Peter Sultan, Attorney/Advisor

Opening Remarks:

Petitioner (John M. Herrmann, Kelley Drye & Warren LLP)

Respondents (Kristin H. Mowry, Mowry & Grimson, PLLC)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP

Washington, DC

on behalf of

The Aluminum Association Trade Enforcement Working Group and its individual members

Lee McCarter, Chief Executive Officer, JW Aluminum Company

Chester Roush, Chief Commercial Officer, JW Aluminum Company

Beatriz Landa, Vice President - Specialties, Novelis North America

James D'Amico, Senior Account Manager, Novelis North America

Murray Rudisill, Vice President - Operations, Reynolds Consumer Products

Charles Johnson, Vice President - Policy, The Aluminum Association

Holly Hart, Legislative Director and Assistant to the President, United Steel, Paper and Forestry, Rubber,

Manufacturing, Energy, Allied Industrial and Service Workers International Union

Brad Hudgens, Economist, Georgetown Economic Services, LLC

John M. Herrmann, Paul C. Rosenthal and Grace W. Kim - Of Counsel

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

Mowry & Grimson, PLLC

Washington, DC

on behalf of

Flexible Packaging Association

Brian Nelson, Senior Category Manager, Sonoco Products Company

Dhuanne Dodrill, President, Rollprint Packaging Products, Inc.

Michael Higgins, Chief Operating Officer, Amgraph Packaging, Inc.

Donald Dewar, Corporate Purchasing Manager, American Packaging Corporation

Phil Brinkheide, Chief Financial Officer, American Packaging Corporation

Todd Lutterbein, President, Manakin Industries

Kristin H. Mowry - Of Counsel

Akerman LLP
Washington, DC
on behalf of
Oracle and LLFLEX
Jim Squatrito, CEO, Oracle and LLFLEX
Felicia Leborgne Nowels - Of Counsel

Mayer Brown
Washington, DC
on behalf of
Xiashun Holdings Limited and its affiliates
Daching Enterprises Limited
Xiamen Xiashun Aluminum Foil Co., Ltd.
Christina Chan, Executive Director, Xiashun Holdings Ltd.
Eric Lu, Vice President of Sales, Xiamen Xiashun Aluminum Foil Co., Ltd
Tim Rinkevich, Denton Quality Leader Tetra Pak
Jack Morrison (retired), Former CEO of Xiashun Holdings Ltd.
Matthew McConkey - Of Counsel

Baker & McKenzie LLP
Washington, DC
on behalf of
Bemis Company, Inc. ("Bemis")
Steve Casey, Senior Director, Procurement, Bemis
Gary Michalkiewicz, Global Category Manager - Barrier Products, Bemis
Kevin M. O'Brien and Christine M. Streatfeild - Of Counsel

Arnold & Porter Kaye Scholer
Washington, DC
on behalf of
Trinidad Benham Corporation
Donna Walters, Aluminum Risk Manager, Trinidad Benham Corporation
Lynn M. Fischer Fox - Of Counsel

Crowell & Moring, LLP
Washington, DC
on behalf of
Valeo, Inc.
Valeo Engine Cooling, Inc.
Valeo Climate Control Corporation
Rogelio Garcia, Site Purchasing Manager, Valeo Thermal Systems North America
Albert Wang, North America Sales Director, Yinbang Clad Materials Co., Ltd.
Daniel Cannistra and Benjamin Caryl - Of Counsel

Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP
Washington, DC
on behalf of
Commodity Foil & Paper, Inc.
Sean J. Gallagher, CEO, Commodity Foil
Francis J. Sailer, Joseph M. Spraragen and Kavita Mohan - Of Counsel

Rebuttal/Closing Remarks:
Petitioner (Paul C. Rosenthal, Kelley Dry & Warren LLP)
Respondents (Kristin H. Mowry, Mowry & Grimson, PLLC)

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P R O C E E D I N G S

(9:34 a.m.)

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

MR. ANDERSON: Good morning. Welcome to the U.S. International Trade Commission. This conference is in connection with the preliminary phase anti-dumping and countervailing duty investigation preliminary phase investigations number 701-TA-570 and 731-TA-1346 concerning aluminum foil from China. My name is Michael Anderson. I'm the director of Office of Investigations. I'll be presiding at this conference.

Among the staff here present at the table on my right are our investigator Justin Enck, and to my left is our attorney adviser Peter Sultan, and or economist Aimee Larson, and our accountant auditor Jennifer Brinckhaus, and our industry analyst Daniel Matthews. I understand that parties are aware of their time allocations. And I would remind speakers not to refer to any remarks that are business proprietary and to speak directly in the microphone.

We also ask that you state your name before you respond for the benefit of the court reporter. Any questions regarding the time allocations should be addressed with the Secretary. Are there any questions?

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Yes, Mr. Chairman. With your leave, we will add Todd Lutterbein, president of Manakin Industries to page 2 of the witness list on behalf of those in opposition to the imposition of the anti-dumping and countervailing duty orders.

MR. ANDERSON: Right.

Also, I would remind everyone that we do have a camera crew in the room. If you reference any of your confidential information, please make sure that it's properly secured. There are no other preliminary matters.

MR. ANDERSON: Okay, thank you. Very well, Mr. Secretary. Let's proceed with the conference.

MR. BISHOP: Opening remarks on behalf of petitioner will be given by John Herrmann of Kelley Drye & Warren.

MR. ANDERSON: Good morning.

OPENING REMARKS OF JOHN M. HERRMANN

MR. HERRMANN: Good morning, Mr. Anderson. Good morning, Mr. Anderson and members of the Commission staff. I am John Herrmann of Kelley Drye & Warren appearing this morning on behalf of the Aluminum Association Trade Enforcement Working Group and its individual members in this investigation of certain aluminum foil from China.

This marks the first case the Commission will consider on aluminum foil and represents the first case in its nearly 85 year history that the Aluminum Association has filed on behalf of its member companies.

The filing of this case reflects the dire condition of the domestic industry and the urgent need for relief from the large and increasing volumes of low priced unfairly traded imports of aluminum foil from China.

Subject imports have injured the domestic producers and the thousands of workers supported by the industry for a decade and the injury continues today. Low priced imports from China are responsible for decisions by Reynolds Consumer Products and Novelis Corporation to close entire production facilities. In addition, subject imports were responsible for JD Aluminum's decision to reduce significantly its capacity to produce aluminum foil in 2013.

Many other U.S. producers have idled production equipment with facilities that continue to operate. And just last August, imports of low priced aluminum foil from China were responsible for the closure of Alpha Aluminum.

These closures have resulted in the removal of significant foil production capacity from the market and job losses for U.S. workers. Over the past decade, the volume of aluminum foil imports from China has surged, increasing from less than a quarter of total U.S. imports in 2007 to

more than 70 percent of total imports in 2016.

During the period of investigation, subject imports spiked from 219 pounds to more than 300 million pounds, an increase of nearly 40 percent. This surge has coincided with significant increases in the U.S. market share held by subject imports. Indeed, subject imports have grown from virtually no presence in the U.S. market more than a decade ago to more than 20 percent of the market today.

While apparent consumption of aluminum foil has increased by less than 2 percent over the period of investigation, the volume of Chinese imports has increased by nearly 40 percent.

The market share captured by increased imports from China has come directly at the expense of U.S. producers, as well as nonsubject imports. Despite growing demand for aluminum foil, the domestic industry's production capacity and capacity utilization have actually declined.

The increased market penetration by the Chinese imports has been accomplished on the basis of a single factor, price. I am sure you will hear today the usual excuses from respondents as to why subject imports have increased allegedly based on quality or other factors unrelated to price.

Like other flat rolled metal products, aluminum

foil is generally interchangeable, whether produced in China or the United States. So that price drives purchasing decisions. The prices at which aluminum foil from China has been sold in the United States has significantly undercut domestic producer prices, forcing them to reduce prices in order to retain business. In fact, the domestic producers report that they must satisfy their customer's demands to purchase aluminum foil at the China price.

The impact of selling lower volumes of aluminum foil at lower prices on domestic producer's financial condition has been predictable. The domestic industry, already vulnerable from the large volumes of low priced Chinese imports in the years preceding the POI suffered significant declines in gross profits, operating income, and operating income to sales ratio.

The subject import's negative effects also hit the industry's workers with the number of workers, hours worked, and wages paid all declining over the POI. These facts collectively establish more than a reasonable indication of material injury caused by subject imports.

Further, there is no prospect for relief in sight. Substantial excess capacity in China to produce aluminum foil, as well as a slowing economy there and third country barriers to imports of Chinese aluminum foil in the EU and Turkey and potentially in India all encouraged

Chinese producers to export their oversupply to the United States.

Absent import relief, unfairly traded imports will continue to expand at the expense of domestic producers and the thousands of workers supported by the industry. To prevent further injury, we urge the Commission to reach an affirmative preliminary determination. Thank you.

SECRETARY BISHOP: Opening remarks on behalf of respondents will be given by Kristin H. Mowry of Mowry & Grimson.

OPENING REMARKS OF KRISTIN H. MOWRY

MS. MOWRY: Thank you and good morning. I think it is. I can't get too much closer. No, yes? Okay. Sorry about that. Good morning. Thank you very much to the Commission staff and to the Secretary. I'm Kristin Mowry of Mowry & Grimson, speaking on behalf of the respondents' panel. Unlike most respondent panels, especially at the preliminary phase, ours is overwhelmingly made up of end users, American businesses supporting American jobs.

You will be hearing from representatives of a variety of end users with years of experience in the industry, who are intimately familiar with the production facilities of both domestic and Chinese aluminum foil producers.

The Commission is called upon at this phase to

determine whether there is a reasonable indication that Chinese imports are causing injury to the domestic industry. What you will hear over and over again from our panel of experts is that any injury the domestic industry may be suffering stems from its own neglect.

These companies have not made significant investment in machinery in more than 40 years. This neglect has led to the domestic industry's failure to fulfill the quantity demands, quality standards, and timely delivery needs of their customers. These deficiencies, and not Chinese aluminum foil, are the reason for any problems the domestic industry may be experiencing.

You are also going to hear two distinct separate like product arguments today. The U.S. flexible packaging industry will educate you on the uses of ultra-thin gauge foil less than triple aught three and demonstrate that it is a separate like product.

The auto industry will inform you on the thin stock market. Once the Commission examines the statutory like product factors, it will agree that there are separate like products. And it should find no injury in these sectors.

There is no causal connection between the pricing or volume of imports from China and the condition of the domestic industry generally. The main reason that

domestic flexible packaging companies use imports is that the Chinese aluminum foil is consistently and measurably superior in quality. Even in the middle segment of the market where the domestic industry maintains production capacity, you will hear about the consistent quality deficits of the domestic product. The quality deficiencies in all gauge ranges is a product of chronic underinvestment and distortions in the price of aluminum ingots in the United States, not import competition.

You will hear a common thread or corporate consolidation and resistance to capital investment among the U.S. producers. In many cases, the newest significant capital investment in U.S. production facilities was made in the 1970s. That means that the domestic industry is dealing with technology that is almost 50 years old. In this respect, the quality issues that the U.S. industry has experienced as a product of business decisions made long before Chinese producers were a significant presence in the U.S. market. By contrast, the Chinese mills are operating with state-of-the art-technology.

In the ultra-thin market, U.S. production does not exist in quantities sufficient to meet demand. While petitioners may argue that they would like to service this market, we will provide testimony demonstrating that they have repeatedly declined to do so and utterly failed to make

the investments to move in that direction. Even where there are both Chinese imports and domestic products occupying the same commercial space, poor quality and delivery failures are the cause of a shift away from domestic sourcing.

Imposing duties on aluminum foil from China will not save the domestic foil industry. It cannot, because what is coming in from China is large -- in large part not what the U.S. industry produces. The quality's not sufficient to meet the end needs of end users.

Duties will not have the desired effect. Instead, duties on aluminum foil would cause the U.S. flexible packaging industry as well as other industries consuming imported foil to shift their chain -- supply chains to third countries. The resulting supply chain disruption will also make the petitioner's own customers vulnerable to import competition of finished goods.

The Commission is a data driven agency. Today, we will be introducing you to the market segments to give you the context to understand the hard data on the record. And we are confident that you will find no injury. Thank you.

MR. BISHOP: Would the panel in support of the imposition of the anti-dumping and countervailing duty orders please come forward and be seated. Mr. Chairman, all witnesses on this panel have been sworn in.

MR. ANDERSON: Good morning, Mr. Herrmann and to our panelists. Thank you for being here today. And I appreciate people's patience with the seating accommodations. We have a lot going on here at the Commission. In the main hearing room, there's a vote and some other activities today. So it's a little cozy in here this morning. Please proceed when you're ready.

MR. HERRMANN: Thank you very much, Mr. Anderson. We appreciate that and appreciate the -- you and your colleagues' time with us this morning. Our first witness will be Charles Johnson, the vice president of policy of the Aluminum Association.

STATEMENT OF CHARLES JOHNSON

MR. JOHNSON: Good morning and thank you for the opportunity to testify today. Good morning and thank you for the opportunity to testify. My name is Charles Johnson. I'm the vice president of policy for the Aluminum Association. We represent primary producers of aluminum, aluminum recyclers and producers of fabricated products, as well as industry suppliers. The aluminum industry directly employs 161,000 workers and indirectly employs an additional 550,000 workers. Our members operate approximately 170 plants in the United States, representing 80 percent of North American production of all forms of aluminum. We are the voice for the plants and the people employed in the

North American industry.

I am speaking today on behalf of all of our membership in support of the unfair trade cases filed on behalf of the Aluminum Association Trade Enforcement Working Group seeking a remedy against unfairly traded imports of aluminum foil from China. The U.S. aluminum foil industry is an important contributor to our nation's economy, accounting directly and indirectly for 20,000 American jobs and $6.8 billion in economic activity.

The increased volumes of aluminum foil imports for from China have devastated the domestic industry both during the three year period on which the Commission will focus its analysis, as well as before that time. These increased import volumes have led to significantly increased market share held by aluminum foil from China at the expense of the domestic industry. The low prices and increased market share of the Chinese aluminum foil imports have been harming the sales and profitability of the U.S. industry.

In its 84 year history, the Aluminum Association has never sought trade enforcement relief on behalf of our members for any segment of the aluminum value chain. But when you consider the fact that China has produced more aluminum in the last 10 years than the U.S. industry has produced in 120 year history, this petition is not only timely, it is urgent. Our petition for relief seeks to

ensure that the aluminum foil industry can compete fairly in the U.S. market. Other witnesses today will provide the details of the impact of Chinese foil on U.S. producers. These witnesses are our members. And I am here today to support their efforts.

We will work with them and with the U.S. government to provide further support as this effort progresses and we thank the Commission for its attention to this urgent issue. On behalf of our members, we stand ready to work with you.

MR. HERRMANN: Thank you, Charles. Our next witness will be Murray Rudisill of Reynolds Consumer Products.

STATEMENT OF MURRAY RUDISILL

MR. RUDSILL: Good morning. Volume okay? All right, good morning, Mr. Anderson and members of the Commission staff. My name is Murray Rudisill. I'm the vice president of operations with Reynolds Consumer Products, where I've been employed for more than 29 years.

Prior to my current position, I was employed as the director of procurement including metals. And before that as the plant manager of our company's Hot springs, Arkansas aluminum casting and rolling facility.

The product targeted by our trade case is aluminum foil imports from China. Most people think of

aluminum foil as a boxed product you have in your kitchen. Our case, however, targets imports of jumbo rolls of aluminum foil that are used to produce not only the boxed household foil, but a variety of other products, depending on the gauge and other characteristics of the foil.

Let me describe those characteristics and uses as well as the production processes -- the production process for you more specifically. Aluminum foil is manufactured in a wide array of alloy types, thicknesses, or gauges, widths, tempers, and surface finishes. These different physical characteristics allow aluminum foil to be used in a wide range of industrial and consumer applications. These include semi-rigid containers and packaging, such as pie pans, food, and candy wrappers, and household foil, consumer durables, such as thin stock used in air conditioners and heat exchangers like automotive radiators, and as thermal insulation in building and construction and transportation applications.

Aluminum foil is produced around the world, including in the United States and Canada using the same basic manufacturing processes. To begin the process, aluminum and a small amount of alloying elements are melted. In the United States, the production process utilizes significant quantities of recycled aluminum scrap that are supplemented by primary aluminum as necessary.

Our understanding is that the Chinese producers use almost exclusively primary aluminum in their melts. The aluminum metal is then cast either as a sheet gauge product that's commonly referred to as aluminum foil stock or re-roll, or into an ingot. The production process that involves casting molten metal into a sheet gauge product is known as continuous casting, while the process that involves the casting of an ingot is known as the direct chill casting process. Many producers rely on the continuous casting process, which is a more efficient production process, because it does not involve reheating an ingot and subjecting it to significant reduction in order to achieve a sheet gauge in advance of rolling to a full gauge.

Reynolds utilizes a continuous casting process to produce aluminum foil stock at our facility in Hot Springs, Arkansas. Irrespective of whether the continuous casting or direct shield casting process is used, the cast aluminum is subjected to successive cold rolling passes to reduce it to a full gauge. In the case of -- in this case, a thickness of less than .2 millimeters or 00787 inches. Because the cold rolling process makes the aluminum harder, it is necessary to anneal or heat treat the foil in order to soften the metal. The annealing process involves heating the aluminum foil to a specific temperature, and then allowing it to cool. Aluminum foil may be subjected to an

annealing process either between cold rolling passes or once the final gauge is achieved.

At this point, the aluminum foil coil is ready for any surface treatments or finishing operations. The standard mill finish involves a bright surface on one side of the foil and a mat surface on the other side of the foil. These finishes are achieved by cold rolling two coils at the same time. With the foil to foil side producing a matte finish and the outer surfaces that come in contact with the rolls, obtaining a bright finish.

Other surface treatments involve the use of specific roll patterns or separate mechanical finishing units. Finishing operations may include trimming the edge of a coil or slitting the coil to produce narrower widths. The finished rolls, which can weigh up to 7000 pounds, are then inspected, packed, and shipped to customers. In some instances, the foil is coated, painted, or printed prior to shipment to the end user.

Many domestic producers manufacture aluminum foil across a range of different gauges that are used in different applications. Reynolds' production of aluminum foil is typically in the gauge range of 0005 inches to 001 inches, a medium gauge range for the product.

Our aluminum foil is produced at our facility in Louisville, Kentucky. Our current operations and product

mix, however, are vastly different than they were several years ago.

For many years, Reynolds produced foil at a facility in Richmond, Virginia. That facility is no longer in operation and we were forced to shut it down due to large volumes of low priced imports from China. In 2007, we shut down a portion of the Richmond operations dedicated to producing thin gauge aluminum foil, resulting in the elimination of 60 million pounds of capacity. That thinner gauge file was used to produce cigarette liners, candy wrappers, cereal box liners, sandwich wraps, blister packs for pharmaceutical products, and meals ready to eat or MRE pouches. This closure also resulted in decisions by Reynolds to close downstream facilities owned by the company that performed processing operations on the foil resulting in additional job losses.

Unfortunately, China remained aggressive in sending additional volumes of aluminum foil into the U.S. market, leaving us with unacceptably low returns and forcing us to close the Richmond facility completely in 2009. This second closure resulted in the elimination of an additional 100 million pounds of aluminum foil capacity. In total, the closure of our Richmond operations resulted in a loss of 725 jobs.

While the number -- while a number of years have

passed since the closure of our Richmond facility, despite growth and demand, pricing in the market has continued -- has only grown worse. Chinese producers and exporters continue to ship increasing volumes of low priced aluminum foil to the United States, that create intense pricing pressures for Reynolds' products. These pricing pressures have reduced our revenues and profitability to the extent that our company's senior managers have been reluctant to pursue capital investments that would increase our capacity and further strengthen our company's competitiveness.

Indeed, while our company evaluated undertaking a major capital investment in 2014 for our Louisville facility, it would have resulted in new well-paying jobs, our company's leadership ultimately decided not to pursue the investment due to the substantial concerns about whether we could earn a sufficient rate of return for the investment.

Finally, I would like to address briefly the difficult decision made by our company to import aluminum foil from China. Reynolds would prefer to rely entirely on our own operations in Arkansas and Kentucky to produce all of the aluminum foil we sell. This would allow us -- this would allow our company to operate at a higher capacity utilization and run our facilities at an optimal efficiency in this capital intensive industry.

For a period of time after the closure of our Richmond facility, Reynolds purchased aluminum foil from other domestic producers. However, as low priced imports from China caused priced declines in the market, the U.S. producers from which we purchased determined they could no longer sell the products we were sourcing-- that we were sourcing profitably and ceased production. As a result, we were forced to source aluminum foil from China.

Competition with low priced products -- the low priced imports from China for business with certain accounts has necessitated our importing aluminum foil from China to try to maintain that business. Even in those limited instances where our company imports aluminum foil from China to maintain business with certain accounts, the pricing pressures are unrelenting.

Reynolds is firmly committed to continuing to produce aluminum foil in the United States. Our company, however, has lost substantial sales revenue as a result of the lower prices prevailing in the U.S. market due to Chinese imports. We cannot continue to offer aluminum foil at inadequate price levels. There's an urgent need for trade relief to return fair pricing to the U.S. market and to ensure that our company and our industry are able to earn a reasonable return that will allow us to make the capital investments that are necessary to ensure our long-term

competitiveness. Thank you.

MR. HERMANN: Thank you, Murray. Our next witness will be Beatriz Landa of Novelis North America.

STATEMENT OF BEATRIZ LANDA

MS. LANDA: Good morning Mr. Anderson and Members of the Commission Staff. I thank you for the opportunity to testify here today in this matter that is critical for our industry.

My name is Beatriz Landa and I am the Vice President of Specialties with Novelis North America. In this position which I assumed earlier this year, I am responsible for North American Sales and Marketing of aluminum foil manufactured by our company. Since joining Novelis in 2011 I have also served as a Director of Strategy and Business Development for North America and as a senior manager for Corporate Strategy.

Joining me this morning is Jim D'Amico who is a Senior Account Manager with Novelis North America who has more than 24 years of experience in the production and sale of aluminum foil and he will be available to answer your questions.

Novelis North America is a part of Novelis, Inc. one of the world's leading producer of aluminum rolled products. Novelis North America is headquartered in Atlanta, Georgia. We produce aluminum foil at facilities in

Terre Haute, Indiana and in Fairmont West Virginia.

MR. BISHOP: Ms. Landa, could you please pull your mic a little bit closer?

MS. LANDA: Sure.

MR. BISHOP: Thank you.

MS. LANDA: Is this better? Demand for aluminum foil in the United States has grown at a moderate, steady rate in recent years. The increases in demand however have been far exceeded by huge increases in the supply of Chinese Products in the U.S. Market. Because of its large size and openness, the U.S. Market has been an attractive outlet for the excess Chinese production resulting from irrational capacity expansions that far exceed our domestic demand in China.

One of my colleagues from Novelis testified before the Commission 332 Investigation on Aluminum. In his testimony, he warned of the disruptive affect of unfairly traded imports on U.S. Producers of semi-fabricated products such as aluminum foil. Novelis has experienced firsthand the disruptive effects of imports of large volumes of low-priced imports of aluminum foil from China.

Indeed, Novelis aluminum foil operations today are vastly different and significantly diminished relative to a decade ago. In fact, Novelis has lost more than 100 million pounds of foil production to Chinese Producers in

the past ten years as well as more than 120 jobs at our U.S. Operations alone. The large increase in the volumes of low-priced Chinese Product entering the United States has devastated pricing of aluminum foil in the U.S. Market.

Our company was first confronted by an initial surge in imports in the aluminum foil from China in 2006 and 2007 that decimated pricing. With low prevailing prices and no prospect for improvements, our company made the difficult decision to close entirely its production facility in Louisville, Kentucky. While we made concerted efforts to sell this facility and its assets we were unable to identify a buyer due to the poor market conditions resulting from the inroads by imports from China.

Today, our Louisville facility is abandoned and unused. Regrettably this was not the only significant negative effect of Chinese Imports on Novelis aluminum foil operations. In 2014 we sold facilities in both the United States and Canada after reaching the conclusion that we could not operate them at a reasonable rate of return. The decision to sell these facilities was due to the continued increases in the volume of extremely low-priced aluminum foil imports from China.

In addition, Novelis was forced to suspend production on and lay off workers responsible for operating three aluminum foil production lines at our facility in

Terre Haute, Indiana. The most recent closure occurred when a production line was moth-balled in December of 2014, well before the end of its useful life, due to the lost market share and the inability to earn a reasonable return. This production line is a state-of-the-art mill that is just as efficient as any mill in China and was put in production in the 2000's.

The decision by our company to downsize its operations have been particularly painful because we pride ourselves on being able to compete with any producer in the world. Novelis is an extremely efficient producer with cutting edge production machinery. We have historically been one of the most cost competitive producers of flat-rolled aluminum products in the world. We cannot compete, however, against products that are subsidized by the Chinese Government and are sold at unfairly low prices.

Our company has invested hundreds of millions of dollars in recent years to expand its capability and capacity to produce auto body sheets. In approving these investments, our company's leadership has demonstrated its commitment to pursuing significant investments in our company's capital equipment so long as there is an expectation of a reasonable return of investment.

The prolonged, poor conditions in the U.S. aluminum foil market are not sufficient to justify any

capital investments to strengthen the competitiveness of Novelis' aluminum foil operations. As a result our company has made nothing more than the minimal investments necessary to perform basic maintenance on our foil related assets. We fear that our inability to make any investments to strengthen and improve our foil-producing equipment will put our future competiveness at risk.

Absent the issuance of a trade remedy, it is impossible to envision the circumstances that would allow for such investments. Further, absent this remedy it appears that the already substantial volumes of unfairly traded imports from China will only continue to grow. Chinese aluminum foil is subject to antidumping orders in the EU and Turkey and could soon be subject to an antidumping order in India. In the face of import barriers in major markets around the globe, the U.S. Market remains particularly attractive to Chinese Producers as an outlet for their excess production, making Chinese Imports a significant threat of further injury to our industry.

The significant and increasing over-capacity in the Chinese aluminum foil industry coupled with China's slowing economy provide further reason for us to anticipate additional increases in imports from China absent relief.

In summary, if unfairly traded imports from China continue to flood the U.S. Market at the low price levels we

have seen in recent years, our company will continue to lose sales, market share and jobs to Subject Imports. We recognize that there is a place for imports in the market but they must be fairly traded. We are confident that if import relief is granted to our industry Novelis has the means and the determination to serve this market and again achieve a fair return on our investments. Thank you.

MR. HERMANN: Thank you. Our next witnesses will be Lee McCarter and Chester Roush with JW Aluminum Company.

MR. MCCARTER: Good morning. My name is Lee McCarter and I am the Chief Executive Officer at JW Aluminum. I have been an officer of JW Aluminum since April of 2009 when I was hired as the Chief Financial Officer and assumed my current position in December of 2009. Joining me this morning is Chester Roush, JW's Chief Commercial Officer. Mr. Roush has been employed by our company since June of 2009 and has more than 30 years of experience in the production and sale of flat-rolled aluminum products.

Mr. Roush and I will both be testifying this morning and now I would like to ask him to speak for a few minutes about our company's operations and the devastating effects of the unfairly-traded imports of aluminum foil from China.

STATEMENT OF CHESTER ROUSH

MR. ROUSH: Good morning. I am Chester Roush.

When Lee and I joined JW Aluminum, our company was confronting numerous challenges, perhaps most significantly trying to successfully navigate the aftermath of the global financial crisis. Despite an improvement in economic conditions since that time, our company continues to be hurt by extremely low priced aluminum foil imports from China that were already substantial in 2009 and then have continued to increase massively to the detriment of our company and our industry.

JW Aluminum products high quality aluminum foil at our facilities in Goose Creek, South Carolina -- our company headquarters, St. Louis. Missouri, Williamsport, Pennsylvania and Russellville, Arkansas. At JW Aluminum we produce a wide variety of aluminum foil products down to the gauge of 0.000275 that meet all the applicable industry specifications.

We have also produced full thickness of 0.00025 inches as recently as 2014 but have not produced that gauge during the last two years due to the low prices that prevail in the market because of Chinese Imports. We would like the opportunity to produce larger volumes of these thinner gauge products should reasonable pricing return to the market.

The products we are producing already however encompass a wide range of uses. Applications of our product range from flexible packaging for thinner gauge products to

containers and thin stock for our thicker gauge products. The negative effects of large volumes of low-priced aluminum foil from China on our operations have been substantial.

In 2013, our company made the difficult decision to reduce the capacity of our mills in St. Louis and Williamsport by approximately 20 percent. This was achieved by a combination of idling certain equipment at each mill as well as reducing our workforce and the number of shifts worked by those employees that remained on our payroll.

While you won't see these reductions in our response to the Commission in the U.S. Producers' questionnaire because they occurred during the year prior to the Period of Investigation, they were very significant and continue to affect our company's operations today. The large volumes of low priced aluminum foil imports from China continue to have a devastating impact on our company's operations today.

The combination of reductions in our production and sales as well as the lower prices obtained for products we were able to sell have resulted in unacceptable low earnings and profitability. Although JW Aluminum has suffered decimating effects from the unfair priced imports, other domestic producers have been even less fortunate. Oracle Packaging sold its aluminum foil production operation to Alpha Aluminum in 2015 and Alpha Aluminum was forced to

cease production altogether by 2016.

Our understanding is that other U.S. Producers such as Granges, Alpha Aluminum and Republic Foil have significantly reduced their offerings and production of aluminum foil products or exited the business entirely. The common factor that accounts for all of these decisions is the presence in the U.S. Market of large volumes of extremely low priced imports from China.

Indeed we have submitted an extensive list of lost sales and lost revenue that identifies the large number of customer accounts where a company has been injured by low priced imports from China. The submitted information shows that Chinese Imports undersell products made by our company at substantial margins. I will now turn it over to Mr. McCarter.

STATEMENT OF LEE MCCARTER

MR. MCCARTER: Thanks. A return of reasonable pricing to this market will allow the U.S. Producers to bring moth-balled capacity such as in our facilities in St. Louis and Williamsport back online. Further, if U.S. Producers have reason to believe that fair pricing will continue in the market, we will have the confidence to make additional investments in our operations to improve and expand our aluminum foil production.

Over the last year I have personally made

numerous proposals to either solicit investment in JW or for specific capital investments to expand and upgrade our capacity and capabilities. In virtually all cases the ongoing damage caused by Chinese Imports has negatively impacted those decisions and our ability to create new jobs. Currently, we are able to justify only minimal investments needed to complete basis maintenance on our equipment and facilities.

Nevertheless, since the filing of these cases we have been working actively with our Board of Directors on proposals to make significant capital investments to strengthen our operations. Absent a favorable outcome in this case however there is no prospect of earning sufficient returns on our aluminum foil products to justify proceeding with the investments.

The prices at which Chinese foil has been sold and offered for sale in the United States are persistently lower than the prices at which we need to sell our foil to earn a reasonable rate of return. Because aluminum foil is typically sold on the basis of annual contracts and to a lesser extent on contracts lasting more than a year, the pricing pressures created by the large volumes of Chinese Imports have a long term effect on our business.

Contracts for the sale of aluminum foil involve two pricing elements, a price for the aluminum that is

consumes in the manufacturing of foil as well as the fabrication or conversion price. Because prices for aluminum scrap and primary aluminum are volatile, Domestic Producers pass those costs through to the customers. As a result, the conversion or the fabrication price must cover our conversion and overhead cost and we hope, leave us with a profit.

Given that metal costs are a pass-through, demands by our customers that we sell product to them at the China price has forced us to either lower our fabrication price or lose the business. In many cases, we've lowered our fabrication prices and in some instances we have simply walked away from the business and given up the volume because the price points identified by our customers were unacceptably low.

Neither option is a viable alternative to sustain our business. Even when our company has contracts with customers the contracts do not insulate us from the pricing pressures created by low price Chinese Imports. If our customers receive a better offer for Chinese Imports they can and have purchased Chinese Products.

Our company has demonstrated a commitment to produce aluminum foil in the United States. However the current situation confronting our company and our industry is not sustainable. We cannot afford to sell at such low

prices and we cannot afford to operate at low capacity utilization levels. If relief is not granted, there is no doubt our financial performance and our ability to invest in our assets will continue to erode and we will further lose sales and market share to Subject Imports from China.

Our industry and its employees need relief immediately. We urge the Commission to reach an affirmative determination in this case. Thank you for your time.

MR. HERRMANN: Thank you. Our next witness is Holly Hart with United Steel Workers Union.

STATEMENT OF HOLLY HART

MS. HART: Good morning. My name is Holly Hart and I'm the Legislative Director and assistant to the President of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. Otherwise known as the Steelworkers or USW.

MR. BISHOP: Holly, can you pull your mic a little closer, please?

MS. HART: Sure. We're the largest industrial union in North America with approximately 850,000 active members and another 340,000 retired members. We are proud to represent the men and women in nearly every manufacturing sector including the aluminum industry. As you know, our union has been steadfast in its opposition to the practices

of foreign governments and foreign companies that seek to gain an unfair advantage over Domestic Industries by violating U.S. and International Trade Rules.

These unfair trading practices have had a devastating effect on American manufacturers and their workers. Earlier this year, I participated in the Commission's hearing concerning the Sunset Reviews of the Antidumping and countervailing Duty Orders on Aluminum Extrusions from China and the Commission recently voted unanimously to continue those orders. Today, I appear before you on behalf of our worker members and retirees dependent on the industry to discuss unfair trading practices affecting a different portion of the aluminum industry, this time involving aluminum foil.

The USW represents over 800 workers in the aluminum foil industry including individuals employed at and operated by Granges Americas Incorporated in Salisbury, North Carolina; Novelis Corporation in Fairmont, West Virginia and Terre Haute, Indiana and Reynolds consumer products in Louisville, Kentucky and Hot Springs, Arkansas. For our members, it is essential that the Commission provide trade relief from unfairly traded imports of aluminum foil from China.

The extent of unfair competition from imports of aluminum foil over the past three years has been intense but

as you have heard from the industry witnesses, it only tells part of the story. The persistent injury on the U.S. Industry by these imports of aluminum foil from China has been overwhelming but we have no choice but to keep fighting product by product against our foreign competitors such as those in China that continue to ship large volumes of dumped and subsidized products into the U.S. Market.

Over the past there years there has been a significant increase of dumped and subsidized imports from China that has threatened the economic livelihood of hundreds of American Workers. As members of the industry have just testified, production curtailments and layoffs occurred during the Period of Investigation and will almost certainly continue if relief is not provided. Indeed, the injury caused by the increasing volumes of aluminum foil from China has hurt our members and the U.S. Producers for much longer than the Commission's three year period of investigation.

The onslaught of unfairly traded imports from China has also caused our members to suffer reduced working hours and shrinking paychecks during the Period of Investigation as their employers were forced to cut back production. Those numbers represent actual jobs for hardworking Americans and less pay for them to take home to their families. Underneath the data you collect for those

trade cases lies the real injury being caused by dumped and subsidized imports. Harm to our workers, retirees, their families and entire communities that depend and thrive on the success of the domestic aluminum foil industry.

The Steel Workers and its members have worked closely with the Domestic Producers to ensure the viability of the aluminum foil industry. We will continue to work hard to save our members' jobs and to protect the benefits of our retirees but doing that in the face of unfairly traded imports has been increasingly difficult. Unless relief is granted, there is no doubt that injury will continue and intensity.

Production cutbacks, which we have seen over the past three years and which will likely continue unless orders are in place mean further reduced working hours, threatened livelihoods, family budgets and job insecurity. We take pride in our partnership with the Domestic Producers because when U.S. Producers do well our members do well. So do their families. Unfortunately when business suffers our members and their families are the first to suffer the consequences through layoffs and reduced hours.

There is no question that American workers and the products we manufacture can compete with imports from any country in the world as long as the competition is fair. But we need help in stopping the injury being caused by the

massive overcapacity, government subsidization and unfair pricing coming from China. so on behalf of our Union's members who make aluminum foil, the retirees that depend on the health of this industry and all of the communities they support, I urge the Commission to find that these unfair imports from China are injuring the U.S. Aluminum Foil Industry and its workers. Thank you.

STATEMENT OF JOHN M. HERRMANN

MR. HERRMANN: Thank you, Ms. Hart.

For the record, I am John Herrmann and I will conclude our presentation today by addressing the key statutory issues the Commission must examine in reaching its decision.

First, the domestic like-product. The like-product in this case should be defined coextensively with the scope of the case, and should consist of aluminum foil in reels weighing more than 25 pounds.

The scope definition includes certain aluminum foil with a thickness of 0.2 millimeters or less, and we encourage the Commission to define the domestic like-product to include the continuum of aluminum foil in reels with thicknesses that range from thin gauges to relatively thicker products.

The basic nature of the product and market warrant a single like-product definition under the six

factors the Commission traditionally analyzes. We will address those factors further in our brief.

The next slide includes a picture showing the product that is within the scope of this case, a heavy reel or jumbo roll or coil, essentially a coil of aluminum foil. Jumbo rolls of aluminum foil include a continuum of products that vary by gauge or thickness, width, alloy, tempers, and other physical characteristics. Jumbo rolls of aluminum foil are consumed in producing a wide array of downstream products.

I would now like to focus on the three statutory factors of volume, price, and impact that support a finding of material injury by subject imports.

(Pause.)

I think there's a little technical issue here. Let's start with volume. The volume of subject imports from China is significant, having increased by almost 40 percent over the 2014 to 2016 period. The growth in imports during the POI is reflective of a long-term growth trend that has occurred over the past decade.

As you see in slide 6, the volume of subject imports from China has grown by almost 400 percent since 2007. Imports from China have also captured a significant and increasing share of total U.S. imports, rising from 22.7 percent of total imports in 2007 to 70.6 percent of total

imports in 2016.

The increased volume of aluminum foil imports from China far exceeds the growth of apparent U.S. consumption during the Period of Investigation. While demand did increase over the POI, the pace of the increase of Chinese imports was much faster.

The increase in subject imports was significant not only on an absolute basis, but also as a share of the U.S. market. The market share held by subject imports increased significantly and accounted for more than a 20 percent share of the U.S. market since 2015.

As imports from China penetrated the U.S. market, the domestic industry suffered a market share decline reflected on slide 10 that was equally significant, as you see in the chart.

Slide 11 presents apparent consumption and market share data for aluminum foil over the period from 2004 to 2016. While these data, which were compiled by the Aluminum Association, encompass more than the aluminum foil that is subject to this proceeding, they show the significant market share that Chinese imports have captured from U.S. producers since 2004.

Specifically, Chinese imports have increased from a zero percent market share in 2004 to a 22 percent market share in 2016, all at the expense of the domestic producers

and other imports.

Our witnesses testified that the critical factor driving purchasing decisions in the U.S. market is price. As they further stated, and as the lost sales and lost revenue examples corroborate, imports from China have consistently undercut U.S. prices during the past three years, leading to the market share gains China has achieved.

Indeed, the responses to the Commission's lost-sales and lost-revenue surveys that have been released to date under protective order show that 100 percent of the companies that reported switching to imports from China, rather than from a domestic producer, indicated that the Chinese product was lower priced.

The result of the significant underselling by China was severe price depression. Domestic producer prices, as reflected in slide 13, for all but one of the 7 pricing products fell precipitously over the period. As you have heard our witnesses testify, customers have demanded that domestic producers sell aluminum foil products to them at the China price, and have forced them to either lower their prices or lose the business.

The Commission's record indicates that the domestic industry has had to do both. As indicated in slide 13, U.S. prices fell significantly due to low-priced imports from China.

As indicated in slide 14, not only were U.S. producers forced to lower their prices during the POI, but they also had to walk away from business and as a result lost substantial sales volumes. The quantity data for the pricing products demonstrate that the domestic producers' sale volumes of the vast majority of these products fell precipitously over the POI.

The impact of these increasing volumes of low-priced imports is predictable and injurious. The domestic industry experienced declines in all of its key trade financial variables. Production and shipments fell. Employees lost their jobs.

Further, as you heard Ms. Landa and Mr. Roush testify, capacity was reduced due to increasing imports from China. The large import volumes at prices that undercut and depressed U.S. prices also had a devastating effect on the domestic industry's financial performance.

Net sales values fell, as did net profits and operating profits, as well as the ratio of those profits to net sales. The causal nexus between subject imports and the injury that the U.S. industry has suffered is compelling. As indicated in slide 17, all of the market share that the domestic industry lost from 2014 to 2016 was due to imports from China.

No other factor explains this injury. As

reflected on slide 18, U.S. demand increased over the period that should have led to increased U.S. sales and stronger prices and profits. But the opposite happened.

As reflected on slide 19, nonsubject imports cannot be blamed for the domestic industry's injury as these imports declined during the Period of Investigation.

All of these facts provide more than a reasonable indication of material injury caused by dumped and subsidized imports from China. There is also a threat of injury by reason of these imports.

As you heard Ms. Landa testify, and as shown on slide 20, there has been a huge expansion in China's capacity to produce aluminum foil since 2010. This increase in capacity has led to a steady increase in aluminum foil production in China.

As you can see in slide 21, China's production of aluminum foil substantially exceeded home market consumption in every year during the Period of Investigation.

The disparity between China's aluminum foil capacity and consumption has caused and will continue to cause China to export this product. China retains massive idle capacity that could flood the U.S. market if allowed to do so. In fact, China has sufficient excess capacity to supply the entire U.S. market.

Even worse, as we will document in our

postconference brief, Chinese producers are continuing to add even more capacity that will only exacerbate this problem. China's massive excess capacity is likely to result in further increases in exports to the United States, given that the United States is China's largest export market as reflected in slide 23.

The final slide, slide 24, shows that aluminum foil producers in other significant markets have already been hurt by imports from China, and authorities in those countries have erected barriers to Chinese imports.

This includes the European Union which recently extended its antidumping order on imports of aluminum foil from China for an additional five years. Further, Indian authorities may soon issue an antidumping order on imports of aluminum foil from China. Such an order would almost certainly result in diminished shipments to China's second largest and very significant export market in India.

Absent a remedy in this case, the United States will continue to be the dumping ground for Chinese overcapacity causing further injury to our already battered industry.

That concludes our presentation this morning. Before turning to questions, I'd like to introduce my colleagues Paul Rosenthal and Grace Kim from Kelley Drye, as well as Brad Hudgens from Georgetown Economic Services.

Thank you for your attention. We'd be happy to answer your questions.

MR. ANDERSON: Thank you, Mr. Herrmann, and thank you for our witnesses and those who provided their testimony. Their information has been very helpful.

We'd like to proceed now with questions from staff, and we will start with our investigator, Mr. Justin Enck.

MR. ENCK: Good morning. Thank you for coming here to give your presentations and answer our questions.

My first question is with the scope, to get this out of the way. Are there any nonsubject--or what share of the official stats are nonsubject? In other words, under 25 pound reels and coated on one side?

MR. HERRMANN: Sure. Let me answer this. This is John Herrmann. Our understanding, and I think Mr. Rudisill perhaps can supplement this, but our understanding is that there are very, very small, insignificant volumes of aluminum foil coming into the United States in rolls weighing less than 25 pounds. So we don't think there is a significant volume of product there.

With respect to the backed product, that would be classified under HTS subheading 7607.20. We have not covered those products in the scope of our case. I haven't looked at the import statistics. We can certainly include

those in our post-conference brief. But my understanding is that the volumes there are not terribly significant, certainly compared to the volumes of the jumbo rolls that are imported into the United States.

MR. ENCK: Thank you. And do you think any subject products enter under the "Also may enter" HTS categories that you added to the scope?

MR. HERRMANN: We don't have any reason to believe that products are currently entering under those headings, which are essentially the sheet headings from 7606 that we have included in the scope language.

We have included that language in the scope definition, however, in large part due to some recent determinations issued by the European Union suggesting that Chinese foil was being shipped into Europe at gauges that were--that slightly exceeded the gauge range that's covered by the antidumping order in effect in the EU, and that's why we included those headings, simply as a matter of precaution.

MR. ENCK: Thank you. Is there a difference in operations that produce the thin gauge versus those that produce the thick gauge foil, the thins?

MR. ROSENTHAL: Paul Rosenthal. When you say "difference In operations," are you asking about the machinery, equipment, what are you referring to?

MR. ENCK: Can you make thin and the thicker gauge on the same machinery and equipment, the same facilities?

MR. RUDISILL: This is Murray Rudisill. Yes, my experience is that you can make the products either through continuous casting processes or DC casting processes within the subject products that we're talking about.

MR. ENCK: So you can make foil less than triple zero three inches thick, and make the thin evaporator components on the same equipment?

MR. ROUSH: Yes. It's just a matter of the number of passes you take on the rolling operations, the cold mills.

MR. ENCK: Can you use different alloys on the same machinery and equipment? Does it matter what the alloy is?

MR. RUDISILL: You can use different alloys on the same type of machinery. And for the most part, these alloys are interchangeable within the scope of the products that we're talking about here. These alloys are interchangeable for DC casting or CC casting. Sometimes they'll have a little bit of a different chemistry to achieve the same desired end process, but there are equivalent ways to produce products under each process.

MR. MCCARTER: This is Lee McCarter. I would just add on to that, as well, you know for capacity utilization

purposes and efficiency purposes, obviously the more you can make it a singular alloy the more efficient you can be in the production process.

So you can do multiple alloys across the same machinery. You can cast multiple alloys. It's just a matter of changing over time and lost down time associated with the changeovers.

MR. ENCK: What sort of quality control measures do you use for say thin gauge, for instance? One of the Respondents provided some information where they measured the meters per break in their product. Do you do anything like that?

MR. ROUSH: Yes. This is Chester Roush. Yes, we do at our facilities. You know, we go by all the Aluminum Association standards. So we're looking to at all times producing to the Aluminum Association standards as published by the Association, industry standards.

MR. ENCK: So there's a standard for meters per break?

MR. ROUSH: Yes, Yes, there are industry standards and they are published by the Aluminum Association.

MR. ENCK: Okay. Is it safe to assume that the thinner gauge is more difficult, or lower--more difficult to get the quality result?

MR. ROUSH: I wouldn't say to get the quality

results, but I'd say it's a little tougher to produce the lighter gauges versus the thicker gauges.

MR. ENCK: Okay.

MR. ROSENTHAL: Mr. Enck, I wanted--Paul Rosenthal--I just wanted to fast-forward to some of this because I don't think there's any question that the domestic industry can produce all the gauges and have produced many hundreds of millions of tons of thinner gauge product.

Where the Chinese have been so devastating is that they're offering this product which requires increased passes that you would think would be more costly to produce, but at lower prices. That's why they've been so effective at penetrating the market in this product.

MS. LANDA: Mr. Enck, just to add to that point. For the thinner gauges really we haven't seen--we get passed on quoting. I mean that's the level of uncompetitiveness that we see today.

So just to expand, per Paul's guidance here, so the reason we are passed on quoting is because the pricing of the Chinese imports at those thin gauges are so extremely low that we're just not even in the ballpark.

MR. ROUSH: This is Chester Roush. I think, you know, it's fair to say that it's easy to allocate that capacity too thick or thin, but to the point the price points are so low that it doesn't make economic sense for us

to produce those very thin gauges.

MR. ENCK: What sort of costs are we dealing with when it comes to converting your capacity to thick or thin? Is that something you can do pretty quickly?

MR. MCCARTER: This is Lee McCarter. Yes, we can.

MR. ENCK: Is there any seasonality to the industry? Do you, especially the thin products used in air conditioning, or is it pretty steady over quarter by quarter?

MR. MCCARTER: This is Lee McCarter again. Generally speaking, you know, our plants will run heavier, let's just say in the months of February through November. So more in line with some seasonal aspects of that, but those eight-week period of time in the wintertime allows us for the maintenance and repairs that are required to sustain the equipment.

So there is some seasonality, but--and it depends on end use, whether it be in for example in the container side as you think about the holiday periods of time, and pie pans, and turkey pans, and so forth, or the HVAC time of the year. But remember those HVAC units are built in advance of what you would think a hot season would be.

MS. LANDA: This is Beatriz Landa. Just to expand on that response, I think the seasonality with proper inventory management, there's no reasons we couldn't serve

that capacity. Thank you.

MR. D'AMICO: Mr. Enck, this is Jim D'Amico, Novelis. The seasonality is consistent year to year as well, so we have plenty of historical data that will allow us to develop plans to accommodate the demand, again because it's consistent year to year.

MR. ENCK: Are there any new technologies related to rolling foil?

MR. RUDISILL: This is Murray Rudisill. There's nothing in the way of innovative or new R&D type technologies, but there is the normal advancement of electronic capabilities, and the replacement of obsolescence of especially electronic components to the production equipment.

MR. ENCK: So you mentioned that China built capacity in 2010, or started to, or that's when we saw the imports from China increase. Did they not have excess capacity before 2010?

MR. ROSENTHAL; This is Paul Rosenthal, Mr. Enck. If you go back to the slides, that really was not the testimony. The testimony was that the Chinese really began to increase probably in 2004, and they had begun to increase their capacity dramatically well over a decade ago.

The problem has gone on and gotten more acute over time, but this process really began, and the Chinese

surge began from zero percent of market share to 22 percent over the course of over a decade.

MR. ENCK: So these are new facilities in China that are over the past decade that are now competing in the U.S.?

MR. ROSENTHAL: We're going to give you a lot--you have some information in the Petition, and you'll have a lot more in our post-conference brief. But you'll see that there's a great deal of data about the build-up of capacity in China over the last decade and a half. And what's frightening form a domestic industry point of view is that there doesn't seem to be any end in sight.

The capacity keeps coming on, and more and more plants keep getting built, and the Chinese market, Chinese economy cannot absorb that. So it's been a cumulative effect over the years, but it's getting worse not better.

MR. HERRMANN: This is John Herrmann, Mr. Enck. Just one additional point for you in the question you asked a moment ago about the significance of 2010. There was an antidumping order on Chinese foil that was published by the EU in 2009.

We think that certainly foreclosed a large market to Chinese producers. The margins found by the European Commission ranged from 6 to 30 percent. And I think that that may have resulted in diversion to the U.S. market,

given its size and lack of any trade measures on Chinese foil.

MR. MCCARTER: This is Lee McCarter. I'd just like to reemphasize there's enough capacity there, or capacity about to come online to basically fulfill 100 percent of the needs of the U.S. market.

So that capacity is going to go find a home somewhere.

MR. ENCK: Alright, thank you. I'm going to pass it along to another member of staff.

MR. ANDERSON: Thank you, Mr. Enck. Now Mr. Sultan.

MR. SULTAN: Thank you. Let me start with a housekeeping matter.

Mr. Herrmann, our Secretary sent you a letter last Friday concerning bracketing in the Petition. Do you plan to respond to that? And if so, when?

MR. HERRMANN: Yes, we certainly do. I'm sorry, in the preparations for the conference this morning we have not been able to respond yet. I think, frankly, by the participation of several companies that are appearing before you today in the hearing, obviously it reflects their support for the Petition, and we will be responding to the Commission's letter very quickly.

MR. SULTAN: Thank you. I appreciate that. I

realize you've been busy and had other priorities. But let me just ask the individual company representatives, Mr. Rudisill, Ms. Landa, Mr. McCarter, is it correct that your testimony here indicates that your company supports the Petition? If you could please individually answer that question?

MR. RUDISILL: This is Murray Rudisill. And, yes, my company supports the Petition.

MR. SULTAN: Thank you.

MS. LANDA: This is Beatriz Landa from Novelis, and yes, my company supports the Petition.

MR. SULTAN: Thank you.

MR. MCCARTER: And Lee McCarter from JW, and we support the Petition.

MR. SULTAN: Thank you.

And then a question, I'm not sure if this is for Mr. Herrmann or for Mr. Johnson, but the Petition states that the members of the Aluminum Association Trade Enforcement Working Group, quote, "include," end quote, certain entities, or an entity. Now that's bracketed.

Could you tell me if there are any other members other than what's described in footnote one of the Petition? In other words, if a working group has any other members?

MR. HERRMANN: Sure. This is John Herrmann. I think we would prefer to respond to that in writing. We

will address it in response to the Commission's letter in advance of filing our post-conference brief.

MR. SULTAN: Thank you very much.

So let me move on to several questions about the product. The scope covers reels exceeding 25 pounds in weight. Are there rolls that weigh less than 25 pounds but that are heavier than what I think of as the ordinary household roll of aluminum foil?

MR. RUDISILL: So this is Murray Rudisill. There are food service rolls that are used in institutional applications that are as wide as 24 inches, and have significantly higher OD's than you would recognize in a household roll. And so some of them approach 25 pounds.

MR. SULTAN: But they are under 25 pounds and thus outside the scope?

MR. RUDISILL: Correct.

MR. SULTAN: Now a question about the definition of a domestic industry. We heard, I think it was from you, Mr. Rudisill, that your company has been importing subject merchandise from China.

I would be interested to know whether any other domestic producers--this is really a question for counsel--whether any other domestic producers would qualify as related parties, as that term is defined in the statute. In other words, whether they have the requisite corporate

relationship with exporters of aluminum foil in China, or whether they themselves import subject merchandise.

MR. HERRMANN: Yes, this is John Herrmann. We will certainly address that in our post-conference brief, but for purposes of the conference today I think I can fairly state that no domestic producer has significant imports that would justify their treatment as a related party. The imports are simply to supplement domestic production and account for a very small portion of the domestic producers' production of aluminum foil in the United States.

MR. SULTAN: Okay. But I think if they have imports, as a matter of statutory definition, they would be treated as a related party. The question would then be would it be appropriate to exclude them or not and you're saying, I think, that wouldn't be appropriate to exclude.

MR. HERRMANN: Correct. That's correct.

MR. SULTAN: Okay. But as I recall, in the petition you advocate a definition of the domestic industry as including all domestic producers; is that correct?

MR. HERRMANN: That's correct.

MR. SULTAN: In the testimony from Mr. Rudisill and also from Ms. Landa, we heard about plant closures and I just want to be sure that I understood this correctly.

Mr. Rudisill, you described the closure of a

plant in Richmond -- I guess Richmond, Virginia. Did that plant focus on making thinner gauge product?

MR. RUDISILL: Okay, so this Murray Rudisill.

That plant made both thin-gauged product and household-gauge product.

MR. SULTAN: Household-gauge product?

MR. RUDISILL: Household foil-gauge product.

MR. SULTAN: So household-gauge product would be -- okay, I think I understand.

And Ms. Landa, you described the closure of a plant in Kentucky, same question to you. Did that plant make only a thinner gauged product or what did it make?

MS. LANDA: I'm going to check with Jim, but that made household foil gauge. Correct?

MR. D'AMICO: This is Jim D'Amico.

It made thinner gauges and it had the capability to make household foil gauges as well.

MR. SULTAN: Okay. In producing aluminum foil are the same production processes, equipment, and employees used to make the thinner gauge foil as household gauge?

MS. LANDA: Yes.

MR. SULTAN: Okay, that's an unequivocal yes? Okay, right.

I got the impression this morning that Chinese imports have focused on thinner gauged products; is that

correct? If so, commercially, why do you think that is? I mean what was the incentive for Chinese producers and exporters to focus their attention in that part of the market?

MR. ROSENTHAL: Mr. Sultan, this is Paul Rosenthal.

I just want to summarize the testimony earlier, which was the Chinese began their entrance in the aluminum foil market by first going after the thinner gauges, but they are in competition at every gauge and every customer type. So it's not like the Chinese are only focusing on the thinner gauges. They're throughout the entire spectrum of foil products.

MR. HUDGENS: This is Brad Hudgens with Georgetown Economic Services.

So the information that we have received to date from the importer questionnaires shows significant growth among all gauges in imports from China during the period of investigation.

MR. SULTAN: Okay. But I guess I'd be interested in hearing from the company representatives what they commercial incentives were or what the dynamic was that lead Chinese producers to start out in the thinner gauge part of the market?

MR. RUDISILL: So this is Murray Rudisill.

The beginning of what I saw of the Chinese import presence was in the lighter gauges and the lighter gauges carry a higher value, finished value at a higher cost and that may be why that's where the Chinese started, but I don't know for sure. That is the characteristic of those thinner gauges where the imports began.

MR. SULTAN: So are the thinner gauges generally a more profitable product?

MR. RUDISILL: I'm sorry, more what?

MR. SULTAN: More generally, a more profitable product?

MR. RUDISILL: That I would defer to the colleague who makes them.

MR. MCCARTER: I want to back up for two seconds just so we understand -- it's Lee McCarter. I'm sorry.

Thinner just simply means more time through a mill, so more time to produce, right? You're running it through making it thinner, thinner or you have more kneeling cycles as it may be -- as may be the case; therefore, it's more time. You have more cost associated with it.

Given the excess capacity that's there, they certainly have more time because of excess capacity. They can run the equipment and they get a higher price for that since it's at the higher end of the spectrum. They're going to naturally charge more because you are -- it takes longer

to produce that. So targeting there is a natural fit for that newer capacity that's over in China. And then they've continued to expand through all gauges and participate in the marketplace here in North America.

MR. SULTAN: Thank you. I think that's all I have. Thank you very much for your informative answers.

MR. ANDERSON: Thank you, Mr. Sultan. And now Ms. Larson.

MS. LARSON: Good morning. I want to thank everyone this morning for their testimony. It's been very helpful.

I've several questions. I'll start with raw materials. I'm wondering if one of the domestic producers could answer this. How do you typically purchase your raw materials? Is it long-term contracts, spot sales?

MR. MCCARTER: Lee McCarter from JW.

So from a raw material standpoint, you think about it in two categories, prime aluminum or virgin aluminum as you may want to think about that, and scrap aluminum. And generally speaking, you approach that on an annual planning basis with a balance between contractual supply and spot supply that you would leave open as you go through the year.

MS. LARSON: And do those annual contracts do they fix price?

MR. MCCARTER: Most of the contracts in the majority of cases are tied to the LME, London Metal Exchange, plus a premium called the Midwest Premium for a total pricing here in the United States. So those prices are set every month. They move each day obviously in the marketplace and end with an average for a month, for example, that you would be paying for your material.

Scrap, on the other hand, is sold at a discount to that prime aluminum and that's negotiated on a load-by-load, day-by-day basis if you're buying spot and there are some cases where you'll fix to a discount to the LME, plus the Midwest Premium for scrap as well for an annual contract, but it fluctuates, obviously, as the LME moves.

MS. LARSON: Right. And then how have raw material prices affected the sales prices of aluminum foil?

MR. MCCARTER: So generally speaking, the aluminum for this industry, as I mentioned in the testimony, is a pass through, okay, so as you go through the year, aluminum changes in price, and we will pass that through. There are some ancillary affects in the cost of scrap not worth getting into here as the bulk of these are made in China with prime aluminum. Here we do a balance of prime and scrap.

MS. LARSON: You mentioned earlier that most of

the sales of aluminum foil are typically annual contracts, so how frequently do you adjust the aluminum component of the sales price aluminum?

MR. MCCARTER: The aluminum component changes each month.

MS. LARSON: Okay.

MR. MCCARTER: Okay, the conversion fees or the adder or the fabrication price generally remains fixed during the year.

MS. LARSON: Okay.

MR. MCCARTER: And we have an annual contract season that usually occurs in the -- at least for JW anyway in the fourth quarter of the year that sets for the volume commitments and price commitments for the following year.

MS. LARSON: And then how frequently does your firm adjust the fabrication price? Not necessarily within the contract, but as a firm maybe you could discuss like what other inputs are in that fabrication price. Is there other raw material costs?

MR. MCCARTER: So generally speaking, you know we set those fabrication prices once a year and the companies are subject to have to deal with the changes and input costs, whether it be healthcare costs or utilities, for example, or supplies or repairs and maintenance, alright? So those again are set on an annual basis. We do,

and just to keep up, we don't fix 100 percent of our capacity. We do have monthly spot opportunities that we'll take advantage of to the extent that we can.

MS. LARSON: Did any other domestic producer want to chime in if those responses were different from what their firm does?

MS. LANDA: This is very similar to what -- this is Bertriz Landa.

This is very similar to what Novelis does, no big difference.

MS. LARSON: Great, thank you.

It seems from the questionnaire responses that firms reported on prices of raw materials have declined during the period that we're looking at. If prices for raw materials have decreased, how can we distinguish these raw material trends with the affects on imports?

MR. MCCARTER: Can you repeat?

MS. LARSON: In the sales prices of aluminum foil how can we distinguish the declining raw materials versus potential imports putting downward pressure on prices?

MR. MCCARTER: Yes, so that can be a complicated question, and the reason is is the movement in the LME prices through the year correspondently passes right through. There's another component called the Midwest

Premium, which has had its dislocation over the period of '14, '15, and '16, which is also influenced the profitability of the sector as well, so that can influence the sales price as well.

But generally speaking, the all-in price is going to go down throughout the period as aluminum goes down and there's also a consideration from a competitive standpoint on how China prices aluminum, the all-in price from China here in the North American markets as well that we compete against, in which in many cases for us is the all-in price, not just the fabrication price.

MS. LANDA: This is Beatriz Landa.

Just to Mr. McCarter's response, we do differentiate between the metal part of the price and the fab, so if you look at the fab trend this is diminishing regardless -- independent of the metal part of the price.

MS. LARSON: And do your firms publish to your customers the aluminum price or your fabrication costs?

MS. LANDA: So it's LME, plus Midwest Premium. These are both public information, so they can see that pretty much on a daily basis.

MS. LARSON: And your fabrication costs?

MS. LANDA: That's in the contract.

MS. LARSON: Okay. The all-in price that you guys spoke of for the Chinese imports does that mean that

their contracts are not -- do not vary throughout the annual contract period?

MR. ROUSH: This is Chester Roush.

Our understanding is that they would have a firm conversation price or fab price for the year and then it would fluctuate with the metal value of the LME.

MS. LARSON: Great, thank you.

MR. RUDISILL: This is Murray Rudisill.

Just to build on that, so our experience when we purchase from China is that there's an LME price that varies and the mechanism of how it varies can change from supplier to supplier. There's different ways that that can be done as agreed upon in advance. The fab price is generally fixed and there's also a freight component that is generally fixed.

MS. LARSON: Great, thank you.

Okay, has the demand for aluminum foil been even in all of the end use sectors or is there one end use sector over another that might be growing more rapidly?

MR. MCCARTER: I mean my view would be -- and I'm happy for other folks to chime in. You know in accordance with normal economic cycles you may get differences in certain demands. So for example, if the building industry is way down you would have therefore less HVAC units, right? So you could see some fluctuations due

to general overall macroeconomic changes out there, but generally speaking, you aren't seeing one sector grow radically over another sector or decline radically over another sector in terms of end uses.

MS. LARSON: Okay. What is the market share -- I mean this product encompasses so many different end use and different application, so I'm trying to understand what are the major sectors and how big are they. Like are the consumer application products, the food packaging does that account for the majority or the industrial applications how large do they account for the total market?

MR. ROSENTHAL: I think it's fair to say that while there are different customers out there it's not so much the size of the market. It's what pricing can you get and so you'll see shifting based on where they perceive competition. And at any given day -- I'm trying to legally get to your question and we may get more detailed in the post-conference brief, but on any given day, for example, one company may get a sale for a thinner gauged product at a price that is sensible. They may decide to devote some of their capacity to that and not take on a sale of a medium-gauged product. And so for any individual company their customer mix may change from time to time.

And by the way, when that company switches, then another company will then have availability to pick up the

product that's been made more available and this is why the question of what are the differences between the thinner gauge and the heavier gauges is basically, as Mr. McCarter said, just a matter of how many passes and it's not new equipment or different equipment or facilities, et cetera. It is same equipment with a number of passes.

So the total number always ends up with 100 percent and within the industry, including within the Chinese, there's a constant shifting as to who's got what portion of sales for household foil versus other gauges.

MS. LARSON: Do purchases do the say thing? Will they shift to maybe a little bit thicker gauge or thinner gauge? If they're making turkey pans or making a certain end product, do you see your customers switch a little bit between the gauges, depending on price?

MR. D'AMICO: Jim D'Amico of Novelis.

Yes, they certainly can, and that varies by customer as well.

MS. LARSON: Are there certain gauges or alloys that are used exclusively in certain applications?

MR. RUDISILL: I can't think of an alloy that is exclusive in an application, but there certainly are alloys that are designed for specific applications that are better suited for than other alloys and that's typically part of the equation. You try to find the most cost effective alloy

to produce that will deliver the product properties that are required.

MS. LARSON: And do imports from all countries supply the same major end use markets? In addition to China, do all imports are they able to supply all the different gauges and alloys needed for these end use products?

MR. RUDISILL: Yes, from my experience they are.

MR. ROUSH: This is Chester Roush.

I'd agreed with that as well.

MR. MCCARTER: And I'd just remind you that you know we've seen those imports from other countries decline as the presence of China has increased and so they get chased out, if you will.

MS. LARSON: Are there differences in the types of purchasers that purchase on a contract basis versus a spot basis?

MR. ROUSH: This is Chester Roush.

No, we don't see that with any significance.

MR. D'AMICO: Jim D'Amico.

One customer may purchase on a spot basis one year and a contractual basis the next year, so the answer I agree with Chester.

MS. LARSON: Thank you.

How much of the market is accounted for by

importers who use the product themselves and how much of the market is made up of importers who sell the imports into the aluminum foil market?

MR. ROUSH: Could you repeat that again?

MS. LARSON: I'm looking to see what the role of direct imports are in the market, so I'm curious to know how many importers import aluminum foil to then use downstream for their own end use production of their products versus how many importers import to redistribute in the United States market?

MR. HUDGENS: This is Brad Hudgens with Georgetown Economic Services.

I would just might state what their data show is that it's about 50 percent that are import for direct consumption and about 50 percent sell to an unrelated consumer.

MS. LARSON: Okay.

In the questionnaire responses many firms reported differences in quality. And Justin kind of spoke to this a little bit earlier, but what are the characteristics that purchasers consider when determining the quality, like smoothness, holes, like what would the test be for superior quality versus poor quality?

MR. ROUSH: Yes, this Chester Roush again.

I think what we indicate again it's the industry

standard. There's standards out there to produce to these end use applications, so that is what we would use as the benchmark for a quality product.

MS. LARSON: And then do purchasers -- I noticed that the firms' responses are that a lot of this product or even I think the majority of this product is produced to order, so do you see purchasers order various gauges from you in a single order from one supplier?

MR. ROUSH. Yes, I think -- this is Chester Roush again.

Yes, we do see a variety of gauges from purchasers, so you know if we're putting together -- for example, if it's an annual contract, it may be a variety of gauges and widths, if you will, so yes, we do see that.

MR. MCCARTER: And just one other follow up on the quality question you keep coming back to, just so you understand the criticality of that from our suppliers' standpoint, we target across our facilities less than one half of one percent on a volume standpoint of returns, okay.

If I have more than a percent, percent and a half, in general, overall across these facilities it is so detrimental to our financials that it's a very material impact to my bottom line earnings. So we have a stringent focus in this industry on quality. We have engineers that go out and meet with our customers and try to help engineer

the products on their machinery and we don't take it lightly at all.

MS. LANDA: And this is Beatriz Landa.

Just to add to that, I mean one of the defects that we do get back is usually due to scratches, given the logistics, the transport or condensation again due to transport, so there are things that return, but it's very insignificant.

MR. RUDISILL: And this is Murray Rudisill.

And just to be a little bit more specific about the question that you asked about what are the types of criteria, they're very greatly by product use, but typically, there are mechanical properties that are required to hit certain specifications, such as tensile strength or elongation and often there are surface finish requirements, depending on the application. So all of that gets built into the specification and if the product produced doesn't meet the specification then it's subject to be rejected. Does that help?

MS. LARSON: Yes, that is very helpful. Thank you.

One more follow-up question then on my previous question about purchasers ordering various gauges, so when purchasers are looking for suppliers is that the range of gauges a domestic producer can produce is that a limiting

factor in attracting and gaming these annual contracts from purchasers? Do you see purchasers wanting a wide range of different gauges?

MR. ROUSH: This is Chester Roush.

I would say there's no purchasers of significance that buys 100 percent of the product from one supplier, so they are looking at several different suppliers for their purchasing needs. It could be for width, gauge, whatever.

MS. LARSON: Thank you.

MR. MCCARTER: And what I would add on to what Chester said is those range of request from a contract basis is driven by price in the marketplace. So over the last years, if you will, as imports have become more prevalent in more thinner-gauged products from a price standpoint, it's naturally changing the order books accordingly, right? They're going in thinner, lower price the domestic industry is now morphing its industry or redirecting its capacity to more of a thicker gauge as a consequence of those decisions.

MS. LANDA: This is Beatriz Landa.

Just to add, usually when we don't quote it's not because of capability. It's just because the pricing doesn't make any sense to us.

MR. ROSENTHAL: This is Paul Rosenthal.

I'm sure you'll hear about lack of capability in

either gauges or capacity. I will advise you in advance to take those claims with a grain of salt. This industry has the capability to produce all the gauges and have and has enough capacity, either currently running or idle, but available to be brought online to supply all of the needs. The issue has been and is going forward at what price.

MS. LARSON: Switching gears to the pricing data, how well did pricing products capture the competition in the market and do the pricing products capture the breadth of the aluminum foil market?

MR. HERRMANN: So this is John Hermann.

So let me start with a response to your question. In identifying pricing products, we tried to identify a range of different gauges and alloy types to ensure that we had broad coverage. We have thin-gauged products. We have a pricing product that typically involves household foil. We also have products that involve fin stock and some thicker gauge products for container foil. So we have tried to identify the full range along the continuum of aluminum foil products covered by the scope.

MS. LARSON: Thank you.

How should we interpret any domestic price declines for any price products where there were no price data for imports from China?

MR. MCCARTER: I would address that from a JW

perspective -- it's Lee McCarter -- as follows. Since sometimes the products are bundled that if you give me this price on Product A, I'll give you the volume on Product B. And so we have had some instances where contracts are set in the overall -- in order to achieve the overall volumes, we've had to lower on one price to maintain volume and price maybe on another segment. So it's a balance depending upon your strategy with that customer and that is customer-by-customer driven in many, many cases. Does that answer your question?

MS. LARSON: Yes, it does. Anyone else?

MS. LANDA: This is Beatriz Landa from Novelis.

We've seen the same bundling tactics and we've had to react accordingly.

MS. LARSON: Thank you.

One last like thematical -- theme area substitutions. Most of the firms responded that substitutes were either limited or did not exist, but there were some examples out there and I'm curious to see how often PET film can be used as a substitute for consumer products, such as packaging of foods? Is that something that you see often?

MR. RUDISILL: So for the scope of this where we're talking about jumbo rolls there is not a substitute for aluminum foil at that stage of the manufacturing process.

MS. LARSON: Okay, that makes sense. Let me double check I'm not missing anything else before I turn it over to Jennifer.

MS. LARSON: Oh, I do have one more about supply. Talking about just the period of investigation here, have there been any major supply disruptions in the domestic producers' aluminum foil market?

MR. ROUSH: This is Chester Roush with JW Aluminum. No, we've not had any significant disruptions.

MS. LANDA: This is Beatrice Landa from Novelis. We haven't had any multi-months' disruptions, no.

MS. LARSON: And then, what is your average lead times for sales?

MS. LANDA: Thirty-five days.

MR. ROUSH: We're typically about the same.

MS. LARSON: And then, have any of you experienced any issues with delivery times during the period of investigation?

MR. ROUSH: Not of any significance. From time to time, you will have a day or two maybe, for some reason, but it's nothing of any significance in the market place, that we see.

MR. D'AMICO: Jim D'Amico with Novelis. We've seen the same.

MS. LARSON: Okay. That answers all my

questions. Thank you very much for everyone's answers. Been very helpful.

MR. ANDERSON: Ms. Brinckhaus?

MS. BRINCKHAUS: Good morning. I'd also like to thank you all for your testimony this morning. It is very helpful for us when we're trying to learn a new industry. My colleagues have covered the majority of the topics that I had questions about this morning, but I have a couple more. Either here or in post conference, could you comment on any factors that might've led to an improvement in profitability of the U.S. industry from 2015 to 2016?

MR. HERRMANN: Yeah, I think we'll address that in our post conference brief. Thank you.

MS. BRINCKHAUS: I had a feeling on that one. And then, are there differences in the level of automation between the U.S. producers that would have an impact on the amount of labor necessary in production of the subject product?

MR. RUDISILL: There are none that I'm aware of.

MS. BRINCKHAUS: All right. Well, that covers my questions. Thank you all very much.

MR. ANDERSON: Thank you. Mr. Matthews?

MR. MATTHEWS: Good morning. Thank you all for your testimony here today. My name's Dan Matthews. I'm with the Office of Industries. So my first question is

actually regarding the ASTM international standard for aluminum foil. So it appears that ASTM standard B479, and this includes specifications for milled aluminum and aluminum alloy foil, this was withdrawn in 2015. Are the petitioners aware of any other standard specifications for the subject product?

MR. HERRMANN: Mr. Rudisill might be able, or others on the panel, might be able to supplement, but I am not, as of today, aware of any other standards.

MR. MATTHEWS: Okay. Is this standard still used in the industry, even though it was withdrawn in 2015?

MR. HERRMANN: We'll address that for you in our post conference brief.

MR. MATTHEWS: Okay, thank you. My next question is regarding alloys. So Commission research suggests that the 1000, 3000 and 8000 series alloys are the most commonly used alloys in the production of aluminum foil. Can the petitioners confirm this? And could you also indicate whether there are other alloying series used in the production of aluminum foil?

MR. ROUSH: We would say that the 1-, 3-, and 8000 series are probably 95% at least in the market place.

MR. MATTHEWS: Thank you. I have a few questions regarding the manufacturing processes regarding casting. So earlier, Mr. Rudisill, I think you were

commenting about the difference between continuous casting and--what is the other one?--direct chill casting, so I was wondering -- How widespread is the use of continuous casting technology in the domestic industry?

MR. RUDISILL: There's a mix of continuous casting and DC casting within the domestic aluminum industry, and there's also a mix of both processes in the industries in other countries, including in China, so both are present.

MR. MATTHEWS: That was my next question was actually the subject country industry. So it's a mix in China as well? Continuous casting doesn't dominate in the United States or in China? This is a pretty even mix?

MR. RUDISILL: Neither dominates.

MR. MATTHEWS: Okay. I was wondering, could you comment on the energy savings using continuous casting versus DC?

MR. RUDISILL: I don't have specific data because all of our casters are continuous cast. But in describing the process a little bit more, the stage that isn't necessary in continuous cast process that is employed in DC cast process, involves what's called a hot mill, and that's a large piece of equipment that has a considerable number of motors that it takes to run it, so there's definitely more energy required in that process. There's

also some heating energy required to heat up the ingot prior to going into the hot mill, but I couldn't give you data on that, because we don't have that type of mill.

MR. MATTHEWS: Okay. So are there any other casting processes that are used during the production process of aluminum foil? Or just DC and continuous pretty much capture the entire market?

MR. RUDISILL: I'm not aware of any other casting processes. There are different versions of continuous cast processes. They're equipment-specific, but they would fall into those two categories, to my awareness.

MR. MATTHEWS: Okay. Thank you. So trade data indicate that Germany and Japan are the second and third largest sources of U.S. imports of subject product. To what degree do the petitioners suspect that imports will increase from these countries if orders are put into place on imports from China?

MR. ROSENTHAL: Can you repeat that question? I just want to make sure I understand what you're asking?

MR. MATTHEWS: Yes. So it appears that Germany and Japan are the second and third largest sources of imports of subject product. To what degree do the petitioners suspect that imports will increase from these countries if orders are put into place on imports from China?

MR. ROSENTHAL: I'm not sure we have the information or want to guess at that question. We know that the China have displaced the imports from those countries. If and when there's relief, we don't know what the situation will be with those other countries and if they're trading fairly, they'll have an opportunity to come back into the U.S., but I don't think we're in a position to speculate as to how much or how aggressively or what their pricing will be. So I think we probably want to take a pass on that one.

MR. MATTHEWS: Thank you. That's all I have.

MR. ANDERSON: Thank you, Mr. Matthews. And I believe Mr. Enck has a couple of follow-up questions.

MR. ENCK: Okay, I'd just like to try to gauge the magnitude of the impact of product mix on capacity. So for instance, if you had daily capacity of 100 tons of thin stock, what might that capacity be if you only made the .0003" or less thick foil?

MR. HERRMANN: Sorry, Mr. Enck. Could you repeat the question? I just want to make sure we and the witnesses understand it. Are you asking about the relative rolling time that's required for different products, depending on gauge?

MR. ENCK: Yeah. If possible to translate that into capacity and Mr. Roush mentioned that it took longer to produce the thin gauge and I'm just saying the .0003" and

under, thin gauge versus the think stock?

MR. McCARTER: I think we'd just like to follow up on a post conference brief on that. I mean the reality of it is, there's more factors than just rolling time. So it's not an easy answer. You could make some directional answers on that, but I think we'd better give a more thoughtful approach to the other impacts of the ancillary downstream equipment to our manufacturing processes as to what that would do.

MR. ENCK: Yeah, I realize I was asking a lot there. Sorry. Okay, I think that's it for me.

MR. ANDERSON: Thank you. I have a few follow-up questions, so I hope you'll bear with me. Mr. Herrmann, I understand that you, counsel intends to go deeply into the six-factor analysis for domestic like product, but I would definitely invite you, if anything you would like to share now, I anticipate we'll hear a lot about two separate like products from the next panel and the folks behind you, so give you an opportunity to maybe presage your post conference briefs' arguments right now.

MR. HERRMANN: Sure. I think as you've heard from the industry witnesses this morning, that there is -- that these products are produced at the same facilities with the same employees, irrespective of the gauge of the final product, the companies have the ability to produce products

across the continuum of gauges and product applications that you have common channels of distribution with all of the different foil products being sold either to distributors or end users.

And our view is that, when the six factors are considered by the Commission, it will clearly support a single like product finding that includes the continuum of products that we've discussed this morning.

MR. ANDERSON: Thank you very much for that. And look forward to more reaction to what we'll probably hear this afternoon in post conference briefs. The Commission is collecting information, thanks to the folks that are responding to the questionnaire, about the market segments, but in respondents' opening statement, they seemed to focus particularly on what they call flexible packaging and I believe the other comment was thin stock.

So I would invite this panel to characterize what share of the market, or your business, those two segments account for, and how does the demand in those segments either fluctuate or tend to influence your decisions on which markets or segments you target? You're facing intense competition as you mentioned at the price level at some of these other markets. How does that influence the other market segments that you're going after?

MR. ROSENTHAL: We'll certainly give you a fair

amount of detail in our post-conference brief on this. I would just want to say, though, notionally for those of you participate in a lot of metals cases over the years and, you know, I look at this like product issue as very similar to some of these steel cases you've seen.

Wire rod might be one where you have an intermediate product and it can go into all sorts of different customer bases, where there's nail producers or fence producers or pre-stretched concrete strands producers. They start with the same product and it's wire rod, and customers are different, but they're all buying the wire rod.

Similarly, they're all buying these jumbo rolls, and they go into different customer bases. Doesn't make the wire rod or the jumbo roll a separate like product for every one of the different customer bases. Similar to some of the carbon sheet products -- some of them go into the auto industry, some go into the construction business. Not separate like products. There are different specs for each of those, but same like product with different applications.

That's what we're talking about here, and as I said, we'll go into more detail. You have asked for, in other cases, and we're happy to supply you with how much of the production goes into any particular customer base, but we don't regard these as market segments. We don't regard

them as separate like products. We regard them as an array of different customers, all buying the same like product.

MR. ANDERSON: All right, thank you for that additional information. Also, turning a little bit to the price competition and I think we've heard from Mr. Roush and Mr. McCarter, and this may be something in your post conference brief, but there's an economic point where you make a decision whether to compete, as you say, with the Chinese at a certain price, and sometimes you've lowered your price and sometimes you've opted out of the competition.

Can you characterize what is, I think you said the reasonable price, or reasonable pricing that you would need in the market place to make the decision to compete, especially at the thinner gauges, as you were mentioning earlier? And perhaps you can say a little bit more about that, or save that for your post conference brief.

MR. MCCARTER: I think we'll definitely follow up with that in the post conference brief, but I will add in, at least from JW's perspective, just a couple points.

The question you asked is a difficult question because it's a balance between, at what price that I can tell you our profitability and prices have declined in our thin-gauge products. We've elected to keep people employed and run facilities in order to -- and had to lower price in

order to keep that occurring, right.

And also at the same time, that's driven our capital investment decisions in those facilities as well, which I know some folks may be expressing some concerns in those areas. What I can tell you is that over the last few years, that the decision to invest the capital, which drives the decision on capacity, which drives your pricing strategy in the market place as well, one of the elements of that, the uncertainty as to how that amount of capacity that sits in China is going to be deployed in the United States is greatly limiting the capital investment.

And it's a function in two areas. Number one, it's driving us to do the basic minimum as a number of us have said, investment in maintenance of our equipment, versus taking longer-term decisions on investments to provide a return, if you will, to be a long, long-term supplier in this market place.

That uncertainty on what's going to happen with that capacity, the certainty of what we see every day on pricing in the market place, what we know is, it's not good for the long-term health of this industry in this country, and it's not good for the long-term prospects of continuing to employ high-wage employees in our factories.

There's no question. We need to invest. I can tell you from JW's standpoint, right now we are limited on

that investment because of uncertainty from across the pond as we say. I am limited. I have a shovel-ready program, ready to vastly expand capacity. It's hundreds of millions of dollars, so it's not a $5 million or $10 million type of investment. And when you have uncertainty as to where that capacity is going to get deployed in the next few years from China.

And you look at having to then shorten your return prospects, which Novelis' representatives have said that not having a suitable rate of return. There's two components of that, the rate of return, you might think about a traditional in term, rate of return, from a percent. Or the time. And we are forced into short-term oriented investments for paybacks, which limits our desire to participate more fully and more competitively in the market place.

MR. ANDERSON: I appreciate that. It's a very complex question that I asked, and I appreciate the expansion and additional information. Just to follow up, before, and maybe this is outside the period of investigations, but before the increase or intense competition from China in the thinner gauges, were there other imports that were the main competition in that area? And has it dramatically changed the nature of those decisions? Or has it always been a challenge to meet import

competition at the thinner gauges from a price standpoint?

MR. RUDISILL: As long as I've been involved in the purchasing side, or been aware of it, which goes back to 2008 or '09, there were imports from Europe, there were imports from South America, there were imports from Asia, but what changed was when the Chinese build-out occurred, the prices were driven down to where most of those other import-originating countries chose not to supply our market, or they reduced the amount that they supplied to our market. So we saw an effect on those import countries, as well as on the domestic suppliers. Did that help?

MR. ANDERSON: Very helpful. Okay. I wanted to turn to question -- given that the production is continuous and that you have to keep your mills running and so forth, and so do the exporting countries, but also on the counter side of that is the fact that you have contracts. Are inventories important in the market place for you? And is there anything you would care to say about the level or impact of the Chinese imports, the increase? You're alleging the increase of imports, have they had any impact on inventory?

MR. MCCARTER: Just from a JW perspective, to be clear, we run the continuous casters that we have and some of our competition has, by default continuous, they run 365 days a year, 24 hours a day. So I just want to be clear on

that. In terms of inventories, because of the scarcity of capital as it relates to this competition, we've had to drive our inventories down in order to create dollars to invest back in the business, okay?

So the days of having weeks and weeks and weeks of inventory have left us, and it's a similar challenge that Asia has in terms of bringing product over here, who have since invested in warehouses to warehouse products over here, if you will, to meet delivery standards out there.

But we have the appropriate level of inventories based upon our customer's demand that we can more than, even easily supply the market place, if you will. But we constantly, just as a good business person would do, you want to have as little as inventory as possible, freeing up those dollars to invest back in your people or your equipment, while still maintaining the balance of service levels to your customer.

MR. ANDERSON: So basically regulating inventories based on the decisions of how much you produce and when you produce it?

MR. MCCARTER: It wouldn't be uncommon, for example, as we talked about, as the lady from Novelis talked about that, you know, in December or November, in the off time, we may actually build inventories a little bit, because, by the nature of the equipment, it's continuous

casting, it's continuously running. So it's not uncommon for us to expand our inventories at certain times of the year as a natural consequence of the demand cycle from the market place.

MR. ANDERSON: Are any of the producers aware of any changes or impact of Chinese inventories in the U.S. market?

MR. ROUSH: What we have seen over the years is, you know, I think as China continues to address shorter lead times or the potential, they either work directly with a customer, end-use customer, and/or they use a distributor/broker model where the distributor or broker is actually bringing material in and warehousing it for the customer and that -- the FOB point would be China and then they're bringing that product over here and warehousing it to offer a shorter lead time, if you will.

MR. ANDERSON: Thank you for that additional information. With that, I don't have any questions. I just want to scan the staff here to see if they have any follow-up questions. Mr. Matthews?

MR. MATTHEWS: I just have one question for Mr. Rudisill and for Ms. Landa. So in 2014, Reynolds acquired Novelis' North American foil products' division. I was wondering if you could tell me, did this include any U.S. production?

MR. RUDISILL: No, it does not.

MR. MATTHEWS: It's primarily Canadian production?

MR. RUDISILL: It's 100% Canadian production. And it's production that's not within the scope of this particular action.

MR. MATTHEWS: All right, thank you.

MR. ANDERSON: All right, with that, I appreciate your patience in answering our questions. It's been very helpful. And thank you to all the panelists for being here today. With that, we'd like to set the recess for thirty minutes. So by the clock in this room, we'll reconvene at 12:15.

(Whereupon a brief recess was taken to reconvene at 12:15 p.m. this same day.)

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

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

MR. ANDERSON: Good afternoon and welcome to our panel here? Mr. Secretary are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that those in opposition to the imposition of the anti-dumping and countervailing duties orders have been seated. All witnesses on this panel have been sworn. I again remind everyone to please make sure you state your name every time you speak. The court reporter can't see everybody's name sign. Also, please speak directly into the microphone for the benefit of those in the back of the room. Thanks so much.

MR. ANDERSON: Thank you, Mr. Secretary. Again, welcome to our panel. Thank you for being here today, and Ms. Mowry, please proceed.

STATEMENT OF KRISTIN H. MOWRY

MS. MOWRY: Thank you very much, Mr. Anderson. Again, I'm Kristin Mowry, here today on behalf of the Flexible Packaging Association, the trade association for the $30 billion flexible packaging industry. Flexible packaging is a type of packaging used to protect, market and distribute a vast array of products, from potato chips to

candy to medical devices.

The flexible packaging industry directly employs over 79,000 workers in over 950 manufacturing facilities across the United States. Flexible packaging offers an environmentally friendly choice, using fewer resources, generating fewer emissions, reducing food waste by extending shelf life and creating less trash than conventional packaging. This might exclude Mr. Matthews, but for others who remember the 1980's, you'll remember a certain ice cream novelty bar that asks the question that's highly relevant for today's panel: what would you do for a Klondike bar?

Klondike bar wrappers are flexible packaging made from ultra thin-gauged triple aught 275 Chinese aluminum foil. We have some samples there for you. Sorry, we didn't think to bring the ice cream itself, just the wrapper. This foil is not available in sufficient quantities in the U.S. market. We will address the separate like product factors in our brief, and you will hear some about those today by members of the panel.

To start off, you're going to hear about the attenuation of competition between the U.S. and Chinese thin-gauged product, assuming that there is a separate like product. The primary factor driving this attenuation is that the domestic industry cannot come even close to meeting

the demand of the U.S. flexible packaging market. With that background, I now turn to our panel of witnesses.

STATEMENT OF DON DEWAR

MR. DEWAR: Good afternoon. My name is Don Dewar, and I am the Corporate Purchasing Manager at American Packaging Corporation. I have been with American Packaging for 12 years, and working in flexible packaging since 1987. APC has been in existence since 1902. American Packaging is a privately held company, and we currently operate four plant sites, with a fifth committed to begin construction in April of this year.

American Packaging currently has 855 employees, and is rapidly growing at two to three times the industry average. My testimony today will cover two issues. First, I will address the measurable objective differences between U.S. and Chinese foil in terms of thickness, quality and performance.

Next, I will address the overall performance of the domestic industry and the strategic errors that U.S. producers made years ago. The U.S. end users of thin-gauged aluminum foil are converters. These companies like mine coat, laminate and/or print aluminum foil to make flexible packaging. This flexible packaging is used for a variety of purposes including food packaging, tobacco, pharmaceutical applications and many others.

Aluminum foil is a crucial component because it provides a superior moisture and oxygen barrier, extending shelf life and ensuring freshness. Around half of the raw material costs for these applications is aluminum foil. Gauge is the primary product characteristic that drives purchasing decisions for the aluminum foil that converters use. For my company and many others, gauges of triple ott 3 and below provide the ideal mix of characteristics for these applications.

The conversion process can be summarized as unrolling large rolls of foil, often at high speed, and coating, laminating and/or printing on the foil. Quality is essential to ensure that this process is optimized. Domestic foil has a history of poor unwinding, causing web breaks that result in massive and expensive incremental machine down time.

Domestic foil may also have residual rolling oil which undermines bonding and ink adhesion, resulting in substandard finished product that I cannot sell to my customers. U.S. produced foil consistently underperforms especially in the gauges that converters use. The incidence of rejects of U.S. product are extremely high. In recent years, some converters have stopped purchasing U.S. product for that very reason.

The U.S. product historically has been

reasonably price competitive with imports in gauges where offerings overlap. But the quality of Chinese production has not been met by U.S. producers. I have comparative score card reports with me that show the measured quality differences between U.S. and Chinese foil we have run. We will include these in the post-conference brief.

The story of the domestic foil industry is one of chronic under-investment, especially in machinery. Many U.S. mills can trace their last significant equipment purchase to the 1970's. By contrast, Chinese mills have invested heavily in modern machinery to serve the needs of U.S. converters. These imports offer superior quality, product selection and sufficient volume.

Chinese producers can manufacture the gauges that converters need at a level of quality that converters can trust. Ongoing investment in modern machinery also allows Chinese producers to roll foil in widths that are not duplicated by machinery in the United States.

At APC, we have a lot of experience with Norandal, now Granges. They're a typical U.S. producer and their story is common. Norandal's rolling mills no longer offer light gauge products. Problems at Norandal left little available capital to invest in capital improvements, and venture capital investors Apollo and the Norandal management simply would not make investments for the

long-term future of thin-gauged business.

Norandal's new port in Salisbury Mills have been our primary partners for decades, but they could no longer meet our thin-gauged requirements. This left them not only uncompetitive with imports from China, but other areas of the world with light-gauged rolling operations in Germany, South America, South Korea, Europe and South Africa. In addition to lower quality product, U.S. producers include a Midwest ingot cost.

The result is a higher delivered price for finished product due to artificially inflated ingot cost. Imports from any other country can source their aluminum ingots through the London Metals Exchange, and avoid the Midwest premium. This is no small issue. Historically, ingots are about half of the price of the finished product. The Midwest premium has since 2015 ranged as high as 29 percent over the LME commodity ingot price.

If this petition proceeds, converters will not begin using or purchasing U.S.-produced foil, because it does not provide what they need. Instead, converters will source foil from other countries or may succumb to import competition in finished goods.

For example, there are several rolling mills that are currently supplying or willing to supply thin-gauged foils to the United States, Latte, Sam-A and

Dong Il in South Korea are good examples. If our supply chain is under stress, we will have to consider moving our purchases from China to South Korea and other countries to ensure that we have the gauge and quality that we require.

The process of requalifying suppliers is extremely costly and time-consuming, but we will have to do so with other foreign suppliers, because we cannot risk the quality issues we have seen from domestic suppliers. Thank you very much for your time.

STATEMENT OF BRIAN NELSON

MR. NELSON: Good afternoon. My name is Brian Nelson. I'm the Senior Category Manager --

MR. BISHOP: Can you pull your mic a little closer please?

MR. NELSON: Okay, thank you. Good afternoon. My name is Brian Nelson, and I am the Senior Category Manager at Sunoco Products Company, which is not the oil company but rather a global paper and packaging company headquartered in the United States. Sunoco is known for high quality standards and product innovation, and in fact our first product offering was an industry game-changer in the red hot yarn carrier market of 1899, when we introduced the first paper cone and displaced the first paper cone and displaced the previously dominant wooden cone for winding and transporting yarn.

We have grown quite a bit since then, but we continue to provide high quality and innovative products. Sunoco's annual sales in each of the last two years has just been under $5 billion, and Sunoco employees about 20,000 people globally, with the majority of those in the United States.

About 35 percent of our operations are devoted to consumer packaging, which includes a significant amount of flexible packaging that utilized aluminum substrate. I have brought several examples of consumer products that use our packaging, and most will recognize the Pringle's can. This case presents an important issue for us, and I look forward to explaining how we source and consume aluminum foil for our production operations.

My responsibilities include managing the purchase of foil and laminates, which includes managing the process by which potential suppliers are qualified. I have been in the industry for approximately 20 years, and I'm familiar with the various methods our plants and quality managers use to evaluate suppliers.

Because we are producing packaging for food products, the qualification process is long and our suppliers must meet not only our needs, but our packaging must meet the needs of our customers and the ultimate customer. I cannot stress enough that converter foil is not

a commodity product. Our qualification process has three phases involving multiple iterations of testing with input from our customer.

If I am being ambitious, this process can take a year. For certain products, this process can be significantly longer. For example, Sunoco also produces packaging for the powdered infant formula market, for products such as Similac and Enfamil. Since this product is considered pharmaceutical, the qualification process for any new substrate or supplier change for these products is long and rigorous, and could take over two years. In short, we need high quality consistently reliable foil to produce our packaging.

We currently purchase both domestically produced and imported aluminum foil in gauges that typically range from 0015 to below triple 0-3 inches. We make a point of maintaining a supply relationship with domestic suppliers, because it is important to keep our supply base diversified and we do get a benefit on lead times.

Sunoco began importing largely because of quality issues. In 2013, we had an official reject rate for domestic production between four and eight percent. Some reasons for rejection including baggy edges, mill splice tear-outs, sticky foil, wrinkles in the foil and foil stringers, which are lines of punctures in the foil.

There are also instances when the domestic mills were providing substandard product, but because of the needs to support our customer with finished product, the foil was not officially rejected and our production folks just had to work through the issues. The substandard product had a significant impact on our plant efficiency, productivity and sometimes on the quality of the finished product we've produced.

Despite asking domestic suppliers for better quality product, they are not consistently capable of meeting our quality needs. We certainly would support having a reliable supply of domestic converter foil that met our quality standards, and at the gauges we require, but we haven't found it yet. Over the last many years, producers have retreated from production of the ultra-thin-gauged foil, and some have exited the market while we were actively purchasing from them with little notice, leaving us with minimal time to find new sources of ultra-thin gauge foil.

Between these business decisions and the endemic quality issues, we have been forced to rely on imports to fill our converter foil needs. If this petition goes forward, the converter industry will be the ones who suffer. The petition will not save the domestic foil industry, but will only force light gauge foil converters such as Sunoco to find other foreign sources, since the

domestic industry cannot meet our quality or quantity requirements. We also expect that any interruption of our foil supply will increase import competition in our finished products. The flexible packaging market is global, and there are ready entrants in Canada, Europe and Asia. The likely result of an anti-dumping duty order on aluminum foil from China will be a petition by companies sitting at this table on Chinese flexible packaging stock. Thank you for the opportunity to speak with you today.

STATEMENT OF STEVE CASEY

MR. CASEY: Good afternoon, and thank you for the opportunity to address this conference today.

MR. BISHOP: Pull your mic closer please.

MR. CASEY: I'm Steve Casey, Senior Director of Procurement for Bemis Company. I've been with Bemis for 28 years. With me is Gary Michalkiewicz, Global Category Manager for Barrier Products for Bemis. Bemis is a $4 billion Neenah, Wisconsin-based global supplier of flexible packaging. Bemis shares have been traded on the New York Stock Exchange since 1964, and we will celebrate our 160th anniversary next year.

We employ roughly 17,500 people in 12 countries, and we have almost 9,000 employees in the United States. We believe this makes us the largest flexible

company in the U.S., both by revenue and number of employees. Bemis started in St. Louis making burlap bags in 1858. Through technological change and innovation, Bemis has become one of the largest flexible packaging companies in the world.

Our products keep the food you buy safe and fresh through distribution, and keep patients safe during surgery. Our customer base includes the largest food and consumer products companies in the world, such as Kraft-Heinz, PepsiCo, Nestle and Kellogg's and medical device companies such as Johnson and Johnson and Baxter.

Bemis uses many different materials for packaging, including the aluminum foil products that are the subject of today's conference. Foil is an important component and provides barrier to light, oxygen and moisture. Our customers demand continuing improving packaging, including the use of thinner foil to deliver lower cost and more sustainable packaging.

Thinner foil demands tighter tolerances and higher quality, a product that does not meet our quality specifications simply cannot be used by Bemis, regardless of the price. This goes to the heart of the matter. A significant portion of the volume of foil purchased by Bemis is below 0.00-3 inches, triple 0-3 inches in thickness.

Product this thin is like tissue paper, and we

have samples over here you can look at, yet runs on our machines in rolls five feet wide by 28 miles long weighing 2,000 pounds at speeds up to 800 feet per minute. If the roll tears or otherwise disrupts our production, the line can be down for hours and incur significant costs.

These realities mandate a very uniform, high quality product. The domestic foil suppliers who make foil for packaging have equipment that we estimate is at least 50 years old, and incapable of providing the quality of product we require for these applications. Outside the U.S., producers have invested in newer, highly engineered computer-controlled equipment that makes very flat high quality foil.

In other words, U.S. producers are driving a 1958 Cadillac and trying to compete with a 2015 Tesla. For this reason, Bemis believes that ultra-thin oil at triple 0-3 inch or thinner should be viewed separately and not combined with heavier gauge products. Additionally, foil below triple 0-3 is in very short supply domestically. Much of what Bemis buys is triple 0-2.75 inch foil and we use some foil as thin as triple 0-25.

Bemis able to obtain a limited supply down to triple 0-2.75 from a single domestic supplier, but it is their stated preference not to supply below a triple 0-3. That supplier does not have the capacity to meet all of our

thin foil requirements, and the product is of inferior quality. When this domestic source is used for these thin gauges, the product has an unacceptably high rate of tearing, bagginess, variations in thickness and overall poor quality.

In short, Bemis decisions to purchase imported foil are driven by quality and availability. A final point I would like to make is with respect to pricing. It's important to understand the pricing dynamics of foil. U.S. foil is priced in three components that include the LME price for aluminum and get a Midwest premium intended to cover the costs of freight and inventory of the metal, and a negotiated conversion price.

Two of these components, the LME ingot price and the Midwest premium are out of the control of the foil producers. Most imported foil is not subject the Midwest premium, instead pricing with only two components using the LME price for ingot and a conversion price. U.S. producers have had a difficult time competing in recent years for two main reasons.

First, the Midwest premium can fluctuate sharply based on factors entirely unrelated to the use of the product, such as speculation by commodity traders. The Midwest premium has historically been less than ten cents. However, in 2014 and 2015, commodity market factors drove

that premium over 24 cents, a historic high which created a significant disparity with imported product.

Secondly, the age of the U.S. assets doesn't allow them to produce thin-gauged foil efficiently, and contributes to high waste in their production. Thin foil cost is all about conversion, including how fast you can run, the waste generated and the quality produced. Producers may tell you that they can't afford to reinvest due to offshore competition, but where were they five, ten or 15 years ago when their equipment was already old.

They have not shown an interest in investing in an industry that demands higher quality and improved performance. Thank you.

STATEMENT OF MICHAEL HIGGINS

MR. HIGGINS: Good afternoon. My name is Michael Higgins, and I am the chief operating officer at Amgraph Packaging. Amgraph is a producer of flexible packaging with a focus on sustainability. Amgraph is a family owned, a family run business that employs about 110 hardworking Americans in our facilities, and supply many name brands with packaging. I appreciate the opportunity to testify before the Commission staff today.

I am here to provide you with the perspective of someone who relies on imported aluminum foil to produce finished goods in the United States. A significant portion

of our business is the conversion of aluminum foil into flexible packaging largely for food packaging and similar applications. As you heard from some of the earlier witnesses, aluminum foil provides superior moisture and oxygen barrier properties and is preferred for our production process.

Imported foil, especially from China, is crucial to our production process and any interruption in supply would be extremely difficult to replace. I want to stress at the outset that when I say "extremely difficult to replace," I'm not referring to monetary considerations. The U.S. industry cannot provide the quality, gauge or quantity that my company and others in the industry require to make a satisfactory product.

If Chinese aluminum foil becomes unavailable, I will not be able to source the inputs I need in the United States. I will have to turn to alternative sources abroad from Korea or Europe, and try to pass on the increased costs along to my customers. This will make my company vulnerable to import competition in our end product.

Our reliance on imported foil is driven by two primary concerns, access to supply and quality. 78 percent of the foil my company purchases is triple ott 3 inches and below. We cannot source commercial volumes at that gauge of material in the U.S. In the thicker gauges, triple 0-7 to

double 0-1, we are trying to purchase domestically but the quality of the product has been terrible.

At one point we were rejecting 1 out of every 2 loads of foil from domestic producers in the triple 0-7 gauge range. That thickness should be relatively easy to produce, but those rejections forced us to air freight foil from China to meet our production commitments. By contrast, over the past 12 years, with imports of 15 million pounds, we have had zero defects from Chinese product, zero. That is in gauges that are more difficult to produce.

In a separate situation, again this is in the triple 0-7 range, we were provided with product that had surface contamination that resulted in approximately a $200,000 payout to our customer. We have a third party examine the issue and identify deficiencies at our foil supplier's mill. When we contacted them to discuss how we might remedy the situation, they told us that the product met the alloy specifications in the contract, and in their eyes that was all they were required to do.

I simply cannot rely on supply from domestic producers. The rejects and other quality issues are simply unsustainable. These are two sensational examples of problems with domestic supply. Quality issues like tears during conversion result in extended periods of machine down time and costly cleanup. When we are laminating plastic to

foil and the foil tears, molten plastic adheres to machine components rather than the foil.

This results in down time and lost material, and often damage to our equipment requiring repair or replacement. To the extent that the domestic aluminum manufacturers are suffering, it is in my opinion that it is failure on their part to invest the necessary capital to produce product of sufficient quality to meet the needs of U.S. customers. Under-investment has been prevalent for years, and the suggestion that unfairly priced imports are the cause of the industry's woes strikes me as opportunistic.

This petition will only injure Petitioners' customers, and could cause the evaporation of the very market they are seeking to preserve. Let me be honest with you. I would love nothing more than to buy American products for our foil requirements. I am a two-time veteran who has faith in the future of manufacturing in this country, but the domestic aluminum industry does not supply reliable product. Thank you.

STATEMENT OF DHUANNE DODRILL

MS. DODRILL: Good afternoon. My name is Dhuanne Dodrill, and I am the president of Rollprint Packaging Products.

MR. BISHOP: Pull your mic a little closer

please. MS. DODRILL: Good afternoon. My name is Dhuanne Dodrill, and I am the president of Rollprint Packaging Products, a flexible packaging manufacturer for the medical device, pharmaceutical and health care industries. I'm a chemical engineer by training and have been in the industry for over 30 years, starting as a quality assurance supervisor and now recognized as a leader in the field.

I chair ASTM FO2 Committee on Primary Barrier Packaging, am active on a number of other industry committees, and have served as a technical expert for drafting industry ISO standards. Rollprint operates a manufacturing facility outside of Chicago, where we employ approximately 160 employees. Over 85 percent of our production is for the health care industry, which the majority of that for products that are intended to be sterile.

Chances are if you have been to the hospital, you have encountered products packaged in our materials. Absorbable sutures, knee and hip implants, human bone and tissue and drug delivery systems are just a few examples. We touch well in excess of a billion patients every year. My point is it is absolutely critical, a matter of life and death, that our products meet the quality standards required by our customers.

Unlike many of the other panelists, I do not

specialize in using ultra-thin gauge foil. The thickness of the foil that we employ ranges from double ott-3 to double-0 2 inch. But much like the other panelists, we have experienced significant quality issues with our domestic sources of supply. By contrast, we have found suppliers in China that consistently provide us with products that meet our high quality standards.

In addition to the tearing that others have reported, we have also received a significant amount of domestic material with poor sheet flatness. It's baggy and it has oxidized, which manifests as brown spots on the foil. We have some samples that illustrate those issues. We have hard data that we will supply in our post-conference brief that demonstrates the percent rejections from our domestic source versus the Chinese foil over the past three years.

Our rejections have not been limited to thin-gauged foil. Some years, the majority of our rejections have been the 001 foil. In addition to the outright rejections, we have fought through a tremendous amount of domestic foil. The vast majority of our customers are single-sourced, and if we do not supply them, they are shut down. We have been advised by some of our customers that if that were ever to happen, the U.S. FDA would declare a national medical emergency.

Sheet flatness is important, because when

material that is baggy and unlined, envision a trough, goes through a nip point, a wrinkle is created. We can handle a certain amount of bagginess by putting more tension on the web, essentially pulling the bag out by stretching the rest of the material so the whole web is taut.

However, there's a point where so much tension is applied that the material ears. No customer wants material with wrinkles. However, for a packaging material that is supposed to provide a sterile barrier, a wrinkle that might fall in a sealed area of a package can create a channel that will potentially allow microbes to pass into the package.

Unlike food, medical devices don't get moldy or develop an off odor. There is nothing to clue the end user into the fact that the product that is supposed to be sterile is in fact not sterile. Wrinkles are a reason for recalls. The brown spots, which we have been advised is oxidation of the aluminum, is also a significant issue. Ignoring the impact that oxidation might have on the physical properties of the aluminum foil and our ability to bond to it, those are my concerns, our customers see this as contamination of foreign material.

Now keep in mind that our customers in the highly regulated medical device and pharmaceutical markets, and they need to document that they've tested their product

against anything to which they may be exposed in the package. At best, oxidation is a reason for our customers to reject our material. At worst, it could mean a recall.

Rejecting material and waiting for resupply is never a good option. However, running substandard material has a significant impact on our waste and efficiency. More importantly, a failure of the sterile barrier system due to a substandard product also has a direct impact on the quality of care that patients receive and their health outcomes.

Simply put, the quality of the product that we are able to get from China far exceeds the quality of domestic foil, and that quality is mission-critical to my business. Thank you.

STATEMENT OF JIM SQUATRITO

MR. SQUATRITO: Good afternoon. My name is Jim Squatrito and I'm the CEO of Oracle Packaging. I've been with Oracle for three years and I thank you for taking the time to hear my testimony this afternoon. I am honored to be here.

Oracle manufactures multi-layer, high-barrier, flexible packaging materials and just about every product we make starts with an aluminum foil layer. We manufacture in Winston Salem, North Carolina and in Louisville, Kentucky and supply several products across multiple industries,

including healthcare, tobacco, consumer foods, wire and cable, building and construction, and specialty.

Our U.S. business employs 310 American and across of our product lines and all the market segments we supply our largest input is aluminum foil, which is a significant amount of the material we use in production of our final products. We use a variety of alloys, widths, gauges, and specifications for our products. We use thin-gauged foil for insulation productions in the building and construction segment, cigarette liner stock for cigarettes and for many pharmaceutical and medical device products.

We use a limited amount of standard-gauged foil for a variety of our lid stock and pouch stock materials. We use heavy-duty foil for cap liners and high barrier pouch stocks. We use heavy gauge or extra heavy duty foil for cable wrap products and for most of our lidding products. These lidding applications are for food products like yogurt, applesauce, hot beverages, snacks, even Pringles containers like are over on the side there.

We source our foil from China and from Europe. Oracle Packaging made its decision to source its foil abroad for several reasons and all of them have to do with the lack of capability of the U.S. foil manufacturers and the lack of reliability of U.S. foil.

First, the U.S. simply cannot produce the gauge, width, and specifications of the various foil inputs needed for our finished products. In other words, we look outside the U.S. because what we need cannot be made here. For example, some widths we require exceed the maximum widths of existing producing North American production facilities or U.S. production facilities.

We have had instances where U.S. producers have declined to make proposals on our business simply because of the incapacity to meet our specifications.

Second, in situations where foil gauges are available in the U.S. the quality of the product is poor. We've experienced very high, crippling rejection rates. We've experienced product failing due to corrosion, tear-outs, gauge variation, wetability and these issues caused de-lamination and failure of our product, both within our facility and at our customers.

The rate of rejection due to poor quality has resulted in disruption to our production, large claims, returns, and loss of business. Our hard evidence will be submitted in post-conference briefs.

Third, because our end markets and products are highly regulated and because our customers have delivered specifications, such as for healthcare, tobacco, and food packaging we cannot substitute just any foil for our final

products. Before making any foil changes, we, and our end use customers, would have to invest enormous time and resources in conducting self-life testing, operational trials, and product integrity analysis.

The finished products also would have to be approved and when you rely heavily on foil as a primary component it is not an option to switch out raw materials fundamental to the performance and use of the product, and especially on a product that is already approved and widely used.

Fourth, and similar to the above, for the products and markets that are not as highly regulated, the time and resources to pre-vet and clear vendors is prohibitive to our business model. Oracle cannot simply replace one supplier for another without extreme disruption to production and to our customers.

Fifth, and in one of our most recent experiences, U.S. firms quoted more than 25 percent longer lead times than those of our foreign suppliers. We purchase much of our foil based on immediate need and firm customer orders and we cannot afford the loss of time by the longer lead times of the U.S. producers. The lack of capacity, poor quality, and delay in supply make it impossible for Oracle to source its foil from U.S. producers. The high risk of product failure, costly claims and recalls,

especially for our end products in regulated fields like healthcare, tobacco, and food have drastic consequences, not just to our company, but also to the users of our products; likely, many of you.

The lack of U.S. manufacturing infrastructure and outdated factory equipment results in poor quality, incapacity to produce certain widths and gauges and longer lead times, all of which disqualify U.S. producers as suppliers for our products. The technical limitations and significant product quality concerns of U.S. foil render it not interchangeable, not comparable, and not an option for our finished goods.

Thus, our sourcing decisions are based on quality, capability, and specifications. Limitations on product substitutions exist due to availability, capability, and technical reasons.

Thank you for your attention.

STATEMENT OF JACK MORRISON

MR. MORRISON: Good afternoon. My name is Jack Morrison. I was the CEO of Xiashun Xiamen from 2007 to 2011. I've allotted almost 38 years of history in the aluminum business and I previously worked for Novelis, Alcan Aluminum, Consolidated Aluminum and Alcoa. I'm here today on behalf of Xiashun Xiamen to address why light gauge should be a separate like product from other gauged foils.

I understand the Commission looks at six factors. Let me start with product equipment and process. At Xiashun, we start with foil stock which normally has a thickness of around 300 micron. We roll that foil stock down to medium gauge, which we define as 100 micron to 8 micron; however, our primary company focus is on light-gauged products, which we define as being below 8 micron. So then we have to use specialized equipment to further process the medium-gauged foil to light-gauged product. That specialized equipment is needed to obtain the thickness and quality needed by our light-gauged customers.

With respect to physical characteristics and end use, light-gauged, medium and heavy-gauged are different from each other in terms of their thickness. As for end use, one cannot use heavy gauged in place of light gauged and vice versus. For example, one does not use heavy gauge for packaging.

With respect to production process, as mentioned, we use specialized equipment to produce light gauged. That equipment is not required to produce medium or heavy gauge. Conditional production steps required to produce light gauged from heavy gauged is double the time to produce medium gauged.

With respect to interchangeability, again, these products are simply not interchangeable. Our customers come

to us and ask for specific gauge requirements. With respect to producer perceptions, since we use different equipment to make light-gauged foil we perceive them to be very different products. In fact, our primary focus is light-gauged foil. In addition, the quality requirements for light-gauged foil are much greater than in medium and heavy gauges because of the end uses.

With respect to channels of distribution, we sell directly to converts and through traders as we understand that a majority of our customers only purchase light-gauged foil. With respect to price there are some significant differences between heavy, medium, and light-gauged prices due to the increased production and quality control requirements, the biggest difference being between medium gauge and light gauge.

As you know and as I discussed these factors, I skipped over customer perception. So with us today we have Tim Rinkevich with Tetra Pak.

STATEMENT OF TIM RINKEVICH

MR. RINKEVICH: Thanks Jack. My name is Tim Rinkevich and I'm with Tetra Pak, one of the world's largest users of light-gauged foil as defined as foil below 8 micron. Tetra Pak is also one of the biggest purchasers of light-gauged foil in the United States. As you may know, Tetra Pak's main line of business is producing aseptic

packaging used for beverage and food containers.

I've been in this industry and with Tetra Pak for almost 25 years. Currently, I'm the quality manager at Tetra Pak down in Texas. At Tetra Pak we only purchase light-gauged foil for our products. In fact, we cannot use medium or heavy-gauged foil in our application because of their thickness.

For example, the thicker the foil the more difficult it is to form the lament we use into the shapes we need for our packages. In addition, the added weight would increase the cost of our packages as well as the shipping cost and the environmental footprint. One hundred percent of the foil we use in the United States is imported, either from the EU or from China.

My job is to make sure that the products we purchase are the highest quality for our needs. That is what drives our purchasing decision, quality. For example, we look at the ability of foil to unwind without breaking, the ability of foil to give good adhesion to polyethylene and we look for the lack of impurities to ensure food safety. As mentioned, we only import from the EU and from China. We do not buy domestic aluminum foil in the U.S. Why? One of the reasons is that we've not found any U.S. company that produces the quality, the gauges, and the widths we need.

Our decision not to purchase American aluminum foil is not linked to price. It is only linked to product specifications. In our U.S. purchasing decisions, Chinese light-gauged foil competes with European foil, not American foil. Thank you.

STATEMENT OF MR. SEAN GALLAGHER

MR. GALLAGHER: Hello. My name is Sean Gallagher. I own a company called Commodity Foil and Paper in Richmond, Virginia. I employ seven people, but multiply that times four or five hundred plus companies across the country, then we are a force to be dealt with.

Commodity has been in business since 1977 and I have worked in the field for three decades. Commodity imports light-gauged foil from China for reasons that have nothing to do with price. We cannot purchase light-gauged domestically because the U.S. mills are not making this product, which is basically anywhere from -- and nobody's mentioned Triple Odd 236, which is still thinner than Triple Odd 2-5. The Chinese are exceptionally good at 236 gauges.

The massive private equity firms that own the U.S. mills have not reinvested in the mills themselves in decades. The newest domestic mill able to produce light-gauged foil is either 35, 45-years old, somewhere around there. You just can't turn a switch off and on roll from heavier gauges down to 2-5, down to 285, 275. That's a

myth. That just does not happen, so as a result, the U.S. mills are simply unable to produce light-gauged aluminum that is comparable or even as good or nearly as good as the Chinese foil that's being produced now.

Given the current capacity of the U.S. mills, if the mills ownership were to decide to invest in developing the capability today it would take between three and five years before the U.S. mills could begin to produce a competitive light-gauged foil. The U.S. light-gauged foil is drastically inferior in some cases to what is available in China. The U.S. foils are full and not all of them are full, okay, not 100 percent, but a lot. The U.S. foils are full of imperfections. They're called pin holes, dropped edges, bags, tin cans and we use in the converting industry because I am a converter, rope, spiral rope, wetability, and soft and hardness issues in the annealing process. I would be happy to explain any of these if you guys have got a couple hours.

Now what this means that the converters who use light-gauged aluminum cannot operate their machinery efficiently using U.S. foil because they constantly are getting interrupted by these problems, whether they're mechanical, open splices, dropped edges, or bags. So they have to stop when they run into an imperfection. Hopefully, they catch it in time, cut it out, re-splice up, start up

again. Owing a small company one roll can cost me 30 percent of my production in one day of working with these U.S. domestic mills rolls.

Commodity is also a converter. I can tell you that when we have been asked to slit U.S. foil we've needed to stop in process, like I just stated, but furthermore, my employees don't get to just walk around. They have to run across this machine. They have to take foil out of it and we're down for a minimum of two hours. We can't operate like that. It's just impossible. This hurts production and is the reason U.S. converters do not want to buy domestic foil. Maybe Double 01 and up, but not Double 01 and down.

Also, we require wider widths than what can be made here even if they could make these gauges after they flick that magic switch on to make the light gauges. A lot of our customers are requiring 62 inches of Triple Odd 3, which is 7.62 microns up to 76 inches.

If Petitioners propose duties to go into effect, they will simply put Commodity and countless other U.S. companies that depend on imported aluminum out of business. We, as a very small company, also depend on a lot of these people here when they want to run trial orders. They don't want to order a minimum of 8,000 or 10,000 pounds from a converter or from an aluminum mill because they can only get to -- they will have to order 8,000. We can make a

thousand pounds for them and ship it to them.

The cost of aluminum would skyrocket, which would mean higher production costs in the pharmaceutical, insulation, and food, flexible packaging, and anything that needs foil, like MREs for our government.

STATEMENT OF MS. DONNA WALTERS

MS. WALTERS: Good afternoon. My name is Donna Walters and I am the Director of Aluminum Risk at Trinidad Benham Corporation. I've been in the aluminum industry for over 30 years, working for Alcoa as a consultant to the industry before joining Trinidad nine years ago.

Trinidad is celebrating its 100 year anniversary this year. Our company is 100 percent employee owned. We've been in the aluminum foil business since 1977. Trinidad has over 750 employee-owners, 275 of those at our production facility in LaGrange, Georgia, packaging household aluminum foil for retail sale and stamping and packaging disposal aluminum containers. You've probably never heard of our company because we produce the private label or store brand aluminum products sold directly to U.S. consumers in your local grocery or club warehouse store.

Our household foil competes with the branded product Reynolds Wrap. I tell my friends if you go to the grocery store and buy the store brand aluminum foil odds are

that it's Trinidad's product. Our other product, disposable aluminum containers, includes pans and lids used in food buffets and also in takeout from your local restaurant. Similar to household foil, these pans and lids are sold under private label names to consumers.

First, I'd like to talk about the household foil business and the substantial supply chain risk as a result of any duties on Chinese imports. Unlike most of the other products under investigation, household foil is sold to consumers in substantially the same form as it comes from the rolling mill. The cost of aluminum foil in our products comprises approximately 70 percent of our production costs and thus, is a critical component for our products' viability.

Household aluminum foil is a mature market. The Reynolds brand represents almost 50 percent of the category. Much of the remainder of the market is captured by private label brands, a large portion of which are supplied by Trinidad. Trinidad has imported most of its household needs because there has been little domestic production of household foil in the United States. This is has been the case for more than 20 years.

Currently, there is only one U.S. roller that offers household foil to Trinidad. This roller supplies a small percentage of our needs. Recently, our requests for

addition volume from this roller have been turned down due to capacity constraints and in recent weeks our existing orders have been cut due to production issues. The only other large-scale U.S. roller of household foil is Reynolds. Reynolds is a vertically integrated company. All production from their rolling mill is captivity consumed for their internal needs. To my knowledge, they do not sell to any external customers.

The sourcing of household foil from foreign suppliers is far from a new phenomenon. As you can see from the detailed information we attached to our questionnaire response, Trinidad has consistently purchased the majority of its supply from foreign sources for the past 12 years. Historically, our needs have been primarily sourced from Russian and Brazilian companies. In 2014, political tensions with Russia increased. At the same time, Brazil entered an economic recession and a period of political uncertainty.

Given this growing instability in our supply base, Trinidad shifted its sourcing toward China. We did not, nor do we intend to stop purchasing from any of our existing customer ^^^^ suppliers. I'm sorry.

It is difficult to see how U.S. rollers are injured by a reallocation of volume among foreign supply sources. Only one U.S. roller, other than Reynolds, was

active in the household foil market during the POI. U.S. rollers have never been a significant supplier of household foil to Trinidad and historically, have not sought our household foil business.

It is also difficult for me to imagine injury during the POI to the vertically integrated Reynolds. Their branded product market share remains steady and their retail prices have increased over the POI. During that same period the cost of the key input, aluminum, fell sharply, as did energy costs. Add to that a period of low wage inflation and again it's difficult to see injury.

Now I'd like to talk about the disposable aluminum containers. Like household foil, our end product is sold directly to the U.S. consumer. The cost of aluminum foil represents a disproportionate component of the overall production cost, approximately 70 percent. At present, Trinidad sources the majority of our foil for containers from U.S. rollers; however, we are concerned about the long-term viability of these U.S. sources. Recent public statement by various U.S. rollers suggests they may not have a long-term interest in producing container stock. Rather they are more interested in growing markets for high technology, high margin products such as beverage can sheet, aerospace, and automotive products. Rarely, do U.S. rollers mention household foil and container stock as strategic

markets.

As I read the writing on the wall, the risk is current U.S. suppliers shifting an even greater proportion of their capacity to other types of foil, again, leaving Trinidad without a domestic source. There are also technical hurdles to U.S. rolling mills supplying container stock to Trinidad. Certain U.S. rollers do not produce container stock in the wide widths necessary for our modern container stamping equipment, limiting available U.S. suppliers.

Additionally, one of our suppliers recently has switched the aluminum alloy for all their container stock production such that their foil is no longer suitable for our container lid products.

To summarize, a reliable supply of both household foil and container stock is critical to our business. In the household foil market, Chinese imports are necessary to meet consumer demand. Current U.S. production simply cannot meet U.S. demand. In the container stock market, U.S. rollers have a majority share, but their long-term commitment to this segment is questionable. At present, China is the only large volume, experienced producer, outside of the United States, who can meet our technical requirements for container stock.

Duties placed on Trinidad's foil imports from

China could be devastating to our company and all of the 750 employee owners. Importantly, duties would also have a significant negative impact on U.S. consumers. Those duties could force Trinidad to exit the private label market. The end result would be that U.S. consumers have less choice for these foil products. Thank you for your time.

STATEMENT OF DAN CANNISTRA

MR. CANNISTRA: Good afternoon. Dan Cannistra on behalf of Crowell Moring. We're changing topics to fin stock. I'm joined today by Rogelio Garcia of Valeo, a Tier 1 automotive producer, and Albert Wang, an expert in the production of fin stock material.

STATEMENT OF ROGELIO GARCIA

MR. GARCIA: Good afternoon, Commissioner staff. My name is Rogelio Garcia. I am the Site Purchasing Manager for Valeo Thermal Systems of North America. I am here today to explain why aluminum fin stock for heat exchanger is a different product from aluminum foil and should be separately examined by the Commission in this investigation. I am also here today to discuss the U.S. mills' inability to supply many of the alloy, sizes and quantities of fin stock we need in the U.S. automotive industry.

If you would allow us please, on the left you will see some samples of what fin stock is. You will see

the flat, the flat aluminum fin stock as it comes, the formed fin and then how it's incorporated into the heat exchangers. So Mr. Caryl will help me to pass those around while I continue talking.

So first, the fin stock aluminum foil have different physical characteristics. Fin stock gauges range from roughly 45 microns or 0.045 millimeters in thickness. On the other hand, a light-gauged foil is less than 40 microns thick. The alloy and chemical compositions also differ, with fin stock comprising proprietary alloys which contain significant levels of silicon, manganese and zinc, low levels of iron and other special elements such as zirconium and titanium. Aluminum foil comprise standards 110, 1200, 3000 and 8000 series alloys, with less alloy content. So secondly, these physical and chemical differences impart different mechanical properties and use. Fin stock is heavier, stronger and more corrosion-resistant and less tempered than aluminum foil, is used in the manufacturing of automotive heat exchangers. We're talking about radiators, oil coolers, heater cores, evaporators, condensers.

Fin stock is permanently incorporated into our product. In addition, a special processing may be used to manufacture -- sorry. This sis to provide sag resistance and grain control, grain size control, which are vital the

brazing process. Aluminum foil, the converter and household foil, is much lighter and used for preserving food and medicine, which must be removed from the foil packaging for the ultimate use.

Third, fin stock is not interchangeable with aluminum foil. In fact, specific grades of fin stock are not interchangeable with each other. Each grade has a specific corrosion resistance and grain orientation for this designated use, whether it's brazing fins, tubes or plates.

Fourth, fin stock has distinct channels of distribution from aluminum foil. Fin stock is owned by Tier 2 auto parts producers to Tier 1 manufacturers such as ourselves, Valeo and Mahle, for production of automotive heat exchangers, which then are sold to auto makers such as Ford, General Motors or Chrysler. Aluminum foil is sold in many different distribution channels to food and medical package manufacturers, spoolers and grocery stores.

Fifth, manufacturing facilities, processes, equipment and costs for fin stock and aluminum differ drastically. Light and medium-gauged foil is produced in large batches, and it is primarily continuous cast. Rolled, frequently double-rolled, meaning that you have two sheets of foil that are rolled at the same time, that provides with one bright side and one matte side. You can't do that with fin stock. They're annealed, slit and for household oil

they're spooled.

Fin stock is primarily direct child cast and subject to more than 15 production steps, including homogenization, cladding, hot-rolling, cold-rolling, batch annealing, stretching, leveling, with very tight process controls throughout. Fin stock is not double-rolled or spooled and is frequently brazed to the heat exchanger by the Tier 1 producers such as ourselves. Fin stock is produced in small batches to meet the specifications of the automotive applications.

As a result, most light- and medium-gauge foil producers do not produce fin stock and vice versa. If a company produces both products, they do so in different equipment and lines.

Sixth, based on all of the above, customers and producers perceive fin stock and aluminum foil as entirely separate products that serve entirely separate markets. In fact, the industry does not even consider fin stock to be foil. Should I -- thus, fin stock and aluminum foil should be analyzed separately.

Finally, I want to briefly highlight an important condition of competition to the U.S. fin stock market. Most U.S. aluminum rolling mills have left the fin stock market, and I believe this is due to fin stock's complex production process, lower profitability and lower

demand growth compared to other markets such as aluminum auto body panels.

As a result, there is a significant shortage of domestic fin stock supply. There are also significant qualification issues with the remaining U.S. producers of fin stock, most of which I will save for the post-conference brief, due to their confidential nature. I believe my testimony represents the position of other major U.S. Tier 1 automotive producers. Thank you, and I would be happy to answer any questions.

MS. MOWRY: Kirsten Mowry here. Thank you very much. I do appreciate the staff's indulgence. I know we went overtime but maybe that just serves to prove the case that this is three different products, three different products, three different market segments and maybe each should have had their own hour to present their case. But thank you very much for your patience.

MR. ANDERSON: Thank you, and I want to thank all the panelists for your information. It's been very helpful and we'll now start with questions from staff. We'll start with Mr. Enck.

MR. ENCK: Okay. I'm going to ask the same question that I asked the Petitioners. Do you think any out of scope product is coming in under the 6 HTS numbers listed in the petition? Mainly the under 25 pound reels.

MS. MOWRY: The 25 pound roll is so far off of what the flexible packaging people use that it never even came across our radar screen. Would you say it's normally is 1,000 plus pounds per roll.

MS. WALTERS: This is Donna Walters. As I said, our --

MR. BISHOP: Move your mic a little closer. Thank you.

MS. WALTERS: This is Donna Walters. As I said in my testimony, our product is virtually unchanged. We just bring in the large jumbo coils and roll them into the smaller coils, that's to go into the retail boxes. Now certainly we are already seeing Chinese imports of those products into the U.S. market, and it's my belief that if that exclusion holds, we will just continue to see more and more imports of retail boxes of Chinese foil.

Additionally for aluminum containers, the same case holds. We see Chinese imports of finished containers, and again if this restriction holds or the function holds, we will see more inputs of finished products putting our company at risk.

MR. ENCK: Thank you. Question for the Chinese producers. Do you agree that you can switch production from fin gauge to heavy gauge quickly and easily as they characterized it?

MR. CANNISTRA: Mr. Wang can certainly speak to the attributes.

MR. BISHOP: Please identify yourself.

MR. CANNISTRA: I'm sorry Dan Cannistra, Crowell and Moring. Mr. Wang can certainly speak on behalf of fin stock and the differences in producing fin stock versus other products, and the limited degree of interchangeability.

MR. WANG: Albert Wang from Yinbang Clad Material. No, we cannot. For brazing fin stock, we use DC and homogenization to meet a special alloy requirement and the grand structure mentioned earlier for stress corrosion resistance, and spec particular properties. For example, in the DC casting is a big ingot coming out. In hot mill rolling, at least 31 passes, and also for homogenization. By definition, homogenization of coil structure need to be -- . So it's totally not interchangeable for our products.

MR. ENCK: Thank you. Does anyone else --

MR. MORRISON: Well actually I'd like to talk about that relative to light gauge.

MR. ENCK: Sure.

MR. MORRISON: Let me give you an example.

MR. BISHOP: Please identify yourself.

MR. MORRISON: Oh, I'm sorry. Jack Morrison, Xiashun Aluminum. Let me walk through an example of what we

do in terms of process. Let's start with 300 millimeter foil stock. This is an example of what a 300 millimeter foil stock would be like. You roll it through a foil rolling mill, reduce it about half, about 50 percent roughly. We do this four times. That gets it down to roughly about 15 microns in thickness.

Now we have a decision to make, which we want to go to light gauge foil. So we put it through a doubling process, put two coils together, two ply if you will. We roll it and we separate it back apart with the separating equipment. Then we have -- now we have a six micron or six and a half micron foil. So we put it through a separate process.

Now in addition, what we've done in Xiashun is we've purchased different types of equipment. We don't have one foil rolling mill. We have three different types of foil rolling mills. One specializes in heavy gauge, medium gauge and light gauge, and we're done this to be able to make the quality requirements, particularly gauge controlled through companies like Tetra Pak.

So we don't have one mill fits all. We have three separate mills, foil mills to roll the stack. So it's not interchangeable for us. We have some overlap. We have mills that can do medium and light or heavy and medium, but they're specialized foil rolling mills. That's the big

difference. So we look at them as entirely different products.

MR. ENCK: Okay, and then if I could ask the same question again about the impact of product mix on capacity. Do you have any -- can you give me any idea of what, what sort of impact on capacity that would have in terms of output by weight, between heavy gauge and thin gauge?

MR. MORRISON: Yeah, to use our example, your question earlier of 100 parts or whatever, 100 --

MR. BISHOP: Please identify yourself.

MR. MORRISON: Again Jack Morrison, with Xiashun Xiamen. To use your example earlier, if it takes us say 100 units of time to go down to a 15 micron, it would take us another 100 units of time to go down to 6 or 7 micron. So roughly twice as much time to go down to light gauge.

MR. ENCK: Thank you. So a number of importers mentioned that -- sure. A number of importers mentioned that quality was a main factor in sourcing from China. Some cited specifications. Does anyone -- do any other importers attribute their preference to China to any other reasons?

MR. CANNISTRA: Well, we certainly did on fin stock --

MR. BISHOP: Please identify yourself.

MR. CANNISTRA: Dan Cannistra, Crowell and Moring. If we could, for the moment, pull back the slide. Ours is less quality-oriented and more qualification oriented and availability oriented. Rogelio, if you could review that slide.

MR. GARCIA: So basically what happens is the --

MR. BISHOP: Please identify yourself.

MR. GARCIA: Oh, Rogelio Garcia from Valeo, I'm sorry. The material that we use requires certain characteristics to go through the brazing process. In the automotive applications, qualification plays a very heavy role in our product mix. We basically sign up for meeting some performance criteria for our customers, and we do so with the right combination of materials and elements into heat exchanger.

To change one for the other, it's a very complex process. It takes a lot of testing and a lot of time and resources. In addition, what we've seen is after 2009, a lot of the local mills preferred to exit the heat exchanger business because of this reason. We required non-standard product with different alloys, different sizes, different gauges, and the qualification process is very, very heavy.

MS. MOWRY: This is Kristin Mowry. I think in Jim Squatrito's testimony, he also spoke about available widths, and I think that other converters have similar concerns. So if anyone want to jump in on the width issue, please feel free.

MR. CASEY: Yes. This is Steve Casey from Bemis, and we have -- it would be both quality as well as availability of the thin gauges we need, both down to the thinnest, the triple 02-5 and width, and so those would be factors. I guess the other point I would like to make, the Aluminum Association specifications were mentioned multiple times, and I can tell you that for Bemis, the Aluminum Association specifications are not adequate. We have specifications that are much tighter that what the Aluminum Association would have.

MR. DEWAR: Don Dewar, American Packaging. In addition to the quality issues, also you have delivery issues. The domestic suppliers rarely meet the dates that they have quoted you, and we manage our inventories so it's very much just in time.

So we depend on those dates for our production, and that causes us a lot of excess cost as well. The promise of lead time based on the contract amount or the allocated amount that you would get outside of that allocation, the lead times are equal or beyond what you can

get sourcing the foil from Germany or China.

MR. ENCK: Okay, thank you.

(Pause.)

MR. ENCK: Are there any -- talking about a number of industries here, but in any of them are there substitute products for aluminum foil?

MR. GARCIA: Not for fin stock.

MR. CASEY: This is Steve Casey from Bemis, and we do not get the barrier properties required for packaging from any other substrates that we do from foil.

MR. GALLAGHER: My name's Sean Gallagher. I'm sorry, go ahead.

MR. DEWAR: Don Dewar, American Packaging. There are some applications in which the barrier properties are not as stringent, where opacity may be one of the factors that you're looking for more, and in a lot of those cases you can substitute the metallized oriented polypropylene or metallized polyester in place of it.

MR. ENCK: Thank you. Okay, that's all I have for now.

MR. ANDERSON: Thank you. Mr. Sultan, your turn.

MR. SULTAN: Thank you. My first question is for you, Ms. Mowry. How exactly are you proposing that we define the separate like product that you're advocating?

MS. MOWRY: Kristin Mowry, Mowry and Grimson. Thank you very much, Mr. Sultan. I would like to first acknowledge and offer my appreciation to the staff for adding the additional question in the questionnaire on the less than triple ott 3 inch shipments in both the importer questionnaire and the domestic producer questionnaire.

So what we are proposing is that less than triple aught three, and there was a lot of testimony earlier today about the cases in the EU, and I would note that there were several cases in the EU. One was a petition was submitted and later withdrawn, and that was on the ultra-thin. It was the 8, below 8 micron level, which is I think if my conversions are right, triple aught three-1 is equivalent to 8 microns.

So the standard of the ultra-thin at either less than 8 microns or in order to keep with how the Commission had already issued the questionnaire on the triple aught three inches, is recognized globally. So that petition in the EU was submitted and withdrawn. There was a separate petition on household foil, which I think is 8 to 21 microns, and obviously it's a completely different standard as fin stock as well. So I think it really is globally recognized different segments.

MR. CANNISTRA: Dan Cannistra on behalf of Crowell and Moring. If I could just add a couple of quick

points, because I certainly appreciate this is the first aluminum foil case before the Commission. But as was just mentioned, there is a long history actually, a five year history of cases on aluminum foil in the European Commission brought by the same mills that were before you here today, and there were some very well--

And just like the Commission has to establish its like product based on as a primary matter first what was suggested by Petitioner, but then the Commission undertakes its own analysis, the Commission does the exact same thing there. Over this five year history, the parameters have been well established, and they are those advocated again by the same mills that were here today.

It's between 8 and at its maximum 45 millicrons, time after time, case after case, that has been identified as a single distinct like product in the European Commission. Similar situation in India as well. The Indian case has very set and defined parameters as well. It is certainly and absolutely not 0 to 200. This would actually be the only case.

Just to follow up on the steel example, this is a bit like steel, and just like steel, steel also has very defined thicknesses of -- points in industries. In steel, it happens to be 4.5 millimeters. Steel is obviously a different industry. It also separates product based on

alloys as well. Fin stock, as an alloyed aluminum product, it is not a pure aluminum product. So just like steel, we think here a separation based on alloys is appropriate as well.

Stainless steel is not in the same industry as carbon steel, for example. So we do think that the steel industries are helpful, and we also think the European cases are very helpful in defining what is the appropriate like product. We would actually ask the Commission to approach Petitioners and ask them for the position on like product and industry that they have submitted in the European Commission, advocating for their definition of like product in those current and ongoing matters. Thank you.

MR. SULTAN: Okay, thank you. Sorry to belabor this, but frankly I get a little bit confused between microns, inches and millimeters. Is the dividing line that you're advocating, are you talking about a product that has a gauge of less than .0003 inches?

MS. MOWRY: That is what we are advocating for, yes.

MR. SULTAN: Which is 8 microns.

MS. MOWRY: Which is 8 microns. I mean it's just -- that's the closest measurement in inches that comes to the 8 micron level, and I think as Mister -- sorry, I can't read it, Sultan? Yeah sorry -- mentioned that --

sorry, sorry. Excuse me. Yeah so it is recognizes as 8 microns, but in order to make it compatible with how the Commission was already collecting the data, we went with less than 0003. But that is what we're advocating for.

MR. SULTAN: So 8 microns is the most precise measurement? I'm sorry, I said 8 microns is the most precise measurement, is that right?

MS. MOWRY: I'm going to defer that to my post-conference brief. I believe that's right. What we wanted to do is make sure is make sure we had the right balance of what you had.

MR. SULTAN: And do you refer to his product as ultra-thin gauge or thin gauge, because I've been hearing both.

MS. MOWRY: We refer to it as ultra-thin gauge. I think it's safe to say, though, that within the industry, they don't necessarily use thin-gauge ultra-thin. They're going to use the exact thickness that they're looking for, whether it's triple aught three, 2.75 or double 007 or whatever it is. That's what they use.

MR. SULTAN: So in other words, in the parlance of the industry, it's referred to by those measurements, not by the terms ultra-thin gauge or thin gauge? I mean people generally speak of it in numeric terms?

MS. MOWRY: I see a lot of heads nodding, so I'm going to go with yes.

MR. DEWAR: Don Dewar, American Packaging. Oh.

MR. CASEY: This is Steve Casey from Bemis.

MR. DEWAR: Oh, go ahead.

MR. CASEY: This is Steve Casey from Bemis and yes, that's correct. We would refer to it as the specific number in terms of thickness.

MR. SULTAN: Okay, thank you.

MR. CANNISTRA: Dan Cannistra, Crowell and Moring. With the exception of fin stock. Fin stock is referred to as fin stock. It's a class of products unto itself.

MR. SULTAN: Okay. Mr. Cannistra, I'm actually going to get to your product in a minute, but Mr. Morrison, in your testimony, you said that different equipment is used to make light gauge foil. Could you elaborate on that a little bit? Maybe you did and I just didn't catch it.

MR. MORRISON: Yeah, I'm sorry. Jack Morrison, Xiashun. When we get down to medium gauge, which is about 15 microns, and take it to light gauge, what we're calling thin foil now, we go through another process. So what we do is we go through a doubling process to put two

coils together. We roll it, do the reduction and separate it back apart to another piece of equipment.

Now we've got the 6 micron or 7 micron foil. So we go through a separate doubling and separating processes to do that, and we also use specialized rolling equipment in our facilities, to make light gauged foil.

MR. SULTAN: Okay. Mr. Gallagher, I think that you said you can't just turn a switch to produce light gauge foil.

MR. GALLAGHER: That's correct.

MR. SULTAN: Can you elaborate on that a little bit?

MR. GALLAGHER: I'm sorry?

MR. SULTAN: Can you elaborate on that a little bit?

MR. GALLAGHER: I want to -- can I refer that question to Todd Lutterbein, who has better understanding and can probably put it in layman's terms?

MR. SULTAN: Thank you.

MR. LUTTERBEIN: Todd Lutterbein from Manakin Industries. I think the question is really related to expertise of the operators, the technical people that are involved, to bring these technologies to fruition, the investments that are made to build a greenfield plant, which is really what would be required in the United States or

major upgrade of an existing facility.

But that type of brick and mortar construction would be at a minimum two years, probably three years before you get the facility built and equipped with modern equipment. So in that regard, you just can't do that overnight.

MR. SULTAN: Okay. I am actually exclusively interested in what happens in terms of the production process here in the U.S. Are you saying there is no production anymore? MR. LUTTERBEIN: Well again, Todd Lutterbein replying. There's a vast differences in the way light gauge foil is made in let's say China and Europe than it is in the United States. They have better filtration systems and modern equipment to refine the rolling oils to a cleaner grade metal that is seen between the nip of the work roll that comes in contact with the foil. It might influence something like the pit holes we heard about earlier as a quality defect.

The gauge shape, profile controls and the foil mills are all modern using the latest microprocessing equipment, get the fattest seed -- control loop possible to make sure you get perfect gauge shape and profile across, you know, 72, 80 inches of web width. The U.S. mills are lagging many years technology in that area.

Another very important difference between the

Europeans and Americans and the Chinese, pardon me, the Europeans and the Chinese are using modern slitting equipment, where they can run at very high speeds, slit the finished gauge width foil to the desired customer width, and put it on an unwind stand or rewind stand, pardon me, at very precise tension controls.

This is important because when you put the big jumbo coils at this point off the slitter, they go into the annealing process, and if you don't have good tension in the coils that you put in the annealing furnace, you bake them at very high temperatures and the residual rolling oils will exit from the center of the coils. That's a huge productivity benefit.

The converters around the table here today, they run typical U.S. foil and they'll easily run it down as far as they can on the core, and they may throw out an inch of buildup on the -- from the core because they can't unwind it. It gets sticky and they fear it will tear out.

Most China or most foil come out of Europe or China, you run it right down to the core, and just get on with the next coil, without the anxiety of a foil break when you get down to the core.

Another huge difference I think in the process capability between the United States and Europe and China is abroad we use electric annealing furnaces that control the

heat inside the annealing furnace very precisely. In the United States, to my knowledge, we usually use gas or a diesel oil petroleum-based type heating system, and you can't control the heat nearly as precisely.

When you're dealing with light gauge foil, it's critical that you evacuate all the rolling oils off every square inch of foil on that 28 mile strip that Mr. Casey described earlier, and every coil in the furnace. We might load 20 tons of foil in a furnace at one time. If you don't have a good control heat, you're going to have intermittent quality throughout the batch, and that's a significant process development, highly controlled by automated computers and that type of technology, to my knowledge, it really hasn't been pushed forward in the United States for many, many years.

MR. SULTAN: Okay. Let me ask a question about the asserted lack of interchangeability between light, medium, and heavy gauge foil.

Mr. Morrison, I think you said these three just aren't interchangeable at all. But let's say that a converter isn't able to get ultra thin gauge, 8 micron or less gauge product. Might they not be able to use something slightly over that gauge?

MR. RINKEVICH: Tim Rinkevich with Tetra Pak. If we use heavier gauge foil--

MR. BISHOP: Can you please speak directly into the mic?

MR. RINKEVICH: If we use heavier gauge foil in our packages, as I stated, we can't form them. We can't get the flats to come down. It also impacts our environmental footprint, because we're trying to promote a product that has a good transportation cost.

MR. SULTAN: Okay, but would you say that--would you say that 8 microns is sort of a bright dividing line between ultra-thin gauge and medium gauge foil?

MR. RINKEVICH: Tim Rinkevich with Tetra Pak. Yes, that's the way we classify it.

MR. SULTAN: Okay. Thank you.

Mr. Cannistra, for you and your clients, several questions about fin stock for heat exchangers. And excuse me if these questions are off the wall but I have a very minimal technical background.

Is fin stock only used to make heat exchangers? Or does it have other uses?

MR. CANNISTRA: No, it is only used n the heat exchangers.

MR. BISHOP: Please identify yourself.

MR. CANNISTRA: Daniel Cannistra. It is only used in heat exchangers, as is.

MR. SULTAN: I've seen the samples, but what

exactly are heat exchangers?

MR. CANNISTRA: A heat exchanger is a device that transfers heat from one medium to the other. So for example a radiator in the engine compartment of a vehicle, it cools the glycol that runs through it with the air that's blown by the fan. There's two basic components to a heat exchanger: the fin, and the tube.

In the cross-sections in the acrylic mounts that we pass around--I don't know if you have it available--to your left. In that mount you will see a cross-section of a heat exchanger, and you clearly see the fin stock, the fin and the tube. Fin stock will be used to form that accordion shape part that goes between the tubes.

MR. SULTAN: Okay, so the heat exchanger transmits heat from one element, or one part of the system to another?

MR. CANNISTRA: Correct.

MR. SULTAN: That's different from a heat sink, isn't it? A heat sink dissipates heat. Is that correct?

MR. CANNISTRA: That is correct.

MR. SULTAN: And could you just go over this again? I know that you testified to it, but it sort of went past me. Can you just describe again the additional production processes involved, or the different production processes involved in making fin stock as compared to making aluminum foil?

MR. GARCIA: Rogelio Garcia. Absolutely. It all starts with actually the composition of the alloys. If you remember the previous slides, the mechanical and the chemical characteristics we require from the fin stock are there so we can mechanically produce what you see, make the heat exchanger pass through the oven at around 1100 degrees Fahrenheit, and we can have the product brace properly.

That requires several steps in the process. First we prefer the casting, directional casting, and that allows the material to be homogenized. That controls the, how can I explain it, the allotment of the elements evenly across the whole coil.

MR. CANNISTRA: Dan Cannistra. If I could just defer to Mr. Wang for a second because he's on the production side, as well. So we have the production side and the ND side.

MR. WANG: Because product requires stress corrosion and high standing product cutting in terms of assembling the heat exchanger, so we start from alloys. Alloys are totally different from regular fin stock for semi-rigid container, for example.

MR. SULTAN: How are the alloys different?

MR. WANG: The alloy, for example, major different, for example, manganese and zinc. They are 40 times than regular fin stock for semi-rigid container. So

with this type of high percentage of these two alloys, the conventional continuous casting which most of them using for foil production, cannot be used here.

So we have to use the so-called direct shield casting, the significant size is significantly bigger, and the investment is significantly bigger, and also the control of the process is much, much tighter.

For example, in homogenization in the furnace temperature we're talking about plus or minus 3 degree temperature control in a time In order to achieve the micro structure mentioned earlier. If the micro structure is too coarse, the corrosion can penetrate through it, just one example. And also the property, the physical property as well.

So starting from casting, we're already from direct shield casting. After direct shield casting, we have to go to the preheating. And then we go through the homogenization mentioned earlier. We make temperature about 560 degree. Then we put on the long table of hot mill rolling because it's pretty heavy.

This went back and forth about 31 passes to reduce the gauge so we can wind it together. Then we go through cold mill. Then we can maybe go to some of--because we talk about thinner gauge, we go through the foil mill to get the point, zero point zero four five millimeter minimum.

So of course then we have another partial annealing, and annealing through this process, but it's not finished yet. We have, for some brace we have to go back to the hot mill again to make sandwich. The sandwich where you have thicker parts and two or one side finger part. They are different alloys. Then we go through hot mill all the way to the thin gauge again.

So this is a totally different process from foil. So it's 51 steps minimum there.

MR. SULTAN: As compared to how many steps in producing aluminum foil, roughly?

MR. WANG: Aluminum foil, thin gauge, maybe Jack Morrison can comment, but I can roughly say you start from CC casting. Coming out is about 7 millimeter thick. Wind it together, then passing through the cold mill four passes. Intermediate mill, another three to four passes. And go to the, what you call the doubling, and then final pass to 6.5 micron. And then separator, the annealing. I think probably roughly about 15, 16 passes, even for the thin gauge. For semi-rigid container, they may be even much less.

So probably for semi-rigid container, I think it's about 10 passes. So we are talking about 31 passes. And alloy is so different. As I mentioned, manganese and zinc is 20, 30, 40 times higher. It depends on the

customer's need. And the customer has specific need for their process, for their assembly, for their salt corrosion--

MR. SULTAN: It's higher in the fin stock material. Okay. Just one last question.

Is there domestic production of fin stock?

MR. WANG: Mass production for thin stock?

MR. SULTAN: For Mr. Cannistra, actually.

MR. CANNISTRA: I'll pass this to Mr. Garcia.

MR. GARCIA: Rogelio Garcia. There is local production of fin stock, but we have observed throughout the years that the local players are moving away because of the complexity. And I think one of the panelists before mentioned that they prefer to roll single alloys to basically better utilize their capacity, which is understandable.

What happened after the Recession in 2009, our company wasn't able to secure the capacity in the United States to support our contracts to our customers, which is why we had to recourse to the import of fin stock from other markets.

MR. SULTAN: Alright, just one last question. And this is for counsel. I'd be interested in knowing whether you have any views on the proposed definition of a "domestic industry" by Petitioners to include all domestic producers

of aluminum foil?

MS. MOWRY: This is Kristin Mowry from Mowry & Grimson. We will be addressing that in our post-conference brief, thank you.

MR. SULTAN: Anyone else?

MR. O'BRIEN: Same with us.

MR. SULTAN: Thank you. That's all I have. Thank you, very much.

MR. ANDERSON: Thank you, Mr. Sultan. Ms. Larson?

MS. LARSON: Good afternoon. Thank you very much for the panel. This has been very helpful.

First, a very simple question just because there's so much going on and it's a new industry for me. Would it be accurate to characterize this as three market segments? You could say there's converter foil, household foil, and fin stock? Or are there other markets that are also covered under the scope?

MS. MOWRY: Kristin Mowry. Go ahead, please. Go ahead.

MS. WALTERS: This is Donna Walters from Trinidad Benham. We would the metal--the foil we make our containers from to be called "container stock," and that would be a separate category than household foil.

MS. LARSON: Okay, and that was my follow-up question. So flexible packaging is under that converter

foil? Is that correct? Okay, then there's household foil, container stock, and then fin stock, more or less? Those are the four main components.

Has the demand for aluminum foil been even in all the end sectors--sorry?

MR. SQUATRITO: Yes, sorry. It's Jim Squatrito from Oracle Packaging. We have a small, it's relatively small but it's worth noting, cable wrap business that's slightly higher gauge than the ones you have. So there's a fourth category is what I'm suggesting.

MS. LARSON: And the cable--

MR. SQUATRITO: It's a cable wrap. It's an armoring product for underwater, underground cables.

MS. LARSON: And it fits within the scope and the gauge?

MR. SQUATRITO: It would be a fourth gauge.

MS. LARSON: Okay.

MR. SQUATRITO: A fourth category.

MS. LARSON: Thank you.

MR. LUTTERBEIN: This is Tedd Lutterbein, Manakin. The Aluminum Association breaks out a number of product categories in the foil segment, and one that hasn't been mentioned is construction. And there's a couple "other" categories. The construction foil is typically very light gauge.

MS. LARSON: Thank you. That's helpful.

Has the demand for aluminum foil been even in all the end use sectors? Or have we seen one end-use sector increase more rapidly than others?

MR. CANNISTRA: Dan Cannistra on behalf of Crowell Moring. At least in the fin stock sector our demand is driven by automotive OEM production. So our demand during the POI has increased significantly.

MR. WALTERS: Donna Walters from Trinidad Benham. Basically our markets of household foil and containers are relatively mature markets with low growth.

MS. LARSON: Okay. And once the market share-- distribution of these four main components, is fin stock an equal quarter of the market? Or what's the size?

MR. CANNISTRA: Dan Cannistra, Crowell Moring. I'm not sure that we have a number. We are certainly not one-fourth. We're significantly less in terms of total metric tonnage, but we'll need to get back with some more precise data.

MR. LARSON: Speaking to supply, Mr. Dewar mentioned earlier delivery time issues, and I was curious to hear from other purchasers or converters of any supply disruptions that they have experienced during the POI, during the Period of Investigation?

MS. MOWRY: This is Kristin Mowry from Mowry

Grimson. We had such a hard time trying to narrow down our list of potential witnesses, but our other members of the Flexible Packaging Association have stories similar to Mr. Dewar's, and we will be providing evidence of such delays in delivery in our post-conference brief.

MS. LARSON: Wonderful. That would be great. Thank you.

How have raw material prices affected the price of aluminum foil? Have you guys seen similar passed through with imports? Are raw material costs passed through--have a pass-through effect?

MR. DEWAR: The descriptions used earlier--Don Dewar, American Packaging--the descriptions used earlier by the manufacturers for how they arrive at costs, with the fabrication costs and the costs of the ingot is the same way that we negotiate prices with any of our suppliers globally.

MS. LARSON: In the Midwest--go ahead, sorry.

MR. CASEY: Steve Casey from Bemis Company. And so we have seen the same thing. The price, as mentioned earlier, for the aluminum does change monthly and is a pass-through. The conversion is negotiated on a periodic, usually annual basis. And then a wild card that we mentioned earlier was the Midwest premium that can fluctuate very significantly. And at times, when we look at 2014 and 2015, put the domestic suppliers in a significant negative

position relative to imports.

MR. LARSON: Mr. Casey, how often is the Midwest premium price adjusted under a contract?

MR. CASEY: It is adjusted monthly, similar to what the LME metal would be.

MS. LARSON: And the Petitioners earlier said that the imported price of aluminum is often set at the start of the contract for the price of aluminum. Is that what--or maybe I misunderstood what the Petitioners were saying--

MS. WALTERS: Donna Walters from Trinidad Benham. We buy our products of household foil and container stock on the same basis: Midwest price if it's a domestic supply, and if it's a Chinese price it's LME plus the fabrication cost. So it's floating on the same basis.

MS. LARSON: Okay, great. Thank you. Are the purchasers and converters of aluminum foil located throughout the United States? Or are they more heavily concentrated in certain regions of the United States?

MS. MOWRY: We have a really good--sorry, Kristin Mowry, Mowry Grimson--we've got a map we can show you. Throughout the United States.

MS. LARSON: Great. Thank you. So in terms of purchasing factors, I've heard a lot about quality, availability in terms of sizes. Are there any other specific factors that purchasers and converters are looking

at when making purchasing decisions?

MS. MOWRY: Kristin Mowry, Mowry Grimson. I think this might be a good jumping point for some of our converters to go back to the issue of qualification process. I know in the earlier panel Mr. Rosenthal said on any given day you might ask for a price on this gauge or that gauge, but given that in the ultra-thin segment of the market and the converters take, as I think you heard earlier this morning, a minimum of one, sometimes two or more years. And maybe I'll ask Deanne to start off from the medical device perspective.

MS. DODRILL: Making a change, even one that seems as straightforward as a change in a supplier using the same alloy, is a very big deal in the medical industry. That would require us to do a--

MS. BELLAMY: Pull your microphone forward, please.

MS. DODRILL: -sorry--that would require us to do a good big of testing on our part to show that it is substantially equivalent. We will then need to notify our customer, provide that information to them. They're going to want samples, probably of three different lots. They will have to go through a series of validation work on their own to make sure that nothing has changed.

That is going to include accelerated aging,

real-time aging, distribution studies. It is not a simple process. Depending on what has been filed with the FDA, it may require additional filings with the FDA and approval with them. So two years is typical.

We have one that we're now in year 11. So it is a slow process, and it is an expensive process.

MR. GARCIA: Rogelio Garcia for Valeo. For the fin stock I think one factor is also the willingness to deal with different kinds of alloy, the variety. When you talk about heat exchangers, a radiator is different from an evaporator, or a heater core. So our requirements are lower volume, higher diversity of different alloys and gauges, and not every player is willing to do that.

MS. LARSON: With the qualification process that you've described today, how many suppliers do you typically work with when you're making a purchase? How many suppliers do you have qualified at this time? Maybe it's a better post-conference brief--

MS. MOWRY: Yes, Kristin Mowry, we will address that in our post-conference. Thank you.

MS. LARSON: Great. Do you agree that thinner gauges typically demand higher prices in the U.S. market?

MR. NELSON: This is Brian Nelson with Sunoco. And that's been our experience. The conversion of the FAT price is higher than the heavier gauges for our price book.

MS. LARSON: Great.

MR. MORRISON: As I mentioned earlier--Jack Morrison with Xiashun. As I mentioned earlier, there's a significantly more production requirement and quality requirement for the thin gauge foil, so there is a difference in--significant difference in price.

MS. LARSON: Okay. Thank you. Mr. Nelson mentioned earlier his firm's experience with reject rates for its purchases of U.S. produced foil, between 4 and 5 percent, I think it was for the year 2015. In your post-conference brief can other firms discuss, comment on their own reject rates and maybe provide evidence of those reject rates they've had?

MS. MOWRY: Yes, we have that all ready to go.

MS. LARSON: Great. Thank you. The questionnaire responses for the cost share of aluminum foil in the total cost of an end use product range greatly. The first question is for fin stock. What is the cost of aluminum foil in a fin stock end use product?

Mr. CANNISTRA: Dan Cannistra, Crowell Moring. They prefer to provide that post-conference confidentially.

MS. LARSON: Sure. And if parties on both sides, you could look at the ranges that we have. They vary greatly. If anyone has any comments about the accuracy of responses, or if there's any way we can characterize maybe

certain segments belonging to certain cost-share ranges, that would be very helpful.

How often does your firm bundle more than one product in a sales contract with a supplier? How often are you purchasing multiple aluminum foil products at the same time, and you bundle underneath one contract?

MS. MOWRY: We will address that in post-conference also, thanks.

MS. LARSON: And my last question--or a couple, actually, for price data. I wanted to get your take on how well do you think the pricing products captured the competition in the market? And do these pricing products capture the breadth of the market?

MS. MOWRY: We will address that in the post-conference brief, but I guess it's fair to say we were a little surprised at the coverage, or lack thereof.

MS. LARSON: If you could also suggest maybe products that should have been included, or could be included in the final phase investigation, that would be helpful.

MS. MOWRY: We're really hopeful not to be here for the final phase. Thanks.

MS. LARSON: The last question. If quality and delivery times are superior for Chinese product, should we be expecting to see overselling in the price data? Do --- I

would assume that if the quality is great, and the delivery times are superior, is there a price premium with the products?

MS. MOWRY: We will answer that question in the post-conference brief, but I think, yeah, that's what we'll do. Thanks. Sorry.

MS. LARSON: Thank you, that's all my questions.

MR. CASEY: This is Steve Casey.

MS. LARSON: Okay. Uh-huh.

MR. CASEY: I guess the one comment we wanted to make is we see a mixed bag in terms of pricing where sometimes imported product is less expensive. Sometimes it's more expensive. So it's -- I would say it's not consistent.

MS. LARSON: Thank you. Well, that concludes all my questions. Thank you for the panel.

MR. ANDERSON: Thank you, Ms. Larson, Mr. Matthews?

MR. MATTHEWS: Daniel Matthews, Office of Industries. Thank you all for your testimony today. My first question is for Mr. Dewar. So earlier you said that South Korean suppliers could potentially make up for the lost Chinese production if the orders were put into place. What were the other countries that you were alluding to earlier when you said other countries?

MR. DEWAR: Countries such as Germany, Taiwan, South Africa, and Brazil.

MR. MATTHEWS: Okay, thank you. My next question is for Ms. Dodrill. So you may be able to provide an answer for this question given your experience with ASTM International, but I was wondering, could you answer the question that I asked the petitioners earlier. Do you know if ASTM Standard B-479 is still used in the industry? This is the common standard for aluminum foil even though it was withdrawn in 2015.

MS. DODRILL: Well, in the ASTM process, there are one of two ways a standard gets withdrawn. Either it's asked to be withdrawn and voted on, or it's just been neglected and there's no interest in the standard.

It is a very simple process to renew a standard. It takes about five minutes to just ask for -- so the way the ASTM process works is every five years, a standard is supposed to go under review. If it hasn't been valid and approved after eight years, it's withdrawn. To get a re-approval, you just simply go online and anybody that's part of the committee can do that and ask that it be reapproved. So I take it that there was in interest in it.

MR. MATTHEWS: Okay. Are you aware of any other standards regarding aluminum foil?

Standard of specification through ASTM?

MS. DODRILL: Not standard specification -- I'm aware of standards that evaluate various properties of aluminum foil, but not a specification for aluminum foil.

MR. MATTHEWS: Okay. Thank you.

MR. LUTTERBEIN: Todd Lutterbein can help you out a little bit. We buy a lot of aluminum foil supply to customers here in the States. And we buy almost exclusively to the EN Standards. They're much more demanding. Their clarity is easier to work with.

MR. MATTHEWS: Okay. Thank you. My next question is for Mr. Morrison. So could you tell me how widespread the use of continuous casting is amongst the Chinese producers? Do you -- is it a mix between continuous casting and direct chill casting?

MR. LU: Eric Lu from Xiamen Xiashun Aluminum. Yes, in China, it is a mix between CC casting and DC casting.

MR. MATTHEWS: Okay. Thank you. Those are all the questions that I have.

MR. ANDERSON: Thank you, thank you, Mr. Matthews. I did have a couple of follow up questions and I'll turn to our staff if there are any second round of questions. First of all, could the panel characterize what they feel is the level of demand over the period of investigation? I think we heard from the first panel that

there were some estimates of demand, but what's your view of demand for aluminum foil over the period of investigation?

MR. GARCIA: Rogelio Garcia. So for fin stock, like Daniel said before, demand is directly driven by the automotive industry and how the market is behaving. During the POI, we've seen that the demand for commercial vehicles has increased maybe not as sharply like as like in 2011 and '12, but increase is still there. So that's directly drives the demand for our product. Every car has a radiator, a condenser, and an evaporator heater core, basically.

MR. ANDERSON: So would you say -- maybe I don't, I can't put a fine number about it right now, but would you say demand is growing faster than the general economy or general sales of autos? Or would you say less?

MR. GARCIA: I would say faster than the general economy, yes.

MR. ANDERSON: And go ahead.

MR. LUTTERBEIN: Yeah, Todd Lutterbein, Manakin. We see and I think the Aluminum Association data would confirm that overall demand for packaging foil is relatively stable. And you get -- it's not necessarily a dynamic market. People -- customers are always looking for, you know, process improvements. So you may see some movement between gauges, but the overall demand is pretty stable. And that goes over from all the way from the early '70s

right through today.

MR. ANDERSON: Okay. So in the context of stable or somewhat increasing demand, I'm curious as to your response to the first panel's information in their slides showing that imports from China of -- have increased dramatically as much as 38 percent. So if demand is fairly stable or going up modestly, what's driving the increase as they've characterized Chinese imports over the POI?

MS. WALTERS: This is Donna Walters from Trinidad Benham. As I stated, there's no U.S. -- there's no U.S. -- very little U.S. production of household foil. So we import almost all our needs. And I talked about in our presentation, we had a shift due to political reasons away from some what we called at the time instable countries, Russia, Brazil, into China. So our increase in China was due to political reasons more than, you know, a shift amongst our suppliers. Not from the U.S. A shift amongst our international suppliers.

MR. ANDERSON: And I believe you said that was in 2014 was the actual shift?

MS. WALTERS: We started the larger shift was in 2014, yes.

MR. ANDERSON: Any --

MR. CASEY: This is Steve Casey from Bemis. As I said in my statement, our customers continue to push for

higher performance, thinner gauge both from a cost and sustainability standpoint. So as we downgauge the requirements for quality are higher, I -- we have also continued to reinvest in our equipment and are running at faster and faster speeds, which again, demand higher quality.

MR. DEWAR: Don -- oh, Don Dewar, American Packaging. And 2014, we currently still purchase 20 to 25 percent of our aluminum foil from JW. In 2014, we purchased foil from Norandal. We had contracted 2.2 million pounds from them that year, but they only delivered 900,000 pounds of that contract because they ceased producing the gauges of foil that we require.

And to the quality standpoint, we actually print on the foil at high speed through a 10 color press. 10 stations. So the quality has to be very high for that material. So the material was not available. And at those gauges, the quality is not available. And so, that demand moved to China.

MR. ANDERSON: Mr. Lutterbein?

MR. LUTTERBEIN: Todd Lutterbein, Manakin. With the customers pushing for increasing productivity within their own operations, we're able to source D.C. foil in China of particular alloy 8079. The U.S. market, I believe, registered that alloy, I don't know, '50s, '60s and stopped

making that alloy back in the last '70s just because they directed their D.C. production capability to make canned sheet. It's a much more demanding. A different alloy is required to make canned sheet.

So anyway, the continuous cast process saturated domestic production in the '80s so to speak. But the Europeans continue to make 8079. The Chinese make an 8079. So many customers when they come to us, or we come to them looking to downgauge or to get better productivity, we might recommend an 8079 alloy has better homogenous characteristics of the metal matrix, the way the elements are distributed across the web. So it's got higher strength, better elongation, better properties. And I can't buy that here. So we do see a shift. Some of our demand is gone because of alloy substitution.

MR. ANDERSON: Okay. Thank you for those comments. Very helpful. If there's anything further counsel would like to add in post conference brief, given that I can -- the Commission will find it very helpful looking at the value of imports could relate to the increasing demands and the higher quality that you're looking for, but we're also required to look at the volume, the absolute volume of imports, too.

MR. ANDERSON: My other question for you goes to these requirements and demands and maybe you're answered

some of this, but particularly during the POI, has there been any significant changes in the qualifications or demands that you require of your customers, whether they be from imports or from U.S. producers? Have you drastically or significantly changed the quality requirements, the qualification process, the time, the testing, et cetera during the period of investigation?

MS. MOWRY: This is Kristin Mowry. And for the flexible packaging folks, that is something that we're working on for the post conference brief. And there's just too many parties to generalize. So we will put that together for you.

MR. ANDERSON: Okay, that would be great. And then my last question has to do with as the Commission's -- as the data comes in on the pricing information, you know, it would be very helpful in your post conference briefs if you could address the trends in those prices, particularly that you're looking at a separate domestic like product. I think we have at least one product that fits in that category. And there's a definite trend, an early analysis of that, those pricing data. So I'd invite you to address those trends in the context of some of the testimony here as far as demand and usability and quality and so forth. And with that, I don't have any further questions. I'll just scan the staff here. Any follow up questions?

MR. ENCK: So we talked about apparent consumption trends in the United States. Could anybody tell me about what they've seen as far as consumption in China, the trends in China, and what's driving those as far as consumption goes?

MR. MCCARTER: We'll address that in our post conference brief. These guys hadn't thought about that. They've haven't talked to me about it, so.

MR. ENCK: Okay, thank you.

MR. WANG: Oh, Albert Wang. I was just commenting that automotive thin stock trend in China is up. Yeah.

MR. ENCK: Okay. All right, thank you.

MR. ANDERSON: Well, I want to thank the panelists for responding to our questions. And thank you for being here. I know you've taken time away from your businesses and travelled here. And thank you very much for your information.

I think now we'll take about a five minute recess so counsel can prepare their closing remarks. So we'll start closing remarks in five minutes.

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

MR. BISHOP: We're ready to start. Could everybody please find a seat? Closing and rebuttal remarks on behalf of petitioner will be given by Paul C. Rosenthal

of Kelley Dry & Warren. Mr. Rosenthal, you have ten minutes.

CLOSING REMARKS OF PAUL C. ROSENTHAL

MR. ROSENTHAL: I'll begin by addressing some preliminary issues like like-product and I assure you we will address these further in our post-hearing brief, but it's interesting to note that when you ask the respondents to define the bright lines that they would use to find the like product, they were unable to agree amongst themselves. Maybe in the post-conference brief, we will have it more clarity, but as far as I can tell, there wasn't any clear dividing lines that -- along the lines that the Commission would normally use to find a like product.

The Valeo representatives are making distinction between a specialized grade, a cladded product of thin stock and it differs a lot from the common types of thin stock. And I don't think you can rely on that testimony as a basis for a like product analysis. And by the way, in talking about in general, how the production process works, JW Aluminum uses the exact same employees to produce light-gauge foil as thicker gauges, as we testified to before. Any suggestions to the contrary that you're not producing the same products in the same facilities is just not correct.

I want to talk a little bit about domestic

investment. I think the respondents have either forgotten or ignored a great deal of investment by the domestic industry in the last twenty years. One example that is particularly relevant given the testimony today was involving the Novelis who had a Number 16 mill installed in Terre Haute in the early 2000s, and they produce product that went directly to one of the respondents here.

And about five years later, that respondent decided to discontinue purchasing those products and decided to ship, or import from overseas. That mill was state-of-the-art in the early 2000s. It's still operating now and it's not the fifty-year-old or forty-year-old or thirty-year-old investment that has been referred to by the respondents today. We'll give you more detail on the more recent investments and expansions and capital improvements that have been made.

By the way, it's surprising that the respondents would highlight this notion that the U.S. industry can't supply certain aspects of the domestic market. They should know that, as a matter of law, the Commission has always held that the domestic industry is not required to be able to supply the entire market, in order to obtain relief. That's well-established Commission precedent.

And so as I said, it's surprising that they make that claim. But as a matter of fact, the U.S. industry can

supply the vast majority of the market and it has the capability, some of it idle, but certainly the capability to supply all of the needs with some tiny exceptions.

When the foreign producers and importers talk about some of these specialty grades, I hope they'll provide you with the actual data on what percentage of the market they're talking about. It's our information that the domestic industry can supply the key grades and the key specifications for probably 95 to 98% of the market. So if there are some particular products they can't supply, it's a very, very small portion of the market.

So I'll remind the Commission, as I usually do, to focus on the donut and not the hole, which is what the respondents would like you to focus on. I'd also note that the quality claims about limited supply or of a particular .003" foil are not relevant to the finding of a separate like product.

The whole issue of quality and investment decisions -- China's gained market share versus other nonsubject imports over the past few years have gone from 22% of imports to over 70%, and the question is, have all those foreign sources been lacking in investment? Have all those foreign sources all of a sudden developed quality problems?

I would suggest to you in a price-sensitive

market that the entity that's gaining market share is doing so on the basis of price, not because everybody else has begun to fail quality tests or stopped investing. And it's not likely that the Chinese have displaced those nonsubject imports for reasons other than price. They were perfectly adequate before and all of a sudden, the Chinese are not taking over their share.

By the way, the EU, Turkey and India have, or in the case of India or -- imposed orders against foil imports from China. Did those industries in those countries all stop investing? Did all of them all of a sudden develop quality problems so they needed the Chinese to come in? Well, fortunately, the authorities in those countries decided that the Chinese imports were, in fact, injuring those industries and relief was granted, and that's what we're looking for here.

If you look at the data you received thus far by the importers and purchasers, you'll see that every one of them acknowledges that the Chinese price is lower than the domestic price, and that they are buying from China. Now, some of them will claim it's, you know, it's just coincidence that we're buying for other reasons such as quality, but the fact of the matter is, and Ms. Larson asked this question very properly, which is, "If they're selling higher quality product and it's not available in the United

States, why aren't you getting a premium?"

For a while, I think we heard the sound of crickets. Not a lot of robust responses. And then you had -- well, some of their products are higher priced. Well, so far we haven't seen that in the record. Maybe we'll see it later. But price is prime here. And I want to remind everybody in the room that this case is not about excluding products from China or any other country. It's about restoring fair pricing to the market place so that companies can have an adequate return on their investment.

By the way, on the question of quality, which we'll address quite extensively in our post-conference brief, Mr. McCarter testified earlier that the JW Aluminum returns were 0.5%. The returns of inadequate product according to this industry--and we'll give you the data--are microscopic. And why is that? It's very costly to have product that the customer doesn't like and ends up returning.

The witness for Trinidad Benham talked about concern about the long-term viability of U.S. producers producing container stock and as a reason for perhaps switching to other suppliers or diversifying.

Well, you know what? The domestic industry's concerned about the very same issue of the long-term viability. They want to be a long-term supplied to this

industry and not just a niche supplier. And that goes to this longer, or bigger question, if you will, of investments and facilities.

The decisions by the domestic producers to not invest recently in facilities is not by choice. Their decisions were forced as a result of the price declines and increased volumes due to the imports. And by the way, as I said, there have been investments previously, but in the last number of years, as Chinese imports at low prices increase, and they got more market share, that was -- investments understandably declined. And to use the old phrase, when you're up to your arse in alligators, it's hard to remember that you came to drain the swamp.

Well, when imports from China are ramping up rapidly at low prices and you can't get an adequate return on investment, it is hard to convince your investors, your stockholders, to invest in costly new facilities, or expand or modernize your existing ones. Indeed, closing facilities and laying off of workers costs a lot of money, too, and the domestic industries would rather be investing in upgrading their facilities rather than laying off people. But they need an adequate return.

This industry wants to invest. You heard testimony that they have people willing, or at least trying to get investors to invest, but the investors are saying,

"Why make an investment in this industry when you have a gigantic looming threat by the Chinese over you?" How can I justify a return on your investment?

And it's interesting that the, some of the respondents have criticized the decisions by certain U.S. producers to reduce emphasis on certain products and then go to others that are more strategic. More strategic means more profitable. In retrospect, perhaps the domestic industry should've filed a case sooner. But managers and officers in the company said, you know, we want to try to have market forces at work, and we'll retrench.

Well, that didn't work. The industry discovered that there is no retreating and no retrenching. There's no place to hide. And you can't go anywhere here without the Chinese in this market place chasing you with low prices. So it's not over. If you listen to some of the respondents, they'd like to be able to say, "Give up, you can't produce light gauges, etc."

That's not our approach. We want fairness restored in this market and we want to be able to invest. You may all remember the character from Animal House, John Bluto Blutarsky, who famously declared that, over, was it over when the Germans bombed Pearl Harbor? Well, it's not over in this case when the Chinese have attacked the domestic aluminum industry.

This case, the first, as you heard by the Aluminum Association in the lead, is a blow to taking back the U.S. market place and allowing U.S. producers to invest here, keep jobs here, and stop the erosion of U.S. manufacturing in the United States and particularly in the aluminum foil industry.

This industry needs relief and it can't get it on its own. It needs the U.S. government, not to subsidize, not to give it a handout, but to enforce the unfair trade laws. There's been injury caused by imports and further threat, and we ask the Commission to make an affirmative determination. Thank you.

MR. ANDERSON: Thank you, Mr. Rosenthal.

MR. BISHOP: Rebuttal and closing remarks on behalf of respondents will be given by Kristin H. Mowry of Mowry & Grimson. Ms. Mowry, you have ten minutes.

CLOSING REMARKS OF KRISTIN H. MOWRY

MS. MOWRY: Thank you very much. I am sure I will not take ten minutes since I think our panel was quite comprehensive, and thank you for your questions.

Let me be realistic. I know that there's a common phrase -- it's just a prelim, we're gonna rubber-stamp it, we'll just figure this all out in the final. And I'm just here to say, we're talking about, with respect to the flexible packaging industry, a crucial

industry that has come to you with what is a globally recognized exception.

The thought that these products are all in the same continuum is ludicrous. I don't want what I wrap my pizza in to be the same product that has my sterile, or supposedly sterile, medical equipment in. It's just ludicrous. You look at the products that are in front of you and the products that Valeo is talking about and there's just no way that this can all be considered one thing. I think we are very clear that for both the thin stock and the ultralight, ultrathin product, we have separate like products.

To Mr. Rosenthal's point, the quality claims are not relevant to separate like product -- totally agree. Our whole approach, because this is such an important issue for this industry, and because it can be ended on the ultrathin product at the prelim, our whole approach was, we're gonna brief you on the separate like product, but in order for you to understand the attenuation of competition, in order for you to understand why our packaging companies are buying from China versus from the U.S., the quality concerns are paramount.

And that is what's driving these. It's not price. You've heard that it takes one to two years or more to qualify a new supplier. We're not going to be making

decisions on prices. It's just not what's done. It's done on quality and availability.

We will be providing more information on the actual hard data from the companies on returns and I actually believe the gentleman from JW when the returns were microscopic. It's because they don't make very much of the ultrathin product. So the returns on the ultrathin to my guys is big. You heard one witness say it was one out of every two loads they had to reject. But when they're not getting that much from the domestic mills, I can see how the returns might be small, as compared to what the domestic mills are trying to focus there on.

Mr. Rosenthal gave the impression that it is the purchasers that said to the producers, "Oh, give up on less than .003", you can't make it." It's exactly the opposite. And we will be providing written documentation of domestic producers saying, "We are refusing to quote less than .003"." So it was their decision to exit the market. Not exit, but to dramatically reduce the market.

So I guess I would say to you, with respect to whether or not there is any competition between these two, to look closely and we'll provide more of this in our post conference brief, but if you look at the percentage of domestic production that is ultrathin, of total domestic shipments, look especially in 2014 and 2015. And I think

you'll be surprised by what you see.

And we will give you that information in the post conference brief, but this is clear. It is a bright line. I don't know if that didn't come across as clear to you in the panel. It may be crystal clear, we're talking about a carve-out for less than .003". That's what we're looking for. And that's what we think is a globally recognized segmentation in the market. With that, I would just reiterate that the issues in the less than .003" and throughout the ranges are quality, deliverability and quantity deficiencies.

Finally, I just would like to note for the Commission that the Chinese nonferrous metal industry has submitted a statement, I believe by e-mail, but we're also happy to include that in our post conference brief as a courtesy there. They want to have their views be known.

So I leave you with -- I know it's just a prelim, but it's not really that big of an ask. We've gone to so many resources to show you what the market really is in less than .003" and why these guys are making the decision to choose Chinese over the U.S. products. And I hope we've made it clear. Thank you very much.

MR. ANDERSON: Thank you, Ms. Mowry. With that, on behalf of the Commission and the staff, I would like to thank all the panelists and all the witnesses and the

counsel that have come here today to help us gain a better understanding of the aluminum foil market. This is the first time the Commission has looked at this product and it's been very helpful to have your testimony and have you here today.

A few closing remarks and dates I want to mention here to keep in mind on the investigation. The deadline for submission of corrections to the transcript and for submission of post conference briefs is Tuesday, April 4th, and if briefs contain proprietary information, a public version is due on Wednesday, April 5th.

The Commission is tentatively scheduled its vote on these investigations for Friday, April 21st, and it will report its determinations to the Secretary of the Department of Commerce on Monday, April 24th. And Commissioners' opinions will be issued on Monday, May 1st. And with that, thank you all very much. And this conference is adjourned.

(Whereupon the meeting was adjourned at 2:47 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Aluminum Foil from China

INVESTIGATION NOS.: 701-TA-570 and 731-TA-1346

HEARING DATE: 3-30-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 3-30-17

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

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