UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation Nos.:**
CAST IRON SOIL PIPE FROM CHINA	**) 701-TA-597 AND 731-TA-1407 (PRELIMINARY)**

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
CAST IRON SOIL PIPE FROM CHINA	) 701-TA-597 AND 731-TA-1407
	) (PRELIMINARY)

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

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

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Tyrell Burch, Program Support Specialist

Douglas Corkran, Acting Director, Office of Investigations and Supervisory Investigator

Amelia Shister, Investigator

Mark Brininstool, International Trade Analyst

Amelia Preece, Economist

Charles Yost, Accountant/Auditor

David Goldfine, Attorney/Advisor

APPEARANCES:

Opening Remarks:

In Support of Imposition (Elizabeth J. Drake, Schagrin Associates)

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

Schagrin Associates

Washington, DC

on behalf of

Cast Iron Soil Pipe Institute

Roddey Dowd, Jr., Chief Executive Officer, Charlotte Pipe and Foundry Company

Hooper Hardison, President, Charlotte Pipe and Foundry Company

Greg Simmons, Senior Vice President, Charlotte Pipe and Foundry Company

John Biggers, Vice President, Sales, Charlotte Pipe and Foundry Company

Michael Lowe, General Manager and Vice President of Sales, AB&I Foundry

Roger B. Schagrin, Christopher T. Cloutier and Elizabeth J. Drake - Of Counsel

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

Interested Parties in Opposition:

HengTong Casting
Suzhou, China

Owen Zhao, on behalf of Jinyou Zhao, President of HengTong Casting

NewAge Casting
Sugarland, TX

Bikram Singh, President and Chief Executive Officer, NewAge Casting

Rebuttal/Closing Remarks:

In Support of Imposition (Roger B. Schagrin, Schagrin Associates)

I N D E X

P R O C E E D I N G S

9:32a.m.

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

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's Conference in connection with the preliminary phase of antidumping and countervailing duty Investigation Nos. 701-TA-597 and 731-TA-1407 concerning Cast Iron Soil Pipe from China.

My Name is Douglas Corkran. I am the Acting Director of the Office of Investigations and the Supervisory Investigator in these investigations and I'll preside at this conference. Among those present from the Commission Staff are to my right Amelia Shister, the Investigator and to my left David Goldfine the Attorney Advisor; Amelia Preece the Economist; Charles Yost the Accountant Auditor and Mark Brininstool the Industry Analyst.

I understand parties are aware of the time allocations. Any questions regarding the time allocations should be addressed to the Secretary. I would remind speakers not to refer to in your remarks to business proprietary information and please speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter. All witnesses must be sworn in before presenting testimony.

I will also note as a housekeeping matter there will be a vote in this room so at the end of the Petitioners direct testimony or at 10:20, whichever is applicable we will take a break so that the vote can take place. The vote normally will run about 10-15 minutes. Are there any questions? Mr. Secretary are there any preliminary matters?

MR. BISHOP: I need one moment please, Mr. Chairman.

MR. CORKRAN: Certainly.

MR. BISHOP: Mr. Chairman, all witnesses for today's conference have been sworn in. There are no other preliminary matters.

MR. CORKRAN: Thank you, Mr. Secretary. Very well. Let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of imposition will be given by Elizabeth J. Drake of Schagrin Associates. Ms. Drake, you have five minutes.

OPENING STATEMENT OF ELIZABETH DRAKE

MS. DRAKE: Good morning, Mr. Corkran and members of the Commission Staff. I'm Elizabeth Drake of Schagrin Associates for the Petitioner, the Cast Iron Soil Pipe Institute. I want to thank the Commission Staff for all of their work in compiling the record in the preliminary phase of these investigations.

We believe that record will strongly support an affirmative preliminary determination. During the Period of Investigation, imports of cast iron soil pipe from China rose in volume and gained market share due to pervasive underselling of the U.S. Industry.

Overall from 2015 to 2017 Subject Imports increased by more than 15 percent outpacing the increase in demand. From 2015 to 2016 the average unit value of Chinese Imports fell by more than 90 dollars a ton. This facilitated a 48 percent surge in import volume in just one year, allowing Chinese soil pipe to gain significant market share at the expense of the Domestic Industry.

As a result, the Domestic Industry was denied the opportunity to fully participate in the market as demand peaked in 2016. Faced with the prospect of losing further market share to Subject Imports and saddled with already low capacity utilization rates and high fixed costs the Domestic Industry fought back on price in early 2017. The Domestic Producers cut their prices in an effort to compete with low priced Chinese Imports.

While Domestic Producers were able to regain some of the market share that they lost to Subject Imports in 2017 their overall share remained below 2015 levels. In addition, the volume came at a cost as it was only possible for Domestic Producers to regain volume by lowering their prices and even with those price cuts Chinese Imports reacted with their own price reductions.

The price declines in 2017 also took place in an environment where raw material costs were increasing. As a result the Domestic Industry's cost of goods sold as a percentage of sales revenue rose and its profits fell. Cast iron soil pipe from the U.S. and China are fungible products, made to the same specifications and they are sold through the same channels of distribution and to the same end users.

While U.S. Producers and importers tend to use separate distributors at any one time, those distributors can and do switch from domestic to imported product. In addition, distributors of imports and distributors of Domestic Product compete head to head for the same customers in all major markets nationwide. Therefore both domestic and imported cast iron soil pipe go to the same markets in the same manor and compete for the same end users.

When domestic and imported soil pipe do compete they do so largely on the basis of price. This makes underselling a particularly effective tool for importers to gain volume and market share. We believe the fact that low volume Chinese Imports took sales and depressed prices would be apparent both in the overall data compiled by the Commission as well as in the lost sales and lost revenue allegations submitted to the Commission.

Despite what we believe was an overall increase in demand from 2015 to 2017, growth of the Domestic Industry shipments was overwhelmed by the more rapid increase in imports. Prices fell and the Domestic Industry's profits shrank. Not only was the Domestic Industry denied the ability to share in the height of demand growth in 2016, it now faces the prospect of continued injury as demand is contracting and raw material costs are continuing to rise.

Public information indicates Chinese cast iron soil pipe producers likely have significant excess capacity. They have already demonstrated a strong interest in the U.S. Market as well as the ability to use aggressive price undercutting to seize market share. Numerous new importers of cast iron soil pipe appeared in the market from 2015 to 2017 including some just in the last year.

These importers will eagerly increase imports from China if orders are not imposed leading to continued adverse volume and price effects. The Domestic Industry, which already has high fixed costs and low capacity utilization rates will experience further injury as a result. For all of these reasons we respectfully request that the Commission make an affirmative preliminary determination. Thank you.

MR. BISHOP: Mr. Chairman, that concludes opening remarks.

MR. CORKRAN: Thank you very much. With that then we will begin with the first Panel.

MR. BISHOP: Would the Panel in support of the imposition of antidumping and countervailing duty orders please come forward and be seated. Mr. Chairman, this Panel has 60 minutes for their direct testimony.

MR. CORKRAN: Thank you Mr. Secretary. Welcome to the Panel and you may begin when you are ready.

MR. SCHAGRIN: Thank you, Mr. Corkran and the Commission Staff. For the record my name is Roger Schagrin of Schagrin Associates, Counsel to the Cast Iron Soil Pipe Institute. Today, we have representatives of all three, the only three, U.S. Producers of cast iron soil pipe in the United States and a tremendous amount of experience across the management and manufacturing processes and marketing of these products to share with the Commission to enhance your record.

Without further ado, I would like to introduce Roddey Dowd, the CEO of Charlotte Pipe. Mr. Dowd.

STATEMENT OF RODDEY DOWD, JR.

MR. DOWD: Mr. Dowd, Jr. Mr. Corkran and Members of the Commission Staff, for the record.

MR. BISHOP: Sir, I need you to start over. You weren't on the microphone.

MR. DOWD: Okay, sorry. Good morning Mr. Corkran and members of the Commission Staff. For the record, my name is Roddey Dowd, Jr. and I'm the Chief Executive Officer of Charlotte Pipe and Foundry Company. Charlotte Pipe is located in Charlotte, North Carolina and I have been employed by the company for 36 years.

I'm accompanied today by President Hooper Hardison who has been with us for 29 years, Greg Simmons Senior Vice President is also here and he can address manufacturing questions. Greg has been with Charlotte Pipe for 30 years and in the industry for 49 years. Our Senior vice President of Sales, John Biggers is also here today and he has been with us for 27 years.

Charlotte Pipe was founded in 1901 when my great grandfather W. Frank Dowd built a small foundry to produce cast iron soil pipe and fittings. The foundry originally had 25 employees and we've grown considerably in the intervening years. Today, Charlotte Pipe is the largest manufacturer of cast iron and plastic drain waste and vent pipe and fittings in the United States. We operate one foundry and six plastic facilities, all within the United States.

We're constantly making process improvements to better serve our customers and reduce our costs and improve our quality. We invest millions of dollars each year to improve manufacturing efficiency, productivity and capacity. Continuous investment in the latest casting technology has made our foundry one of the most modern in the world.

We offer a complete line of service, extra heavy and hubless pipe and fittings. These are commonly referred to as drain, waste and vent pipe and fittings or by the acronym DWV. Charlotte Pipe exceeds all Federal, State and Local environmental regulations and standards. Since 1988 we spent more than 30 million dollars in environmental capital improvement projects.

Our operating cost on the environmental front in 2017 were 3.2 million dollars. We recently received the Blue Thumb Award from our local authority for our conservation efforts. Our primary melting process, the cupula melt process uses coke as a heat source and requires Charlotte Pipe to operate under very tight Federal air permit restrictions. We operate, for example, under a Title V air permit and also a synthetic minor 5c MACT being the acronym Maximum Achievable Control Technology.

Our Chinese foundry competitors simply do not have anywhere near the same environmental costs that we incur. In fact, all of the foundries I have visited in China emit both untreated water and air. In the preliminary conference for cast iron soil pipe fittings Respondents accused us of buying a U.S. Importer which also owned a foundry in China in order to shut the foundry down.

I can tell you that we examined whether to operate the foundry after the acquisition to perhaps give us a low cost product to sell within China or certain other areas of the world but we discovered this foundry was significantly polluting the air and water. It would have cost us a fortune to bring that foundry up to our level of environmental and safety compliance, so we shut it down.

The idea of us shutting down one foundry out of approximately three hundred foundries making similar goods in China would make any difference in the level of Chinese Imports in the United States is preposterous and import data will show that.

All of our products must conform to applicable ASTM standard. The same is true for our domestic competitors Tyler AB&I and also our Chinese competitors. It is important for the Commission to understand that distributors our invoice customers will distribute and users will use any cast iron pipe that meets specification.

You don't have to be a member of the Cast Iron Soil Pipe Institute to meet ASTM standards and the Chinese claim that their products do meet these specifications and that their quality is accepted by the distributors in the market. Mr. Lowe will address the distribution channels for cast iron soil pipe and fittings.

Essentially our foundry melts scrap and coke to make our base iron. We then take this molten iron and pour it into centrifical molds to make pipe. After the pipe is cast we water test it and apply coatings. Naturally for a product that is basically 100 percent iron the cost of scrap is a key component to our cost of production.

Scrap is a world commodity and the price is very transparent. When we saw our scrap cost increasing rapidly in late 2016 we announced a price increase to cover our increased scrap costs in a letter to our customers. Our customers came right back to us and told us that they could buy Chinese pipe for so much less than our prices and that they were not going to pay the recently announced higher cost. Consequently we rescinded that increase.

In fact, in spite of how raw material costs for scrap, coke, steel shot plus other general operating expenses not only did we not achieve a price increase in 2017 but we have seen our prices fall dramatically. In fact, since 2015 we have attempted four price increases and none of them have been successful. This has had a significant negative impact on our bottom line. In a construction market it is generally improving but facing higher input costs. The only reason for having to lower our prices was the increased competition from unfairly traded Chinese product.

Having grown up in the foundry business I started as summer help in 1971, I can tell you that foundries have very high fixed costs. They are expensive to start up each week and you need to run it as hard as you can and produce as many tons as possible to help spread your fixed costs. You can't just turn a foundry on and off because you can't let the metal get cold.

We employ very skilled labor, maintenance, environmental and engineering help to ensure we can operate efficiently and comply with all U.S. regulation. The Department of Commerce Investigators had a chance to visit our foundry in Charlotte in connection with the pipe fittings investigation. I know that the ITC will likely visit at some point.

We have been at our present location for over 100 years. Our foundry sits on 55 acres. When we moved there my great grandfather, we were in the country and Charlotte was a small town. Now that small town has grown into a city of almost 1 million in a standard metropolitan area of about 3 million. Our foundry is two blocks from our professional football stadium.

It would be in the interest of the company to be able to move our foundry operation to a more rural Greenfield location. While the city has not pressured us to move since we are in full compliance with all environmental regulations they would obviously love to have this downtown real estate for higher and higher tax purposes. Our employees would also love not to have to drive 40 miles each way to work and sit in traffic.

However, before our company can undertake such a large investment which would be in excess of 200 million dollars we have to know that there will be adequate return. Until we know we don't have to compete with imports of subsidized and dumped Chinese cast iron soil pipe and fittings, we cannot make this move.

I've seen a lot of my fellow members in American Foundry Society go out of business over the course of my career as their utilization rates went down to the point where their foundries were losing money and they had to close. Since the year 2000, 847 foundries in the United States have shut down. That's why on behalf of our family business in Charlotte Pipe, our 1400 associates were here today.

If the Chinese Foundry Institute takes more and more of our cast iron soil pipe business then we will lose the ability to operate efficiently and properly as our selling prices fall and our fixed cost burden buries us. We know our Chinese competitors get government subsidies and we know they are dumping their products in the United States market.

We are asking you respectfully to level the playing field. We appreciate your efforts in undertaking this investigation and we will all participate fully in these efforts. Thank you very much.

MR. SCHARGIN: Thank you, Mr. Down and our next witness is Michael Lowe. Mr. Lowe?

STATEMENT OF MICHAEL LOWE

MR. LOWE: Good morning Mr. Corkran and members of the Commission Staff. For the record, my name is Michael Lowe and I am General Manager and Vice President of Sales for AB&I Foundry. I've been employed by AB&I for sixteen years.

First, let me tell you a little bit about my company. AB&I was founded in Oakland, California just months after the great San Francisco earthquake of 1906. At that time the company's primary products were decorative light poles and iron and brass statuary to rebuild the City of San Francisco. When World War II began AB&I changed its focus to making submarine net weights and other iron products for the war effort.

After the war ended AB&I changed its product mix again to making cast iron soil pipe and fittings for the post World War II housing bill. Today, our main products are cast iron soil pipe and fittings. In 2006, AB&I became part of the McWane plumbing group of companies.

AB&I have distribution centers in the City of Industry and Oakland California. McWane also owns Tyler Pipe, another Domestic Producer of cast iron soil pipe and fittings. Tyler began operations in the mid-1930s at its foundry located in Tyler, Texas. In 1959 Tyler pipe introduced the first ten foot length of cast iron soil pipe. In 1964, Tyler Pipe started manufacturing cast iron no hub pipe and fittings. In 1986, Tyler Pipe began production of its own no hub couplings and gaskets. Currently the company also manufactures couplings and gaskets in Marshfield, Missouri and Corona, California. Tyler has distribution Centers in Tyler, Texas and South Plainfield, New Jersey.

Now I'd like to offer some background on the products we're here to discuss. Cast iron soil pipe and fittings are the preferred method for taking waste from buildings and homes to city and counter water purification systems. The products offer advantages such as strength, corrosion resistance and noise reduction more effectively than other products.

Cast iron soil pipe and fittings are strong enough to lie beneath building foundations and are resistant to the expansion and contraction that can be caused by extreme temperatures. They possess superior fire safety qualities and can be buried or encased in concrete for decades of trouble-free service.

AB&I is the only foundry west of the Rockies producing cast iron soil pipe and fittings. Because we are located on the West Coast, closer to China than other producers we certainly feel the most competitive pressure from the Chinese Imports. As you've already heard cast iron soil pipe is a commodity product made to ASTM standards that go to distribution.

All major distributors tell us repeatedly that the Chinese products are priced up to 30-40 percent below our products and ask us to cut prices if we want to maintain business. As you've also heard, foundries are big fixed cost capital investments and have production processes that require the continued maintenance of our hot metal in our Cupola furnace.

Therefore we have had no choice but to try to maintain volume with our distributors in the face of this Chinese competition. Let me explain the market and the channels of distribution for cast iron soil pipe. All three Domestic manufacturers and the Chinese producers make these products to the same standards. Drain waste and vent applications need both pipe and fittings.

The channel of distribution for this pipe is that distributors stock both pipe and fittings for sale to the users of these products. Those users are generally mechanical contractor companies putting the pipes and fittings into buildings or homes. Both Tyler and now AB&I make sales to these distributors from our four major stocking centers that we operate. Two of these are on the West Coast, one is in Texas and the other is in New Jersey thus as you can tell we cover a nationwide market.

We of course hope that all of our customers want to buy products made in the United States however given that this is a commodity product contractors can and will buy either domestic or Chinese cast iron soil pipe. Distributors are not shy about telling us they constantly see offers from Chinese foundries, trading companies and importers for Chinese pipe and that we need to lower our prices.

As Domestic Producers and importers' relationships with distributors they are both the same. As you heard from Mr. Singh and other importers of the conference on pipe fittings, importers of Chinese pipe have multiplier programs and loyalty programs based on U.S. Producers price lists just like we do. The idea that the Chinese make a product different from ours because some of our product is epoxy coated is not a reality in the marketplace.

Domestic pipe is coated with a bituminous product. The product when properly maintained and vented generally lasts for over 100 years so the idea that a customer will pay more for epoxy coating for more longevity is not realistic. Once would think given the additional cost of epoxy coating that the Chinese pipe would sell for much more than domestic pipe. In fact, it usually sells for less.

I can tell you that conditions have really worsened over the past couple of years. It is astounding to me that at a time when both housing and building construction are recovering and therefore use of our products is increasing, albeit modestly, that these unfairly traded Chinese Imports have injured our cast iron soil pipe business. If the Chinese can just take us out they will just have a better base to go after our sister company Tyler and then Charlotte as well.

I look at these cases as a battle for our survival. We have reinvested in our company, including a million dollar investment brought online last year to reduce our natural gas, electricity usage and other costs however there are no investments that we can make to reduce our costs for scrap or coke or sand or limestone or bentonite or health care costs for our employees.

A decade ago our company went through some difficult times and we have really changed our corporate culture with new leadership and we have remade our company.

We now need our employees to be able to benefit from those changes and to retain their jobs in order to keep supplying this vital product to this economy. It's obvious to me and the rest of our company and industry that we simply cannot compete with dumped and subsidized imports from China.

On behalf of all of our employees in our Oakland Foundry as well as in Tyler Pipe in Texas who depend on us for a good middle class living we ask the Commission to make affirmative preliminary injury determinations and to restore fair trade in the cast iron soil pipe market. Thank you.

MR. SCHAGRIN: Thank you, Mr. Lowe and Mr. Corkran, members of the Commission staff, that concludes our direct testimony. I leave it to you as to whether you want to take a break now or start with the questioning and take a break before the Commission later, but we'll be happy to answer your questions at any time this morning. Thank you very much.

MR. CORKRAN: We'll going to begin questioning with Ms. Shister, but after her questions, we're going to take a break.

MS. SHISTER: Good morning. Thank you all very much for your testimony. It's been very helpful. So we want to start with this past summer, we saw the fittings case and it was very similar. And from what I can tell, there's extensive overlap in terms of the players involved, and the producers, the importers, and the end users. So what -- to what extent are these cases similar and different and why isn't this just one big case?

MR. SCHAGRIN: In terms of light product question, Roger Schagrin on behalf of petitioners. So there's a lot of similarities, particularly at the cupola point of making the iron. There's similarities in terms of distribution, networks. There's tremendous differences in the production processes and the amount of that iron going in two directions. Generally, it's 80 percent of the system is soil pipe by weight and 20 percent is fittings. And if you think about it, the only as you can see by the samples on the table, there's only one kind of soil pipe that comes in different size and it comes out of different size centrifugal casters that cast that soil pipe. And that's it, that's the production process.

When it comes to fittings, there are hundreds of fittings. And there are patterns unlike the soil pipe, the fittings are made with patterns. And there are literally hundreds, if not thousands, of these different patterns from making the fittings. And a tremendous amount of additional labor. So the production processes are very different after the melting process. And then unlike the U.S. industry where all three U.S. producers make both products, our understanding is in the Chinese industry, there are a number of foundries that make either just soil pipe or just fittings. And then there are also a number of Chinese foundries that make both as well. So the Chinese industry differs a little bit from the U.S. industry in that not all of their foundries make both soil pipe and fittings.

Anyone else want to -- Greg or from a market perspective want to add anything to that?

MR. SIMMONS: This is Greg Simmons, Charlotte Pipe. From a manufacturing perspective, of course, the 80/20 rule on that 80 percent tonnage going to pipe and 20 percent to fittings, we must have very high production rates on the pipe in order to absorb our capital cost for the whole plant melting operation, which is very expensive and our environmental and safety cost, which are very expensive. So it has to absorb a large proportion of our fixed costs.

The other difference is on fittings, the machines that produce the fittings are more generic. They have other uses and can be repurposed to make general casts in some cases or other parts other than soil pipe fittings.

On pipe, the machines are purpose built for soil pipe. They have no other use than producing soil pipe. The molds which are expensive steel molds that are -- that run on the soil pipe machines are very expensive and single purpose. So those things, I think, are from a production point of view are important and differentiating between the two of them.

MS. SHISTER: Thank you. Sticking with the pipe and fitting theme, is there any or can you explain the sort of the nature of maybe bundling of purchases when the fittings and pipes are sold together and how that affects the pricing especially of just pipe when you think about like pricing products?

MR. LOWE: This is Michael Lowe with McWane. Our distributors stock both pipe and fittings. To install the system, you need both. So in general, customers buy both together. In terms of rebate programs and bundling, they work together, that the same rebate program applies to both pipe and fittings. But again, 80 percent by volume is pipe.

MR. HARDISON: Yeah, this is Hooper Hardison with Charlotte Pipe and we would agree with that that our customers purchase pipe and fittings together and that their list prices and then multipliers for both products. So it's really sold as one.

MS. SHISTER: Thank you. Are there any instances where the cast iron steel pipe is sold without fittings?

MR. LOWE: This is Michael Lowe with McWane. At times, customers will buy up on pipe. Again, 80 percent is type. There are times when at the end user level, they might -- a mechanical contractor might buy imported pipe or fittings and then have some shorts and buy the rest from us.

MR. SCHAGRIN: So just -- this is Roger Schagrin. So just to clarify, Ms. Shister, for the end user, the mechanical contractor at the job site, they can buy their pipe and fitting separately. So they could buy cast iron swirl pipe from distributor A and it could be domestic or it could be Chinese. And then the contractor knowing which fittings they need for the system could buy their fittings from a different distributor to be delivered to the job site. And those fittings could be either Chinese or domestic.

So while the distributors will tend to carry pipe and fittings from the same supplier, be they domestic or Chinese, it's not uncommon for contractors to buy from multiple distributors because the contractor's looking for the best price and the contractor knows in the system they're putting together in the building what size a pipe they need, which variety of fittings they need, and if they're searching for the lowest prices, they can get them from two different distributors instead of the same distributor. They can and they will do that.

MS. SHISTER: Thank you. Looking at the distributors, do you know if they mingle imported and domestic pipe or do they try to keep those streams separate?

MR. HARDISON: They tend to keep them separate. Our distributors buy 100 percent pipe and fittings.

MR. BISHOP: Can you identify yourself, please?

MR. HARDISON: Hooper Hardison with Charlotte. I apologize. Our distributors buy 100 percent of their pipe and fittings from Charlotte and as best we can tell throughout the industry, it's similar with our competitors.

MS. SHISTER: Thank you.

MR. LOWE: This is Michael Lowe with McWane. I agree with that. Our loyalty programs and our rebate program necessitate our customers buying from us 100 percent.

MS. DRAKE: This is Elizabeth Drake from Schagrin Associates. If I might just interject, I believe we were talking yesterday about while your individual distributor will source from one producer, there are instances in which a distributor will switch, where you've lost a distributor or gains a distributor from another producer. I don't know if any of the industry witnesses would know?

MR. LOWE: This is Michael Lowe with McWane. That is true. Every year, our rebate program is up for renewal and it is -- happens with some frequency that somebody will go from one domestic brand to another or from domestic to Chinese or vice versa. So there is transition over time.

MS. SHISTER: Thank you. Looking at more of the production process, can you explain the nature of specifically of the finishing operations of the pipe? And is there some sort of a semi-finished stage beyond the initial forging?

MR. SIMMONS: Greg Simmons at Charlotte Pipe. And if I could just tack on a little bit on the previous question, Ms. Shister, the -- while it's entirely typical for the distributors to be with one supplier on the job site, it's entirely normal to see a mixture of Charlotte or Tyler, a Chinese import bidding. So they're entirely consistent with each other and they can be used consistently from different manufacturers on the job site itself.

On the finishing side of the production, the process is the liquid iron is cast into the spinning centrifugal pipe mode that cast the pipe. That pipe mode has been treated with a what we call a slurry, which is an insulated material to keep the iron from damaging the mold.

After the pipe is extracted from the mold, it goes down a conveyer, different companies do it different ways, where the pipe is cooled. Typically, the ends of the pipe will be ground or prepared so that -- there are any burrs or sharp edges on the pipe are removed. In some cases, some foundries will actually cut the ends of the pipe off to prepare the ends and give a smooth factory cut end on it.

After that as a general rule, the pipe will go into a coating system where almost all domestic pipe. That entails going into a bath of asphalt, where the asphalt then coats on top of the pipe. And then after that, the pipe is marked with the required marking from the ASDM and CISPI standards and then bundled and put into inventory. Does that get to the question you asked?

MS. SHISTER: Yes. And just sort of to clarify, you're not distributing or you're not selling unfinished pipe? Everything that rolls out is ultimately finished?

MR. SIMMONS: That is correct.

MS. SHISTER: Okay. Speaking directly about the coatings, you mentioned the asphalt bath. Can you describe any differences between the different coatings and to your knowledge if there's any domestic production using the epoxy coating?

MR. SIMMONS: Greg Simmons, Charlotte Pipe. My knowledge is limited more to our plant and the domestics. I can say that to my knowledge, none of the domestic manufacturers are producing epoxy coated pipe for sale at this time.

MR. LOWE: This is Michael Lowe with McWane. We do not make at this time epoxy coated product. At AB&I, we did recently switch our coating, our paint coating, to one that is used at Tyler and I believe at Charlotte. We did that for environmental reasons to reduce the fumes that come off of the process. So for environmental controls, we switched products.

MR. DOWD: Ms. Shister, my name is Roddey Dowd. And just as a point of clarification, our 10-foot pipe is coated with we call it hot asphalt with a bituminous coating. Our five foot pipe is e-coated. So it's an electrostatic application of an epoxy paint. So similar to what you would see on the underside of your vehicle. So it's an entirely different paint.

MS. SHISTER: Okay. Thank you. Can -- the scope mentions both hub and spigot and hubless. And can you just describe the differences between the two and the different uses?

MR. BIGGERS: John Biggers, Charlotte Pipe. There's two different and you can some examples on the side of the table over there. The example closest to you is a hub less sample and the -- it is joined with a banded coupling that holds the two pieces together.

The other sample is what we would call our hubless -- I mean, our hubbed material. And hubbed material comes in two different styles. There's a service weight and an extra heavy. Those two designations represent the different size of the material. Extra heavy has a thicker wall, which is gives it more strength.

And over the years, soil pipe industry began as a hubbed product. And as it evolved into more of a hubless application, the predominant application to date is hubless, the example closest to you. And so that's where the industry kind of is headed.

Charlotte's currently -- manufacturers all three styles, extra heavy, service, the hub styles, and then the no hub style.

MS. SHISTER: Okay. Thank you. I want to also talk a little bit about plastic. And basically, what can cast iron soil pipe do that plastic can't? And just if you can comment on the use of plastics as a potential substitute?

MR. DOWD: I'll take that. This is Roddey Dowd at Charlotte Pipe. In my opening remarks, I indicated that we're the largest manufacturer of plastic grain waste and fittings in the United States. So we have a lot of knowledge about the product.

So these two products are easily substitutable. And the ultimate criteria of whether iron pipe our plastic pipe is used is going to be done at an engineer, a plumbing engineer level. There will be some influence by local plumbing codes.

So in many instances, in the greatest part of the United States, you could use plastic pipe in a 35, 40-story building as a substitute for cast iron.

Now I would indicate to you that that change from commercial construction using all cast iron to now the use of plastics in commercial construction, that's pretty mature. There's still some change over, but the market has matured. And just like our cast iron products are fungible with Chinese products, they're somewhat fungible if the code or the plumbing engineer doesn't require cast iron with plastics.

Now we do think, as Mr. Lowe indicated and we have the technical expertise to back this up, but at the end of the day, we don't get to tell anybody what to do. We believe, because we know the material properties of both of them, that cast iron is a more appropriate material for use in commercial construction. It doesn't burn, and therefore, it doesn't give off poison gases.

When you -- if you're in a building and you have a fire, and you've got PVC pipe and your burn, it's going to get -- give off hydrogen chloride smoke. And when that comes in contact with the moist cilia in your lungs, it then becomes hydrochloric acid, which is a very dangerous substance to put into a human being.

We also believe and note that the cast iron pipe in a buried application, be it a rigid pipe versus a flexible pipe is much less prone to failure than plastic. In terms of noise, the mass of cast iron tends to tamp down sound transmission greatly, whereas plastic and if you have a house that's been built in the last 20 years and it's a two-story house and you hear somebody -- water rushing down the wall, you got plastic pipe in there. You won't hear it if you've got cast iron. So you do see a more knowledgeable home buyer or an honest broker plumber say, hey, I'll give you for a little upgrade, I'll keep that noise out of your house and put cast iron in.

So those are a few of the advantages that cast iron offers. And in fact, we warn against the use of plastic in high rise construction. We don't think it's appropriate. But again, we're our biggest competitor. We see orders literally get switched from domestic to Chinese on the cast iron side, and from cast iron to plastic out there.

MS. SHISTER: Thank you.

MR. CORKRAN: We're actually going to take a little bit of a break right now just in advance of the Commission's votes that will take place at 10:30 and we will re-adjourn following those votes. Thank you very much.

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

MR. CORKRAN: Thank you all very much for returning to us after the vote. We are now going to resume questioning with Ms. Shister.

MS. SHISTER: Welcome, everyone. So just jumping right back into it, to your knowledge are there any sort of purchasing preferences like a Buy America program or any union requirements that would require the use of domestic produced pipe?

MR. DOWD: This is Roddey Dowd, Charlotte Pipe.

MS. SHISTER: Thanks. So can you describe any instances when the cast iron soil pipe that is imported might not be interchangeable with the domestically produced pipe?

MR. DOWD: This is Roddy Dowd, Charlotte Pipe. There are no instances.

MS. SHISTER: Thank you. In the direct testimony, you said that, and perhaps it may have been in the open, there is -- you said a growth in demand. So what is your major barometer for determining what the demand is, and do you have any predictions for the next six months or a year out?

MR. HARDISON: This is Hooper Hardison with

Charlotte Pipe. We look at a number of factors on demand. One would be our own incoming orders. Looking forward, we use a number of services, various economic services, one being Dodge, and for this coming year they're actually projecting a slight decrease in commercial construction for the coming year, somewhere in the neighborhood of 1-1/2 percent.

MS. SHISTER: Thank you. So this question's going to touch on BPI, so I'm going to request that you just address it in the post-conference brief, but can you explain the nature of the changes in both export shipments or unemployment, or sorry employment data including the number of workers employed, the wages and the number of hours worked, just sort of the trends that we see there and what might possible explain some of that.

MR. SCHAGRIN: This is Roger Schagrin. For the record, we'll address that in the post-conference brief confidentially.

MS. SHISTER: Okay, thank you. Have there been any recent changes in the industry, such as new technologies that have been developed with regard to producing soil pipe?

MR. SIMMONS: Greg Simmons, Charlotte Pipe. No, not to my knowledge. In all industries, every plant tries to tweak their processes and improve, but no game-changing technologies.

MS. SHISTER: Thank you, and do you all produce anything or other cast iron products other than the cast iron soil pipe, and I understand you also do the fittings. But are there any other products used on that same machinery?

MR. SIMMONS: Greg Simmons, Charlotte Pipe. Not on the pipe machinery. As we discussed in the fittings case, you can utilize some of the fitting machines to produce other non-soil pipe fitting products. But the soil pipe machines are single purpose.

MR. LOWE: This is Michael Lowe with McWane. I would agree that our pipe machines are solely dedicated to that purpose. At AB&I, we do make a few castings on an OEM basis. It's less than five percent of what we do. It's a marginal business that we do in order to help spread are high fixed costs and improve our low utilization rate. We do try to bring in some other OEM business from time to time.

MS. SHISTER: Thank you. So specifically I guess this would be for Mr. Lowe. Can you comment on the nature of the relationship between Tyler and ABI, and between those firms and McWane?

MR. LOWE: This is Michael Lowe with McWane. We are sister companies, Tyler and AB&I. There's a --

McWane is divided up into groups. The McWane Plumbing Group includes the two coupling manufacturers that I mentioned in my opening remarks. We also have a drain brand and a foundry up in Canada excuse me, in Canada that makes cast iron soil pipe and fittings for the Canadian market, and they also make municipal castings.

So that rounds out the plumbing group. McWane is also involved in ductile pipe, clean water distribution. So there's a Ductile Pipe Group. There is a Valve and Hydrants and Waterworks Fittings Group, and then there are other groups that make fire extinguishers and other fire suppression systems and a Technology Group. So it's a diversified company. But with respect to AB&I and Tyler, we are sister companies and from a manufacturing standpoint in Oakland we'll make both brands and in Texas we'll make both brands.

MS. SHISTER: And how involved is the sort of McWane umbrella in the more day-to-day operations of Tyler and AB&I?

MR. LOWE: This is Michael Lowe with McWane. The corporate entity is very motivated to make sure that we are in 100 percent compliance with safety and environmental regulations, and other good business practice practices.

The executive vice president, Kurt Winter, we all report up to him and he has the overall responsibility for the day-to-day operations. He reports to the president of McWane, Ruffner Page. Ruffner's aware of what's going on, but he's not day-to-day involved.

MS. SHISTER: Okay, and similarly with Tyler and AB&I, I know you all are sister companies, but do you do sort of cross-promotion, sales with each other? Like how does, what is being a sister company sort of mean in the sense between the two of you?

MR. LOWE: This is Michael Lowe with McWane. From a production standpoint, we manufacture both brands in each facility, and there's collaboration with respect to best manufacturing practices and environmental safety and business practices. From a sales standpoint, there is a Tyler sales team that is focused on selling Tyler product and promoting the Tyler brand. There's an AB&I team that is focused on the same for AB&I.

Myself as head of Sales for AB&I and a gentlemen who runs Tyler Sales we report to Kurt, so Kurt kind of mediates between the two brands and makes sure we're playing nicely with each other. But they're sales teams. They're out to win.

MS. SHISTER: Thank you. Given -- so given the information that has thus far been reflected in the data, can you describe or comment on the nature of the injury and what your basis for characterizing that injury would be?

MR. SCHAGRIN: This is Roger Schagrin. That's kind of a legal question, what is the basis of a material injury case. So we have a three year Period of Investigation here. Looking over the three-year period, there's been an increase by volume of imports, an increase in import market share, consistent underselling and there's plenty of record information that demonstrates that the underselling has caused price depression, because during a period over the POI in which costs were increasing, the industry not only did not increase prices but prices declined. So there's actually evidence of both price suppression and price depression caused by the imports, and that led to a significant decrease in profitability.

Within that POI, it's quite apparent that with an almost 50 percent increase in imports between 2015 and 2016, and most of that 2016 increase in imports was in the latter part of 2016, that consistent with the industry testimony this morning that the industry seeing a loss of market share and given their high fixed costs of businesses, reacted to this sudden import surge by fighting back on price, trying to regain that volume and market share.

That's a sign of injury, and we do see imports going down in the early part of '17. It's clear that the Chinese fight back again and you see imports going up once again in the latter part of 2017. So overall, all the record information over the POI supports a standard material injury finding by this Commission.

Then just in terms of some of the facts within that POI, clearly there is a reaction to a sudden import surge by the industry, of having to cut their prices to regain market share and then a reaction back and seeing imports increase again and the industry losing market share again towards the end of the POI.

MS. SHISTER: Thank you. So I also have a follow-up question for Mr. Dowd. You mentioned that coating on the five foot pipe was an E -- can you just sort of explain the difference between that and an epoxy coating, because they sounded very similar.

MR. DOWD: I'm going to let Mr. Simmons handle that one.

MR. SIMMONS: Okay. Greg Simmons at Charlotte Pipe. A significant difference I think from a marketing point of view. First of all, we don't market that five foot e-coated pipe as an epoxy-coated pipe at all. Our fittings production, about five years ago we switched over from an asphalt coating to the e-coated fittings to reduce our costs and to give a better finish and reduce our emissions of volatile organic compounds.

After we became proficient at coating those fittings with an e-coat, which is an epoxy material, the final coat, but it's not a painted on epoxy. It's epoxy particles essentially. So once we became proficient at the fittings production and coated them with e-coat, the system that we have will allow up to a 15 foot casting to go through the system.

So we made the decision, because of the cleanliness and the environmental friendliness of the coating system, to switch that five foot product line over to this e-coat. But it's essentially instead of it being an epoxy paint which carries high volatile organic compounds that actually make the coating stick to the pipe or the fittings, the e-coat is just particles, verifying particles that are attracted to the castings by an electrical charge. So there are no volatile organic compounds.

MS. SHISTER: Okay, thank you. So now the last few questions. To the best of your knowledge, are there any anti-dumping or countervailing duty orders on cast iron soil pipe in third country markets?

MR. CLOUTIER: This is Chris Cloutier from Schagrin Associates. We are not aware of any.

MS. SHISTER: Thank you. Have you filed any changes of the scope with the Department of Commerce?

MS. DRAKE: This is Elizabeth Drake of Schagrin Associates. On February 2nd, we clarified the scope in response to a question from Commerce. It doesn't change the substance of the scope. It simply makes clear that the industry standards referred to in the scope language continue if those standards are changed in the future. We filed a copy of that and then went with the Commission as well on February 2nd.

MS. SHISTER: Thank you, and you identified HTS Statistical Reporting No. 7303.00.0030 to be the subject merchandise. When using the official import statistics, staff is planning on using that HTS number only. Do you have any comments regarding that?

MS. DRAKE: Elizabeth Drake again, Schagrin Associates. At this point, we're fine with that. We'll see if we want to comment on the final phase, but for the prelim phase we think that's a fair representation.

MS. SHISTER: Great, thank you, and that's all the questions I have for right now.

MR. CORKRAN: Thank you very much, Ms. Shister, and I will turn to Mr. Goldfine.

MR. GOLDFINE: Good morning. Thank you all for your participation in these investigations. I have a few questions on like product. I understand you're arguing for a single domestic like product, and I wanted to just focus. I know in your petition you did address the issue of hub, hubless and hub and spigot.

But I wanted to focus on that, and in your post-conference brief as well if you could focus on that. In terms of physical characteristics and uses, do I have it right that you're saying that hub -- spigot or hubless and hub are basically have the same physical characteristics and uses, with the exception that there's a different connection mechanism that prevents them from being used together in the same drainage system. Is that basically right?

MR. SIMMONS: This is Greg Simmons of Charlotte Pipe. That's correct. The chemical and the test requirements for both products, they are produced at different standards. But for all intents and purposes they're the same material requirements and they're used for the same purpose, and just the difference in the connections.

MR. GOLDFINE: Are there any ways in terms of -- is there any adaption mechanism or something that they can ever be used together in the same system or is that --

MR. SIMMONS: Greg Simmons, Charlotte Pipe. Yes. It's not uncommon at all to -- for instance, an old hub and spigot pipe to be repaired or some of the system to be replaced that you'll have to make an adaption between a hub and spigot pipe and a no hub or hubless pipe. So there are adaptor fittings and couplings that can be used to do that.

MR. GOLDFINE: And you say that's not -- that's not uncommon to do that?

MR. SIMMONS: Not uncommon. Not real normal, but not rare.

MR. GOLDFINE: Okay, and I had a question. In the petition you talked about -- I understand that there's limited, you know, some limited interchangeability because of the different connection mechanisms, but could you expand on just the -- there's a -- I'm just reading from the petition here.

"While hubless and hub and spigot pipes can't be used interchangeably due to the different connection mechanisms, at the design phase of a system engineers may create a system that uses hubless or hub and spigot pipes and they will function the same." Can you kind of put that in layman's terms? Exactly what does that mean "they will function the same"? If they have limited interchangeability, how can they function the same? I guess that's my question.

MR. SIMMONS: Well, the function -- the core function -- Greg Simmons at Charlotte Pipe -- is drain waste and vent conveying the waste from the house or building. So the core function is the same, and the -- I would say that the majority of the systems designed now tend to use, especially above ground, use the no-hub system.

It's a simpler, less expensive system to put together normally. So it's a design preference, and there typically wouldn't be anything in the design that would -- would preclude you using one over the other. Quite often you might use an extra heavy pipe though that has a thicker wall, use a hub and spigot type system in a buried situation where you need more crush resistance or strength.

MR. GOLDFINE: Okay.

MR. SIMMONS: Did that answer your question?

MR. GOLDFINE: Yes, I think so. In terms of price differences or similarities, beyond just saying, you know, both the hubless and hub and spigot are available at a range of prices, is there -- can you provide any information maybe in a post-conference in terms of -- I'm just trying to get a sense of how similar the pricing is on them.

MR. DOWD: We'll be glad to point out the specific price differences in a post-conference brief. But typically if you have a like diameter pipe as an example, say a four inch pipe in hubless, a four inch hub and spigot pipe service, and a four inch extra heavy, they're all ten feet long and they all are four inch diameter.

But because of the hub and/or the wall thickness, they go up in weight and obviously since scrap is our primary raw material, you're consuming more raw materials to produce the same 10 foot waterway. So it's natural that you have to pass that cost on.

MR. GOLDFINE: Okay. In terms of the customer and producer perceptions for the producers, do you market both hub and hubless in the same way or are there any differences in terms of the marketing?

MR. BIGGERS: John Biggers, Charlotte Pipe. We market them in the same way. I mean we're marketing based on the application, which the application is drain waste and vent. The final decision to whether to use a hub system or a hubless system typically is by the engineer. They make that decision, and in most cases the hubless system is the predominant system used.

I think one thing that's happened, just maybe to clarify, the hubless system was the first system ever created, and then over the years, it was hubless extra heavy, then it became hubless service weight and then I mean hub service weight, and then it became no hub.

So over the years it progressed to this hubless system, which is the predominant system that's sold today.

MR. GOLDFINE: The predominant like half, more than half or I mean I guess predominant is more than half so --

MR. BIGGERS: Yeah. It's more than half. But we can get you those numbers in post-hearing.

MR. GOLDFINE: Okay, and in terms of the customers, why would -- do they -- do customers generally order one or the other? Do they order both or --

MR. BIGGERS: The decision to order one or the order is based on the construction installer, the contractor and the engineer on the design of the building. And so that pushes decision back to the distributor on what to stock. You have some distributors that they only stock no hub because the market that they're in traditionally is a no hub or hubless market.

You have some areas of the country that are mixed, where a customer or distributor will stock extra heavy hub material, service weight hub material and the hubless material because the variety of that material is used on different projects throughout their territory. So it comes down to what's the application in that specific market for that specific job.

MR. GOLDFINE: And in terms of if you send someone hubless and they wanted hub, they wouldn't say okay, well we'll just use this? I mean there are, there are limitations or what would kind of drive that in terms of why they want one over the other?

MR. BIGGERS: John Biggers, Charlotte Pipe. If we sent somebody hubless and they wanted hub, you've made a mistake. We'll be bringing it back and sending them the hub material. People, like I said earlier, the distributor might stock all three varieties of the material, because there are three specific vanities: extra heavy hub, service hub and the no hub or the hubless.

So depending on their market and the types of jobs in their market determines what they stock. That decision is made by the building being designed and the product being requested to go in that building. That kind of drives it, and there are certain specifications, there are certain requirements on constructions.

In other words, an underground job where it has a tremendous load that's placed on the ground, i.e. say an airport or something like that, traditionally they would ask for an extra heavy material because it has more crush strength. And then the application will go from there to whatever the other material is.

You'll see a lot of jobs where all the underground material is a hub extra heavy product, and then when they transition from the underground to the above ground, it will transition over to a hubless product. So it is really based on the use and the preference of that designer or owner or contractor.

MR. GOLDFINE: Okay, thank you. In terms of -- how much of the product is any product sold from inventory or --

MR. BIGGERS: John Biggers, Charlotte Pipe.
MR. GOLDFINE: And also a follow-up, are inventories significant? Do you hold significant inventories as well?
MR. BIGGERS: Yeah. Everything we sell is through, from our inventory. We stock tremendous amounts of inventory, you know. Our customers' expectations are is when they place the order, we should have it in inventory at that time and they're going to ship it to them. It's their customers, the contractors. That's their preference too.
A contractor gets a job. He places an order with the distributor. The contractor's expectations are that that distributor has the material available. So the flow of material is fairly rapid in the industry.
MR. GOLDFINE: Okay.
MR. LOWE: This is Michael Lowe with McWane. To amplify what John's saying, you have to have tremendous inventory in order to serve customers. So we measure by either weeks or months' worth of inventory on hand in order to make sure there are no back orders.
And then on your other question with respect to the difference of marketing between hub and no hub, there is no difference. We market both. There are regional differences out west. It's about 99 percent no hub. It varies in other parts of other markets, as John said. But

the end user knows what their preference is based on building design and also tradition in that particular market.

MR. GOLDFINE: You all make--

MR. BIGGERS: We only make cast iron soil pipe and fittings in Oakland. At AB&I we make mostly cast iron soil pipe and fittings. We make about 5 percent "other" castings, but no other types of pipe.

MR. SCHAGRIN: This is Roger Schagrin. Just as a--

MR. GOLDFINE: And--I'm sorry, Mr. Schagrin--and the other two producers, they produce just cast iron soil pipe?

MR. BIGGERS: Yeah, no other pipe.

MR. GOLDFINE: Okay. Sorry.

MS. SCHAGRIN: So just to follow on on your question on inventory, so I think, getting back to Ms. Shister's question about the injury case, given the fact that this industry has to--the nature of the distribution process is that they have to produce for inventory so that they have inventory on hand. As distributors place orders, the distributors want those orders filled quickly so that they have the appropriate inventories to sell on to their users.

So it's not a made-to-order business; it's a make-for-inventory business and supply the distribution process from inventory. And the importers do the same thing.

So Mr. Singh's company and other importers, they would import quantities from China, hold them in distribution centers or hold inventory of all these Chinese products so that they can quickly supply.

In fact, in your preliminary determination in pipe fittings you found that basically the supply from inventory for the domestic industry and for importers was almost the same. Which just shows that, you know, the importer's job in supplying their distributors is to hold inventory here. But that also means that, given their production planning when Mr. Simmons is lining up, we're going to produce this many tons of pipe or fittings in the months of October, November, December because it's what our normal sales are, and they don't know when the boats are arriving from China, when all of a sudden a massive amount arrives from China in a short period and the Chinese are selling to distributors at much lower prices. Now all of a sudden the order book--not during a time of recession but during a time of in fact expanding demand--all of a sudden the sales guys are bringing home fewer orders.

And the people running the plant are going, wait a minute! You know, we're producing for this inventory, but so much is normally sold, and now all of a sudden we've got extra inventory? The next answer is obvious in a business like this. It's like, hey, sales guys, you better get out and cut the price and get rid of this inventory we have on hand because we're not in the business of having, you know, three or four months of inventory versus four or six weeks of inventory.

And that is why a sudden surge of imports, as happened in the latter part of 2016, can have such serious follow-on effects a quarter or two later. And I think the record clearly demonstrates that in this case. And a lot of it is related to that inventory issue that you were asking about.

MR. GOLDFINE: So on that last point you made, is there anything limiting the domestic industry just from holding more and more in inventory to respond to what you are arguing in terms of what's going on with the Chinese producers?

MR. DOWD: Well it's expensive to hold inventory. You've got all your costs in there, and you can't let your brains fall out, if you're managing the whole P&L and the balance sheet.

And so when you get hit by these surges, you're running against a normal production plan that you had agreed on between the sales guys and the plant, and you know what normal demand is. And so when these waves hit you, you sometimes don't see it right away.

So what happens is, your inventory or days of stock starts climbing. So it's eating up working capital. And so you are faced with the decision at that point: Am I going to have lined up with three, four, five, six months of material? Which at that point you have to seriously cut back on production or cease production. And the fixed-cost burden in a foundry is so high, that's why every ton we lose to imports--I mean, when we wake up every day, I've been doing this since 1971--you can't make money in a foundry unless you're running hard because of the heavy fixed costs.

So when that inventory backs up on you because they've dumped a bunch of stuff in here, subsidized dumped stuff, it can create unbelievable financial strains. And in the case of Charlotte Pipe--Mr. Lowe can speak for his two companies--it's a personal decision of our family not to lay off people. And I can shorten their hours, but they become--in an accounting sense, that's a variable cost. But there are fixed costs. I'm not going to run them out the gate. And so that loss of volume has enormous consequences.

MR. LOWE: This is Michael Lowe with McWane, to amplify what Roddy is saying. The up side when you have to run more, there's a little bit of economies of scale when you have to run more. When you have to slow down or shut down, the loss, because of the high volume and utilizations necessary to cover the fixed costs, slowing down is really, really expensive. And our moral obligation to our employees is to keep them working full-time.

So we do everything we can in order to run smooth and consistent. And the downside, when we're unable to because of dumped product, is very costly both financially and then also to keep team members working despite having the volume, is a moral obligation that we accept.

MR. GOLDFINE: Thank you. And one final question for Mr. Schagrin. There weren't any related parties' issues in the fittings case. I'm assuming there aren't any here. But if there are, can you address that in your postconference.

MR. SCHAGRIN: There are not, so we will address it. There are no related-party issues.

MR. GOLDFINE: Very good. I have no further questions.

MR. CORKRAN: Thank you, Mr. Goldfine. Now we will turn to Ms. Preece.

MS. PREECE: Thank you very much for coming. This is very interesting, and it really helps us to have you come.

The first question I want to ask is kind of a stupid question because that's where I am right now in this project, but over there we have these thinggies, which are pipes and fittings, correct? All of them are pipes and fittings? So the curved part is the fitting, and the straight part is the pipe on both those things? Okay.

So how much--I mean I can see how fittings would vary a great deal from one to another, but how much variation is there in the pipe from one pipe to another? I mean the question I have--the reason I'm asking this question has to do with the inventory.

If you make say one kind of pipe, you're not going to need to have as much inventory of pipe as you would need to have fittings. So is this a--are there a great variety of pipes? Or do all the pipes sort of look like that? Or do you come out with pipes of varying widths? What's--

MR. DOWD: Ms. Preece, they're in a number of stock-keeping units, SKUs. There are many more SKUs for fittings than there are of pipe. But on pipe, the tonnage of inventory you have to produce and hold, it follows the 80/20 ratio that it's sold in.

So, yes, there are more SKUs on fittings, but in terms of your overall tonnage of inventory and production, it's all at pipe.

MS. PREECE: So basically it's at equal weight from--if you're talking about the industry as a pipe industry versus the industry as a fittings industry, there is as much inventory, weight of inventory in pipe as in fittings?

MR. DOWD: No, ma'am. Excuse me--

MS. PREECE: Per industry. I'm just looking at the industry, the fittings industry and the industry of the pipe industry, right? Because we're having two different cases, so we've got two different industries even though you are the same people. So I'm just trying to figure--understand the relationship between these two.

MR. DOWD: So let's just say that we made 100 tons in a day, as an example, of pipe and fittings. Eighty percent of those tons would end up on the yard as pipe. Twenty percent of that 100 tons would wind up on the yard as finished good fittings.

So of your total melt, 80 percent of the weight is going to go into pipe.

MS. PREECE: Okay, that I understand. The question I have is, through throughput I would think that you could--you know, you have to hold a variety of different pieces of fittings, but you could--if there's relatively homogenous pipe, you could ship it through inventories faster, even though it's a larger volume. That's why I think there might be a less--I mean, I don't know. I don't understand this product enough. Do all pipes look the same, similar? I mean, do you have a wide variety of widths besides these three heavy, light, medium? I'm just trying to understand it better.

MR. HARDISON: This is Hooper Hardison with Charlotte Pipe. As we mentioned, there are numerous different fittings. On the pipe side, on the hublis, we make inch-and-a-half up through 15 inch. So there are much fewer SKUs. But as we've also mentioned, there are numerous, many more tons in inventory.

And so if you think about it, at a job site they could have long runs of pipe. So you could use a lot of pieces of pipe real quickly. But then you also get into a lot of turns, which slows it down and there'd be less pipe used and more fittings used.

MS. PREECE: Okay.

MR. HARDISON: But we still have to keep a lot of inventory of pipe.

MS. PREECE: Okay. Okay, thank you. Thank you very much. I'm just, you know, I'm trying to work my brain through this product. I am--Schagrin thinks I'm very funny, but that's fine. That's fine, because I am funny.

MR. SCHAGRIN: I think I'm very funny, too.

MS. PREECE: You are mistaken there. I am.

(Laughter.)

MS. PREECE: Anyways, I have stolen liberally from the fittings case in this case, although I was not on it. I know the person who was, the economist on it. And I want to know, is there anything here with pipe that you say, no, don't steal from the fittings case? Because otherwise I'm going to be stealing from the fittings case. So just let me know. I mean obviously I'm not interested in the production process and all that stuff, and there's something different there. I'm giving that. But as an economist I'm looking at methods of purchasing, end uses, demand. Are these all the same as were reported in the fittings case?

MR. SCHAGRIN: This is Roger Schagrin. Yes, Ms. Preece, steal from the fittings case. It's all the same in terms of the economic factors you're looking at, and the Commission should also reach the same result.

MS. PREECE: Okay, so I can be really lazy, then. Good. Good. Okay, that's good.

Now I am again referring back to this case on fittings. And in the fittings case, there was a statement of 20 to 22 percent of the cost of the "system"--and that kind of stuff--the system was fittings. And here you said that 80 percent of the "system" is pipe.

But when I was reading that analysis, I also read these things called "other products, other pieces." What are these? Do they exist? Or have they really gone through everything used in the soil pipe system? Or are these

couplings and other pieces that are out there and you're
going to bring another case on, and you're producing behind
my back?

MR. LOWE: This is Michael Lowe with McWane. I believe in the fittings case--I just re-read the transcript--we were talking about weight when we were talking about 20 to 22 percent. So by weight, we call it in tons, it's at the 80/20. The system does utilize gaskets and couplings as joining methods on the hubbed product, the one with the--that Roger is holding right now. That would have a gasket joining method.

MS. PREECE: Okay, that's sort of plastic, or rubber, or something like that?

MR. LOWE: It's rubber. Yes, it's basically a neoprene rubber. It's made with stainless steel and neoprene rubber.

MS. PREECE: Okay, so we got those other things. That's very helpful.

Now I am a good adder: 20 percent plus 80 percent, that's 100 percent. So where does the value of that stuff come from? Or is that not considered part of the "system"? Or is not part of the weight? Maybe it's relatively lightweight. You know, I'm picky about these things.

MR. SIMMONS: Greg Simmons, Charlotte Pipe. From a manufacturing point of view, they're completely different manufacturing facilities. The couplings and gaskets, Charlotte Pipe for instance does not produce those at all. So from a manufacturing point of view, we are only talking tons and pieces of pipe, tons and pieces of fittings, because that's what's in our foundries.

MS. PREECE: That's great. That's great. And if we are talking about the value of the system, what share of the value would be pipe? What share of the value would be fittings? And what share of the value would be these other wonderful pieces? Just because I'm curious.

MR. LOWE: This is Michael Lowe. McWane does make the gaskets and the couplings about which you speak. If I were to take a swag at it in terms of the overall system, cast iron and joining method, I'd put the joining method in the 25 percent of the value or the cost range.

MS.; PREECE: So that would include fittings plus these couplings?

MR. LOWE: Correct.

MS. PREECE: Okay, great. Thanks.

MR. LOWE: We could in postconference give you some uinswagging of it.

MS. PREECE: I am happy with that. It's just, you know, you're kind of trying to--you know, when people have these things you kind of want to add them up and have them work. So that's my own problem.

What do distributors do? I mean, you know, sometimes you have distributors that cut, and do all sorts of things. But in this case it seems like distributors hold inventories?

MR. DOWD: Ms. Preece, this is Roddy Dowd. Distributors at our business, they're called plumbing distributors, and I don't know if you've remodeled your house or kitchen or bathroom lately, but you would go, if you weren't going to a Lowe's or a Home Depot, let's say you were picking out a faucet, or you were buying a new tub or shower. You'd go to one of these distributors. And they are stocking the finished plumbing that I referred to that you can see in front of the wall, and then all what we call the "rough plumbing," the pipe and fittings that are behind all these walls, of which cast iron soil pipe is part of that.

So these distributors, they purchase from us in bulk, generally 45,000 pounds. And then they pay us. They hold that inventory so they can--so a plumber or a mechanical contractor who needs it quickly, that they can come to him.

Essentially, they break bulk, if that makes sense. So they are part of the--you know, they're part of the chain. They can make a decision about buying Chinese stuff, or AB&I, or Charlotte, or Tyler, but their customer, the plumber and the general contractor or the mechanical contractor, they also can weigh in on a preference. And the preference is generally who is cheaper. That's really the common denominator.

MS. PREECE: Can you explain--now, discounts you give to these distributors, correct? That's who gets these discounts and loyalty incentives? Is that correct? I'm trying to understand this.

MR. BIGGERS: John Biggers, Charlotte Pipe. Yes, that's correct.

MS. PREECE: Okay. Can you explain what these things are like, how they work? I don't understand them yet.

MR. BIGGERS: I can give you kind of an overview and then postbrief I think we can give you more detail.

MS. PREECE: That would be great. Please do.

MR. BIGGERS: An overview, as a starting point, would be a list price. It's a sheet that's published. List prices can vary by market. Certain markets would have one list versus another list, but that's the baseline.

And then off of that list there are various things that basically reduce the list to get down to a net price. So you have a list price. You have a discount, or in some cases you call it a multiplier off of that. That would get you to your invoice price. The bill that we send to that distributor for the product. And then below that you would have multiple types of credits, or rebates, or things like that that continue to lower the price to get it down to the net/net price of the goods.

But we can send that to you. It would be easier, because from a competitive situation I don't want to walk through our string of how it works, but we'll send you a full string of how all that works.

MS. PREECE: Okay, that's great. That's great. And that's similar for the two--

MR. BIGGERS: It's similar for everybody. It's similar for myself, for Charlotte Pipe. It's similar for our domestic competitors. And it's similar to out import competitors.

MS. PREECE: Okay, okay. Did you want to add anything?

MR. LOWE: This is Michael Lowe with McWane. It was just going to agree that arriving at the net/net is the string that John talked about. And it's consistent throughout the industry.

MS. PREECE: Okay. When we get these rebates, they are not merely based on pipe, but also based on the fittings, as well? Is that correct?

MR. BIGGERS: John Biggers, Charlotte Pipe. Yes, ma'am.

MS. PREECE: So how do we evaluate a price for one product when the purchases of another product can affect that price?

MR. BIGGERS: The rebate would be specific. The percentage or whatever percent we would give, you could apply that to the pipe purchases and that would tell you exactly what the rebate was for the pipe.

MS. PREECE: Okay. Okay.

I want to talk a little bit about this U.S. versus China. First of all, just generally, how much do you think you're undersold by the Chinese? I'm not going to take you -- take in court or anything like that. I just want your guess.

MR. LOWE: It depends on the market and the situation, but 30 to 40 percent.

MS. PREECE: Okay. And you'd say that's an average or what? Is that the maximum?

MR. LOWE: I wouldn't say that's the maximum, but that is at the high end.

MS. PREECE: Okay, so why would anybody by U.S. product if the Chinese is identical and it's 30 percent less to buy Chinese product?

MR. DOWD: I'll take a shot at that. Because we have to reduce our prices.

MS. PREECE: So your 30 percent difference is not a 30 percent difference after you've reduced your price?

MR. DOWD: Let's just say as an example that we get reports in Southern California that we're being undercut 20, 30, 40 percent and we keep getting those reports and we're not getting any incoming sales orders and therefore our inventory is just piling up in our yard and we're having to cut back production, as Rodger, said -- and Elizabeth -- we make the decision to get on top of them and lower our prices. We don't have an alternative; otherwise, we're out of business.

MS. PREECE: And do you have to lower your prices by 30 percent if the price of the Chinese is 30 percent lower?

MR. DOWD: You have to be competitive in any market to the extent that you're underpriced.

MS. PREECE: So you have to lower it 30 percent if the price of the Chinese is 30 percent lower.

MR. DOWD: You've got to get on top of them.

MS. PREECE: So it may or may not be 30 percent then.

MR. DOWD: It varies by the geography.

MS. PREECE: Okay.

MR. DOWD: So they may be "X" percent lower in one market. It varies.

MS. PREECE: There seems to be regional differences on the purchases of this U.S. product. Some cities, let's say, New York City, they're much more likely to buy U.S.-produced product and less likely to purchase Chinese product. Why don't the Chinese -- would reduce their price if that's the only thing in New York City or are you just better at reducing your price in New York City. I don't understand what kind of situation causes this difference in certain regions.

MR. SCHAGRIN: Actually, Ms. Preece, we'll go through some analysis of some of the major entry ports for Chinese product, but actually, there is a lot of Chinese in New York City. So one of the things about this product that I think you can tell because it's pretty heavy, having carried the samples into the Commission this morning, is that it is somewhat freight sensitive, so it is natural that you would have more Chinese product arriving into the coast, be it the Gulf Coast, the West Coast, the East Coast. And then you know they've got to decide, importers, you know how much can they move that product in from those ports by general by truck into other parts of the country and so the domestic's do the same thing. Maybe you ought to take freight costs into account as they're distributing and that's why I think you heard that they also having stocking points in different parts of the country so that they can maybe move stuff via rail to a stocking point, which is less costly than moving by truck and then they move on by truck. So that's one of the issues.

As to your earlier question, which I think those of us who've been practicing before the Commission for a long time have heard this for a very long time, which is when imports undersell the domestic producer by so much, why don't imports take the whole market? And the simple answer is without relief they do, which is why I can tell you that maybe a quarter of the industries I've represented before this Commission for 35 years don't exist any more. The producers have gone bankrupt, so it's not a question of why don't they do it. It's a question of how long will it take them to do it. How long does it take importers to go from no Chinese piper or fittings in the U.S. market to 10 percent of it, 20 percent, 30 percent, 50 and then we lose all the U.S. production and then, eventually, it's 100 percent import, but it does take time.

I mean you know with the companies who've been in existence for a hundred years, luckily, they're not going to go out of business. It's not like the buggy whip. We're still using cast iron soil pipe and fitting. It's not a question of demand going, but they're not going to go out of business in six months or a year. It could be two years, could be five years. It could be 10 years, but without relief when you're facing unfair, foreign competition you do cross a point, which is why 800 foundries shut down and we have so many iron foundry products. They're just plain not made in this country any more. Most of them are in auto and truck parts. A lot of the parts of your cars and trucks are cast and the big auto companies aren't, but used to cast all those products in the United States.

We largely don't cast any of those products in the United States any more because at one time the Chinese were undercutting them by 30 percent and they fought back on price. They've still lost the volume when the Chinese adjust their price and they got to the point where they said we got to shut the foundry and the big auto companies, who obviously have a lot more purchasing power than jut pipe and pipe fitting distributors, just said, hey, if we can get it from China for 30 percent less we're not going to let our domestic guys just get close. We want the full 30 percent and we want it now and people shut down.

So long answer to that question, but I would say that at least in New York and many other coastal areas of this country there's a lot soil pipe and also, as we've shown in the earlier case, fitting come into those major coast port cities.

MR. DOWD: Ms. Preece, just one comment. If we did not fight back on price we couldn't have afforded a plane ticket up here.

MS. PREECE: Okay, that's fine. You know it does seem to be some kind of union preference for U.S. product and I know those things will, as Roger Schagrin always says, they will, in the end fall, but sometimes they are lull for a while and I just want to understand what kind of things are slowing it down. What things are speeding it up? It would be helpful and that's why I pushed that question so.

Yes, I wanted to ask this question because I live in a building that was built in the 1920. How much of your product is sold for repair as opposed to that sold for new construction? This does not sound like a big repair industry. This sounds like a --

MR. HARDISON: The vast majority of our products we sell would be for new construction.

MS. PREECE: So maybe 2 percent.

MR. HARDISON: I don't know how to put a percentage on it.

MS. PREECE: Okay. It'll be minuscule. So okay, so then we don't have to really worry about that part. It's just nice to get these things out of here.

Okay, well, let me --

MR. SCHAGRIN: Which shows how long it lasts. I mean, literally, the cast iron soil versus the other steel pipes or the gas line pipes and things like that this stuff will last for 100 to 150 years in a building, which is why you don't need epoxy coating. That's a different issue, but I mean this is a product that really does last.

MS. PREECE: Well, I'm glad because I live in a building that was built 88 years ago and I'm kind of worried about my soil pipe now. Okay, but I'm going to stop for a second and let somebody else ask questions.

MR. CORKRON: Thank you very much, Ms. Preece. Now we'll turn to Mr. Yost.

MR. YOST: Good morning. I'm just a simple accountant. I'm not funny like my coworker, but I do want to welcome you to today's conference and thank you very much for your testimony.

I think she ought to be more worried about the 88-year-old electrical apparatus in her building than the soil pipe, but that's not my problem.

I have a couple of data issues. One is you've talked about list prices and discounts and rebates and credits and this sort of thing. When you go back to your offices, would you look at the questionnaire and make sure that we have the full application of the discounts, credits, and rebates so that the prices being reflected in the trade section, Part 2, the financial section, Part 3, and the pricing product, Part 4, reflect those rebates.

And the second thing is you indicate, I think, that it's rather easy to calculate the rebates for soil pipe as opposed to a joint invoice or an invoice that might include both pipe and fittings, but make sure that the rebates and credits have been allocated as appropriately to the pipe from an invoice that might have both on it and have the rebates and credits and discounts, et cetera.

Then the other question is when you issue an invoice to a customer do you issue it in pounds or rather tons or do you issue it in pieces? This is only on soil pipe.

MR. BIGGERS: It's by units pieces. In other words, we take a list price as per piece. So we take the number of pieces times the list price times the multiple orders to get the invoice price.

MR. YOST: Okay. How useful is the weight measure.

MR. BIGGERS: The weight measure is useful in determining how much you put on the actual truck to deliver it to the customer.

MR. YOST: Is this product of a nature that you know automatically there's a standard weight per piece? Is that an accurate reflection of the number of pieces?

MR. BIGGERS: Yes, each piece would have an -- take an example, a 4-inch piece of pipe it would have a weight that's typically within a certain tolerance, each piece.

MR. YOST: Okay. Are average unit values a good measure for this industry and do they also apply to imports?

MR. SCHAGRIN: Yes, because -- going back to your first question, Mr. Yost, given what we knew and what we additionally learned from the fittings case, which is so similar to this case, is the importance of these discounts by multipliers and rebates for loyalty. So we made sure that everything the Commission got was on a net/net/net basis, which is what we know you want as you want the final price, but because of the fact that we believe the product mix for the U.S. industry and for the Chinese industry because they all sell distributors in the same areas is the same product mix and because of the standardization of weights we think average unit values are appropriate for a comparison. Because as long as the product mixes are similar it's the way you compare things across, obviously, per piece a 15-inch pipe is a lot more expensive than a 2-inch, but when you come to the per ton they're similar in prices per pound and in cost of production per pound across these soil pipes. So this is a product in which AUVs are useful because of the same product mix between the imports and the domestic industry.

MR. YOST: Okay, thank you. Thank you very much for that. I'm going to skip a little bit and ask a question in a slightly different form that was asked earlier. The domestic industry has a fairly consistent share of U.S. apparent consumption and it's a pretty high share. Also, the two companies together or three companies together have a rather higher level of profitability than we're used to seeing, so where is injury? Is this a price case, pure and simple?

MR. SCHAGRIN: It is obviously much more a price case than a volume case, but the reason it's a price case is, given that there's a high fixed cost industry they have to protect their volume and that's why in my answer to Ms. Schuster's question about the injury case here is that over the three years you see an increase in imports, roughly, 15 percent in increase in import market share. But within the three-year period, you see a 50 percent jump and a relatively big change in market share between '15 and '16 and then you see the industry fighting back with price to regain some of that market share and head off that 50 percent increase, which largely came at the end of 2016.

And as I think is clear from the testimony, and it's the absolute undeniable fact of this record is that the only reason -- the only -- I know you all have to make an affirmative determination that the imports were just a cause of the injury, but in fact, the only reason in a rising demand market with increasing raw material cost for an industry with, as you stated, a relatively high share of the market and with only three players to cut prices was import competition from China. I mean there's just no other reason. I mean these are the people who sell the product. They don't come up here and say, hey, Schagrin, what's the best story for winning an injury case? Oh, well, say the Chinese made -- I mean they came to us and said these Chinese are so under pricing us and gaining so much market share and we saw our inventories increasing we had to cut our prices to compete with them. Even though we're still profitable, isn't that injury. I said absolutely.

And we had a change in the statute in 2015, The Level the Playing Field Act, which I think reinforced the earlier statutory language that profitable industries can experience material injury and this is a very good example of that where an industry that is still profitable, has still relatively good profit margins has seen those profit margins falls significantly and the cause of that price suppression and price depression and the cause of the lower profits is unfairly traded imports from China and that's exactly what this record shows.

MR. YOST: Okay. Witnesses have mentioned the high fixed cost. What'd you consider a fixed cost? I think I know what it is in accounting terms, but I'd like to have an explanation.

MR. DOWD: I'm a pretty good numbers guy too, so in standard accounting all the fixed costs that we would have on our balance sheet -- I mean that run through our income statement would tie back to the balance sheet, but you'd have things like fixed assets less depreciations, your net fixed assets, then you've got amortization -- all those normal things.

We classified salaried folks as fixed cost as opposed to variable, so supervisory level and up would be fixed cost, so you'd have their salaries, their benefits, any bonus compensation, so those are all fixed costs, but the nature of our business if we weren't -- the reason we've got to be profitable, and that's why we're here today. We know that we've got to be environmentally correct and we pay very high wages and we're proud of it. We can't get away with paying what the Chinese pay. We can't get away with just going right out the stack, so to stay alive we've got to invest in equipment and environmental systems and that stuff is unbelievably expensive.

And when you're sitting there and that stuff's on your balance sheet, you've got to run units by million tons to lower the fixed cost burden per ton. So if we just stayed still and we said, okay, we're not going to invest any more, we'd die because we've got high fixed cost and they've got cheap labor and they've got subsidy and they dump. So our best defense is to invest in modern technology and in our people so that we can get our costs as low as they possibly can.

Now as I mentioned earlier, labor is a variable cost and I understand that, but at Charlotte Pipe it's our corporate decision that we're not going to lay people off. I could reduce their hours.

MR. YOST: Yes, we've seen this in other industries where what we call direct labor is not as variable as one might say it is.

MR. DOWD: That's correct. The final thing I would say is because of the nature of melt operation where you're running your environmentals -- if you're cupula if your blast is off because you're not taking iron, your blast air, you got all the electricity. You got all the natural gas. You're burning coke, which is very expensive until you can turn your blast back on as you charge your cupula so having adequate tonnage -- and that's what we're losing to the Chinese. I mean we see these surges. I mean those costs have got to be spread and it kills us and then we can't invest in new equipment to reduce our cost further. And so you will be out of business if you can't get some remedy.

MR. YOST: Mr. Lowe, post-conference would you expand on the statement you made earlier that the corporate culture at McLean has changed in the last couple of years.

MR. LOWE: I'd be happy to.

MR. YOST: Okay, thank you. Do AB&I and Taylor compete on price?

MR. LOWE: AB&I and Taylor have separate sales teams and they sell to different distribution partners. We report to the same gentleman and we make sure that we are, as best as possible, not competing with each other on price because that would be insane.

MR. YOST: Okay, I just wanted to clarify that. I noticed, and Mr. Dowd also noted that hundreds of foundries have closed. I've noticed that the membership of the Cast Iron Soil Pipe Institute has shrunk dramatically since, I guess, 1949. Can you briefly describe what happened to those companies? Have they left -- no longer make foundry products? Have they gone into other businesses, expanded into plastics, for example?

MR. DOWD: Going back to when the Institute was founded in 1949, there was -- cast iron was, by far and away, the predominate drain waste and vent piping system. There was a little bit of copper and steel used and that carried forward and had been the traditional case. They carried forward into the early 1960s. Two things happened that started to erode the membership is environmental regulations started coming into play. And as I mentioned in my testimony earlier, we have to spend a ton of money, and we're glad to spend it to do the right thing, but some companies it was -- there's always been tremendous competition, but I know this from my father and uncle and Hooper's father some companies they didn't save enough pennies to step up and invest in the environmental equipment, so some of them just said I'm going to keep whatever I've got in the bank and I'm going to shut it down.

The second thing that happened by the mid-sixties there was -- plastic piping systems began to be used fairly frequently on the residential side of the business, which had formerly been all cast iron. So if you look at the post-World War II housing starts, which I'm sure Ms. Preece knows, there were about a million and a half houses starts a year and that was all cast iron. All of a sudden, that started peeling off to plastic and all that did was intensify competition.

For instance, our company got into plastics in 1967 and today you see very little cast iron used in single-family residential use, so that shrunk the market. So you had environmental, you had plastics, and then by the eighties you had Chinese competition and that put margin pressure on people which further limited investment ability and companies, large and small, made the decision to shut down.

MR. YOST: Thank you. In the fittings investigation, respondents referred to four firms that were acquired and closed by Charlotte and seven firms that were closed by McWane. Could you address that allegation?

They specifically mentioned Richmond Foundry in 2002, DMV in 2004, Matco-Norca in 2009, and Star Pipe in 2010. I would separately note that Star Pipe was the subject of a FTC investigation and consequent consent order in April 2013. McWane allegedly did the same with Anniston Foundry, Central Foundry, Combustion Engineering, Eastern Foundry, East Penn Foundry and T.C. King Pipe & Foundry.

I have a couple of last questions, like my colleagues have gone through the fittings transcript, at least cribbed liberally from it, what was the reaction of your customers when Charlotte was sued under Section 7 of the Clayton Act? And post-Charlotte and McWane were sued under Section 1 of the Sherman Act?

I noted that a number of companies opted out of the agreement, but as the judge said, if the ratio of number of companies that had opted in was similar to the number of companies that had opted out, he would not have agreed to it, so it seemed like many more opted in to the agreement.

MR. DOWD: This is Roddey Dowd. I wanna make sure that I answer you properly. As you know, we reached a consent decree with the FTC and there was no finding of wrongdoing and no financial penalty, period, end of story.

Now, unfortunately, once you get investigated by the FTC, and they publish the consent decree, which was ice in winter, I mean we didn't do anything wrong, so they didn't, you know, we weren't hit with a penalty. That's when you get the plaintiff's lawyer. I mean it didn't take them a nanosecond, and they do it every day. They see it and boom, they'll file everything under the sun.

And you asked about the reaction of our customers. Most of our customers thought it was ridiculous, and some of them were appalled. I had personal calls saying, "This is the craziest thing I've ever heard of. And I'm not gonna join the suit." That was the reaction that we got. And we didn't do anything wrong. I mean we had to settle the thing because it's a treble damage suit and we gotta get back to doing business. But we settled it for pennies on the dollar. I mean that's just the way it works. I'm sure everybody in this room has gotten a settlement check from some ambulance chaser who's brought a suit.

MR. YOST: Okay. Was the reaction of McWane similar?

MR. LOWE: This is Michael Lowe with McWane. Yes, many of our customers felt our pain, that just because we were investigated by the FTC and found 100% exonerated from any charge that a bunch of bottom-feeding extortionists, class-action attorneys would then bring three suits against us to extort more money, they've been through that before. So they were very sympathetic that one would have to pay many, many lawyers for years for nothing. So they were supportive of us.

With respect to the -- I think you said seven foundries that McWane has allegedly shut-down -- in our post-conference brief, I'd be happy to separate fact and fiction from those charges, just like, for example, East Penn burned down. And McWane chose to use the insurance money from that to acquire AB&I. So that was a response to an act of God, not some sort of nefarious plot. But we'd happy to expose fact and fiction on that in the post-conference brief.

MR. YOST: I'll look forward to seeing that. Thank you.

MR. SCHAGRIN: And Mr. Yost, this is Roger Schagrin. I just wanna clarify two items in public, rather than just putting them in the post-conference. So interesting fact in that consent decree that Mr. Dowd referred to with the FTC as to the acquisition of Star Pipe. Part of that consent decree was to waive a non-compete clause that was part of the original purchase agreement.

MR. YOST: Yes.

MR. SCHAGRIN: And that happened in 2013. We are now in 2018 and Star Pipe has not decided on their own for whatever commercial reasons, to be in importation of cast iron soil pipe and fittings since the time that that noncompete was waived. Presumably because they found that they couldn't compete profitably with other importers of Chinese cast iron soil pipe and fittings.

We don't think that, you know, even Mr. Singh, I think said in the fittings conference, that he was having problems competing in California because there was so many crazy importers selling stuff so cheap from China. So, you know, it's -- when there's so much excess capacity in China, it makes it a tough business sometimes for some U.S. importers.

And the second thing, just to correct something that was in this preliminary producers' questionnaire, and also in the draft for the final for fittings, is there's a reference to an FTC action. But that involves ductile fittings. If you go back and look at that case that you all have cited in the questionnaire, not cast-iron pipe, but ductile pipe fittings, that particular FTC investigation that's cited in the questionnaire.

MR. YOST: Okay. I have, actually, in front of me, the press release from the FTC. And it does refer to--at least this one does--does refer to cast iron soil pipe business. And you're right. They did not waive, but ordered the noncompete clause was rendered null and void, so to speak. I don't know what the legal term is, but anyway, it was rescinded. And apparently the equipment was for -- Star's equipment was destroyed.

MR. SCHAGRIN: Yeah, you've got the proper consent decree. I was just pointing out that separately, the FTC action reference in the questionnaire is from a different FTC action with a different product. But you obviously have the same consent decree I was referring to, as to the waiver of the noncompete and as a matter of, I think, incontrovertible fact, unless Mr. Singh knows differently.

We do not, to the best of our knowledge, understand that since the waiver of the noncompete, that Star Pipe has ever decided to get back into the business of importing cast iron soil pipe and fittings from China. From their volition. Because they are free to do so. Based on the consent decree.

MR. YOST: Okay. Understand your point.

MR. DOWD: Mr. Yost, can I just make one point of clarification? I think you said that the equipment from Star Pipe was destroyed. If you go back to my initial testimony, I addressed why we--and in broad terms--why we scrapped the foundry. But just for the record, I wanna note the three big reasons.

Number one, they were environmental and safety renegades, and I'm not gonna run a plant in my family and our management team is not gonna sit there and wantonly pollute the skies and waters and injure our workers. And no environmental controls and no safety regimen whatsoever.

Number two, their technology was from the mid-1960s and we -- it was an acquisition. We bought their books and records. So we knew what it cost them to produce. And if we could produce a ton on Clarkson Street versus a ton there at the same price or better, my allegiance is to those 500 people in that plant. Makes a lot more sense. And the supply chain is a lot cleaner.

And fourth, as I am on the record in depositions, if I had wanted to disassemble that--and I'm an old manufacturing guy--if I wanted to disassemble and Greg was there, we inspected it, if I wanted to disassemble it and bring it back, well, number one, I'd be in jail for environmental and safety violations. But number two, their motors don't even work on the same current as ours. So what was I gonna do? I had to get rid of it.

MR. YOST: Thank you very much. My last question is, the settlement in this now infamous lawsuit was $30 million. Would you make sure that in the questionnaire responses that this amount has been allocated between fittings and soil pipe? I'd appreciate it.

MR. LOWE: This came up in the fittings case. Our numbers do not include that settlement. The settlement was covered by our corporate offices, so it's not effected in our numbers.

MR. YOST: We had asked that the questionnaire responses of AB&I and Tyler be consolidated so that amount could be put in under other expenses.

MR. LOWE: The responses were consolidated, but because AB&I and Tyler did not pay for that settlement, it's not in our numbers. We'd have to go to corporate, so I think it's clean, if I'm understanding the nature of your question.

MR. YOST: I'm asking that you put it in.

MR. SCHAGRIN: Well, we can add it. I think it's good from the Commission's perspective and the petitioner's perspective that it's not the settlement of a case that caused injury to the U.S. industry. It's the unfairly traded imports that caused the injury.

And one other comment. You said, Mr. Yost, that now infamous settlement. You know, over the past three years, the Commission has probably has done--I'm gonna guess--maybe roughly 75 cases on flat-rolled steel and long products. There was just a vote on wire rod today. I represent a number, as you know, of steel producers. And about 2010, 2011, there was a private antitrust suit filed against every major steel producer in the United States, everyone.

Every petitioner you have had before this Commission in those 75 cases over the last three to five years, those petitioners were the subject of antitrust suits with claims into the billions of dollars with treble damages.

And the settlements weren't, like, $30 million. The total settlements were in the hundreds of millions. I know, because some of those are my clients, that the amount of settlements were much less than what they faced in litigation costs.

Forget the potential risk at trial, it's that antitrust lawyers will eat your company alive in no time. Trade lawyers are dummies, you know, we just don't get the big bucks. Of course, we don't have the same kinds of discovery.

But the real point I'm making here, Mr. Yost, is that, you know, to the credit of mostly the respondents' counsel in all those steel cases, and also to the Commission, the settlements of those antitrust suits didn't become infamous at the Commission.

They weren't even raised in these 75 cases, so I think the only difference between all the cases on corrosion-resistant sheet, cold-rolled sheet, hot-rolled sheet, cut-to-length plate, wire rod, etcetera, etcetera, is just who the respondents were.

Because, let's face it. Most people come before this Commission and who know this Commission well, know that what this Commission's gonna focus on in making decisions on injury, is the record. And the record in these cases is the imports, import pricing, underselling effect on the domestic industry, don't involve these extra antitrust suits and the plaintiffs' bar and what companies have to do in this country.

And it's just amazing to me, we just passed a tax legislation. The Congress, I just don't think they're ever gonna be able to take up, you know, legal reform in this country, which is another thing, because the trial lawyers are just too strong.

I mean, yeah, they're my brethren. I am a member of the bar, but I publicly disassociate myself to all those bottom-feeders -- it's a shakedown. And a few of them have been thrown in jail because they were just paying the plaintiffs to bring these cases, which is a good thing.

MR. YOST: You probably read the obituary of Mr. Weiss, I think was his name, with some joy, given your statement just now.

MR. SCHAGRIN: I don't wish death on anyone.

However --

MR. YOST: However.

MR. SCHAGRIN: The fact that someone with, you know, massive philanthropy and -- just like Mr. Madoff was amazingly philanthropic with money that he stole, you know, winds up spending a good part of their elder years in jail because they are committing fraud and paying people to say, "I wanna be a plaintiff," and the only reason they wanna be a plaintiff is because they're being paid by the plaintiffs' lawyer. There's a problem with that. And there's a lot of stigma on lawyers. Most people in this country really dislike lawyers. And no offense to Mr. Goldfine, he's very well-liked. But --

MR. YOST: And we love you, too.

MR. SCHAGRIN: -- there's a reason. So anyway.

MR. YOST: Okay. We spent enough on that. And like you, I have worked on most of the 75 investigations and most of the steel investigations since 1988, so I have no small amount of sympathy. We have seen settlements and the other expense. We've seen them in general and administrative expenses, so it's not unusual to see this kind of a settlement cost. And with that, that concludes my questions. Thank you again.

MR. CORKRAN: Thank you, Mr. Yost. And now we'll turn to Mr. Brininstool.

MR. BRININSTOOL: Thank you very much. And again, I'd like to join my colleagues in thanking you all for taking time to come see us today.

So as the industry analyst, my questions will be focused on product descriptions and manufacturing processes. So the first thing, as again, as other colleagues have mentioned, the similarity with this case to the fittings case, so just for the record, it's safe to assume that, in terms of the manufacturing process, they're identical up until the point of the casting of the fittings versus the pipe; is this correct?

MR. SIMMONS: Yes. Up to the point of delivery of the molten iron from the furnaces, it's identical.

MR. BRININSTOOL: Thank you very much. And so within that -- and this was discussed in the fittings case, but just again, to get on the record, I know that hubless cast iron soil pipe is made to the ASTM specification A888 and the CISPI specification 301, and the hub and spigot cast iron soil pipe is made to ASTM standard A74. So would this ASTM A74 specification for the hub and spigot pipe, would that be covered in this CISPI specification 301 with the possible exception of production dimension and shape?

MR. SIMMONS: No, the A74 is strictly a standard for hub pipe and fittings in our industry that service a heavy-extra pipe. The A888 and the CISPI 301 standards are strictly for the no-hub or hubless pipe fittings. They don't cross over between the hub and hubless. The history of that, of course -- and I'm chairman of the ASTM A04 Committee and the chairman of the Cast Iron Soil Pipe Institute Technical Committee that -- both of those that shepherd those standards, A74--I think Mr. Hardison had mentioned--was the original product, was the hub and spigot pipe.

So A74 was developed many decades ago when the no-hub, or hubless, pipe was begun, the Cast Iron Soil Pipe Institute, in order to standardize the products, make sure everybody was making two-inch pipe that was the same diameter and four-inch pipe that was the same diameter, to ensure interchangeability.

The Cast Iron Soil Pipe Institute generated that 301 standard. And then at a later date, the ASTM Consensus Committee then generated the ASTM A888 to mirror that standard. The way things work now is that it will always be -- if there are changes in standards, the ASTM process will lead the way on that.

It's a consensus committee, folks like Charlotte Pipe have one vote in it. Folks like NewAge have one vote in it. Folks like Tyler, users, academics, code bodies, they all have equal weight in determining the changes in those standards. So the standard will change on the ASTM side and at some point, the Cast Iron Soil Pipe Institute 301 standard will be modified to mirror those ASTM standards. I believe that's probably more than you asked for.

MR. BRININSTOOL: No, that's very good. Thank you very much. That's very helpful. And so for all practical purposes, the two standards -- just look at the two different ASTM standards -- the biggest difference in those standards is kind of again the shape and dimension, correct?

MR. SIMMONS: That is correct. A74 -- both of those standards, all of them have, in the body of the standard, it describes manufacturing processes, metallurgy, strengths, testing requirements, etcetera. Dimensional requirements. Then the, basically, the last two-thirds of those standards look at individual fittings and individual pipe and give drawings and descriptions of those products.

But in the body, the text of the standards, they are almost identical in requirements between all three of the standards. And the only difference is in just what you have to change to describe a hub pipe or fitting versus a no-hub pipe or fitting.

MR. BRININSTOOL: Thank you very much. The next question, again, this was also covered in the fittings case. But just to get it back on record --

I know one of the inputs is the alloys added to the pipe or the fitting. And with the pipe, as with the fitting, is it safe to assume that some of the alloys used were ferrosilicon, silicon carbide and other alloys? And they generally account for only about 1% to 2% of the total volume of the metal?

MR. SIMMONS: The total volume of those materials, of the additions, I don't have on the top of my head. We can cover it. The value of those additions is fairly high. For instance, a pound of ferrosilicon or a pound of silicon carbide is much more expensive than a pound of iron. So there'd be one measure in the pounds or tons of those materials. The percent is by weight and another measure as far as the value of those materials.

MR. BRININSTOOL: Thank you very much. But by weight, it's quite a small amount by weight, correct?

MR. SIMMONS: I'm sorry?

MR. BRININSTOOL: By weight, it's quite a small amount? By percent?

MR. SIMMONS: By weight, it's a relatively small amount. And I guess the one area that may need a little bit of description is that in the U.S., the normal cast-iron soil pipe producers use mixtures of cast iron scrap, steel scrap, and these alloys that described.

They require relatively small amounts of these alloys because the scrap that you buy and put in the melting furnace is for all intents and purposes the same chemistry as what you end up with in the product. So you only make up basically what is required for oxidation and losses and things like that.

In some instances, if you're using, for instance, pig iron, there are very large costs on those alloys because pig iron generally is not similar at all to castable gray iron. In fact, you can't take pig iron and melt it and pour it into anything. It's just not that kind of an alloy. So in order to make it a useable material, you have to add large amounts of silicons, steel or some other material to dilute down the carbon.

This is a metallurgist putting you to sleep here now. So there's a distinct difference in the melting and alloy if you're using pig iron for a base, either a liquid or a solid and cast-iron scrap, steel scrap.

MR. BRININSTOOL: Thank you very much. And so that kind of connects into something else. I know in the fittings case, it was mentioned that, to your knowledge, the Chinese producers generally use a higher percentage of pig iron as compared to scrap, because of the lack of scrap available -- less scrap availability in China. I assume that still holds true?

MR. SIMMONS: To my knowledge, they do generally use more pig iron. The reasoning I'm not sure of, you know, the pig iron and cast-iron scrap, steel scrap, it's an international market. You can go out and get a boatload of scrap from Turkey or the U.S. or wherever, shipped into China.

You can get a boatload of pig iron shipped in from Brazil or Russia or somewhere, so it's an international market. So I'm not sure what the reasoning is to use the pig iron over there. It certainly is not anything that's lower cost. Because by the time you add the extra energy, the extra alloys, it's moderately expensive process.

As a general rule, if you're gonna go out on the world market and buy a pound of cast iron scrap or a ton of cast iron scrap, or if you're gonna go out and buy a ton of pig iron on the world market, it's always, the pig iron is always gonna be 20% or more expensive.

So on a world basis, that sort of equalizes. Some months it may be 15% and some months it may be 30%, but it's always more expensive to use pig iron as a solid raw material than it would be to use cast iron scrap or steel.

MR. BRININSTOOL: Thank you very much. As I said, I'd kind of like to discuss the coatings. And I know in the fittings case, we talked about this a bit, and the one thing in the coatings case, in the fittings case, the ecoating process wasn't discussed in detail.

So from what I'm hearing, I should kind of assume there's three main coating types: The asphalt bath, asphalt-based coating used in the bath technique. There's the epoxy coating as used by NewAge. And then there is this ecoating. And I'd like to a little bit get back into the difference between ecoating and the epoxy. Because you said the ecoating also uses -- the difference is that the epoxy coating, as discussed in the fittings case, is that's like an epoxy paint, whereas the ecoating system, it's an epoxy, but it applies the particles in a different manner.

MR. SIMMONS: Yes. First of all, just to clarify, the only pipe with ecoating on it, to my knowledge is the five-foot length of pipe made on one production process at Charlotte Pipe. It is a tiny, tiny percent of the pipe production at Charlotte Pipe, and so therefore, an even tinier percent of the total product.

So I'd say that ecoated cast iron pipe, as opposed to the fittings, it's almost a non-issue. We brought it up just for clarity. But you're correct. On ecoat, you do actually have in a bath that contains ground-up particles of the actual epoxy and water. And you apply a charge to the product, cast iron, and it pulls the particle in a very thin layer, what we would call one to one and a half mils thick, it's a very thin thickness.

And it bonds directly to the cast iron

substrate. The product is marketed as epoxy coating by NewAge. That is essentially a paint. It's carried with very high percentages of volatile organic compounds, toluene, xylene, things like that, that when the product is applied to the product, these carriers evaporate, and then they leave the epoxy on the product.

So it's -- and that, again, you know, I'm not an expert, I don't do that, I've seen it done, I know how it's done -- it's generally it's sprayed or almost sprayed or rolled on the product. And in order to do it, it carries very high percentages of carrying agents that would evaporate and not actually be carried over in the product. And it's a much thicker product.

Generally those coatings -- and I'm sure my friends from New Age probably will correct my limited knowledge of how they apply it, but it's generally in multiple coatings. You have to put a coat on, kind of a base coat like you'd put a primer on your walls, and then the epoxy coating then would be applied to that.

MR. BRININSTOOL: Thank you very much.

MR. DOWD: The bituminous coating that we use is hot asphalt and that's what Mr. Lowe stated that AB&I and Tyler are making -- that's a great coating. I mean this stuff's only been around -- our company's 117 years old and I have friends bring me, that have done renovation, Ms.

Preece, and they've had to move the sink, and they'll bring me a fitting that says Charlotte Pipe. And it could've been made in 1905.

So this stuff is great stuff. And the market totally accepts it. Just to emphasize the point that Greg made, the reason we switched to ecoat, we thought it would give just a better tactile feel to our customers, to the plumber that's handling the thing every day.

And the second thing is, because this isn't China, and because you've got our friends down at the EPA who can put you in jail, if you're an executive with good morals or not scared of going to jail, you are gonna operate by the permit, and you are not gonna exceed any of the hazardous air pollutants -- or any of that.

And for us to -- if we tried to use epoxy coatings, which are loaded with toluene and xylene, I mean those are known percentages. They're loaded, and we can't do it. And we wouldn't do it. So ecoat is clearly a higher tech solution, but again, we didn't try to put some marketing spiff on it, we just said it's gonna be easier for the plumber to handle.

MR. BRININSTOOL: Thank you very much.

Thank you very much. I have two last questions that are quite quick. I'm just looking at some of the literature. I know what the centrifugal casting of pipe.

Does it require -- it does not require a core, except for a core on the end when you're putting in the actual metal, correct?

MR. SIMMONS: Greg Simmons, Charlotte Pipe. I'll start on the hub type pipe. When we produce -- and different foundries may use different methods, but you are correct. You have a long cylinder, which is spinning centrifically. You pour iron in it and you've got to stop the iron from coming out of both ends.

So on a hub core, because it's got a shape on that end, you put a core on the end to assume the shape of that hub. On no hub pipe, as a general rule, at least in our facility, we use what's called a permanent core, because you don't have a shape. We just use a piece of metal on both ends that closes the mode off and keeps the iron from coming out when you pour it. So you would hear the term core used, even though it might be a metal core.

Now in some sizes of very large pipe, for instance, in some other foundries, they may use a sand core on the end in order to stop even on no hub, to stop the iron from coming out. But its purpose is to -- for a hub type pipe, is to create the shape of the hub and on both sides to keep the iron from coming out the end of the centrifugal mold.

MR. BRININSTOOL: All right, thank you very much. It's very helpful.

And I think my last question here, I know you mentioned the -- I know in the fittings case, we discussed, you know, the need to remove some of the imperfections when it comes out of the core. And so I was wondering with the different casting method with the pipe, are there things like such as the gates' fins and risers left? I know you said that the main thing you were trying to eliminate after the pipe is cooled were the burrs and sharp edges. So are there -- so they're a little bit different, correct? Are there gates fins and risers on the pipe when they come out as a --

MR. SIMMONS: No, all the iron that you pour into a mold to make a pipe produces a tube. Some foundries will cut a small portion of that pipe off when it's extracted and so that will reduce your yield, that cutoff piece will go back to the scrapyard.

But as far as the gates and risers, which are the way to get iron into a mold, we don't have that or the pipe don't have that. So as opposed to a 50 percent or 60 percent yield on fittings, good casting versus total board weight, you might have 90 percent good yield on pipe production.

MR. BRININSTOOL: Okay.

MR. SIMMONS: Those are just general numbers, you know, vary by size in foundry.

MR. BRININSTOOL: Okay, thank you very much, Mr. Simmons. I appreciate the good explanation. And that's all I have for today. Thanks so much.

MR. CORKRAN: Thank you, Mr. Brininstool. And thank you very much to this panel and this line of questioning. I have very few follow ups. The first one is while you can answer here, it's probably for your brief. And that is the Commission is charged with considering whether the volume of imports of the subject merchandise or any increase in that volume, either in absolute terms or relative to production or consumption of the United States is significant. That is, there are a number of different measures in there, but which of those measures are you contending are significant?

MS. DRAKE: Elizabeth Drake, Schagrin Associates. I think we would argue that they're significant by any measure. Obviously, the absolute volume when up by 15 percent from 2015 to 2017 in terms of volume. There was also a smaller increase in value as the averaging of values went down.

The final apparent consumption numbers will, of course, be BPI, but as we've discussed here today, there's a very large increase we believe relative to demands, particularly from 2015 to 2016, where you saw that increase come at the expense of the domestic industry.

While the domestic industry was able to regain some of that market share in 2017, I believe that was only because they cut their prices in order to compete with the Chinese product and still end-to-end, I believe you will see some increase in market share for the Chinese product, but you know, not as dramatic as occurred from 2015 to 2016. And you know, we'd be happy to address each of those different ways of looking at volume in our post-conference brief.

MR. CORKRAN: Okay, thank you very much. The -- my other question, and again it can be either here or the -- in the brief, and it touches on something that Mr. Yost asked about. Oh, sorry, and this touches on -- my question actually touches on an issue that Mr. Yost raised. The Commission is cautioned that it may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has improved. In the context of this case and the information before the Commission, what is your view of that particular requirement in terms of what the Commission has to do?

MR. SCHAGRIN: This is Roger Schagrin. So Mr. Corkran, in light of that and the previous statute prior to amendment, still here in this case, the Commission looking at profits now gross operating and net prior to the change in the statute, the Commission only looked at gross and operating and didn't look at net. So in looking at that here, there is very strong evidence that the industry's profitability viewed as on an absolute basis, the amounts of profits, and they chose three areas: gross, operating, and net fell very significantly over the POI.

The margins feel significantly over the POI. And we believe that demonstrates injury. The context that the statutory change brings in is that, I think, the intent of Congress, the Commission was to make clear that the Commission should make a negative determination of injury just because the industry is profitable.

And so I think the purpose there was to put extra emphasis that maybe unlike past Commission actions that an industry that -- whose profit margins fell hypothetically from 50 percent to 40 percent is actually as injured, if it's the imports that are contributing -- a contributing cause, as an industry that goes from breakeven to minus 10 percent.

And that at least, as someone who worked on those provisions, it's pretty clear to me, that was the reason behind the change. And so we do believe, and we'll argue it further in the post-conference brief, that a profitable industry can demonstrate or the Commission should find that a profitable industry has been injured if there has been a reduction in profits either absolute or margins over the period of investigation by reason of increasing imports that undersell the industry and cause price suppression and price depression. And that is really the case before the Commission here.

And we do thank maybe, having done this for a long time, maybe this case wouldn't have been brought before the change in the statute in 2015. I don't know. I'm not going to give away my secrets as a lawyer, but you know, Congress doesn't usually change statute, just like ah, this might be a nice thing to do. I mean, I think it was well thought out and I think it was a change in the statute that the Commission has to take into account in exercising your statutory function.

MR. CORKRAN: Okay, thank you with that, I have no further questions. Let me look to other members of the panel. Any other questions? Yes, one more set of questions.

MS. SHISTER: Thank you all very much for being so patient with us and answering the sort of wide range of questions. I have a few follow ups. The first is understanding that I'm not an accountant, when looking -- and also understanding this is BPI so I expect this to go in the post-conference brief.

But when looking at the financial data that you all submitted in the petition, it looks like there's some so -- I don't know if it's an anomaly, but 2016 looks like it doesn't quite fit with the trends that 2015 and 2017 would potentially indicate. So if you could just unpack that a little bit more as to what was going on behind the scenes, that could potentially explain that.

So now into some of the more follow up type of questions, going back to the hub list versus hub and spigot, in the petition, you only identified hubless pipe for the price comparisons. Was there a particular rationale behind that either value, unit value, or volume?

MS. DRAKE: This is Elizabeth Drake, Schagrin Associates. As was discussed by the witnesses, the market is predominantly hubless pipe. And so in terms of trying to identify high volume products that we thought would provide good pricing comparisons to the commission, we focused on hubless. And I believe it was the same in the fittings case in terms of the products that were identified.

MS. SHISTER: Okay, thank you. In terms of production, you all emphasized the importance of inventories, but how long from start to finish does it take to produce a pipe and especially if you have a typical order, how long would it take to fill that order if you were to produce the order?

MR. SIMMONS: Well, from -- Greg Simons, Charlotte Pipe. From a production point of view, from the time -- let's take a normal piece of pipe, call it a four-inch, no hub piece of pipe, from the time that we deliver the iron to the production pipe machine until it comes to the end of the process where it's weighed into inventory, less than an hour.

MS. SHISTER: Oh.

MR. SIMMONS: For a piece of pipe. And then it would be bundled and put into inventory with the rest.

MS. SHISTER: Okay. Thank you. And when you're determining what the amount that needs to go into inventory, how are you estimating your ultimate inventory needs?

MR. DOWD: This is Roddey Dowd, Charlotte Pipe. I can speak for Charlotte Pipe. We used historic demand and also forecasted demand. And we will buy SKU whether we actually disaggregate our SKUs as to A, B, C, D, based upon how fast those items sell.

And we'll determine, you know, based on the quantity of sales and the production equipment, we'll determine weeks of stock by SKU.

MS. SHISTER: Okay. Thank you.

MR. LOWE: This is Michael Lowe with McWane. The way I do it is we manufacture in 11 months demand for

12. We have two week shut downs for overhaul and maintenance of the equipment. And we try to run as low over time as possible so there's periods of the year where I'd like to have more inventory going into a shut down and then less. And then we have historical data and forecast. So it's -- becomes a giant math equation in terms of what we want to have when and at what part of the year.

MS. SHISTER: Thank you. When you're selling your pipe to distributors, what's the nature of those sales? Is it mostly contracts? Are they annually multiyear or is it mostly spot sales?

MR. HARDISONN: This is Hooper Hardison with Charlotte Pipe. We don't have any contracts for sale. So for all of ours would just be incoming orders and shipping back to the customer. So spot sales to use your term.

MS. SHISTER: All right, thank you. And when you are shipping out the product, who's covering the freight costs?

MR. HARDISON: At Charlotte Pipe, we pay for the freight when they meet the freight requirements. And that's the bulk of the loads. We're paying freight.

MR. LOWE: This is Michael with McWane. The same. If you meet full freight allowed, we pay for it.

MS. SHISTER: Oh, thank you. And my last question is there's an indication that you all export some product. If you could just describe the nature and percentages of your exports, the markets and potential either -- the potential to ramp that up if necessary?

MR. HARDISON: This is Hooper Hardison with Charlotte Pipe. We do have a very, very small export business, primarily to the Middle East. And it is 1 or 2 percent of what we do max.

MR. LOWE: This is Michael Lowe with McWane, similar. We ship a little bit to the Middle East and at times, we ship a little bit to Canada to support our sister company up there.

MS. SHISTER: Thank you. That concluded my questions.

MR. CORKRAN: Thank you very much. We very much appreciate your time here today. And with that, the panel is dismissed.

MR. SCHAGRIN: Thank you very much.

MR. BISHOP: Would the members of the panel in opposition to the imposition of ante-dumping and count veiling duties including our interested party witnesses, please come forward and be seated? Use the hand held, walk around.

Mr. Chairman, members of this panel, including Owen Zhao on behalf of Jinyou Zhao, president of HengTong Casting and Bikram Singh, president and chief executive officer of New Age Casting.

Gentleman, you have a total of 60 minutes.

STATEMENT OF OWEN ZHAO

MR. ZHAO: Hello, everybody, my name is Owen Zhao.

UNIDENTIFIED SPEAKER: Press the button that's on the right.

MR. ZHAO: Hello, everybody, my name is Owen Zhao. I'm here -- okay.

UNIDENTIFIED SPEAKER: Maybe do the handle, right?

MR. ZHAO: Oh, okay, this work?

UNIDENTIFIED SPEAKER: Thanks so much.

MR. ZHAO: That's great. Can you hear me? Yeah, all good. Hello, everybody, my name is Owen Zhao. I'm here on behalf of my father, Mr. Jinyou Zhao. He is the president of HengTong Casting. Oh, sorry. Next page, please?

Okay. My presentation has four sections. HengTong Casting is founded in 1997 by my father. Sorry about that. Okay. HengTong is founded in 1997 by my father Mr. Jinyou Zhao. He studied the metal casting in university. His senior year thesis was designed casting essential -- fugal casting machine. Sorry about that. Sorry, strive forward. Sorry.

MR. BISHOP: Since he already gave you -- distributed the testimony, would you please use that since we're having a little technical issue?

UNIDENTIFIED SPEAKER: We can use the laptop.

MR. ZHAO: Okay.

UNIDENTIFIED SPEAKER: Yeah, let's do that.

MR. ZHAO: Thanks a lot. We can start it from the first page. My name is Owen Zhao. I'm here on behalf of my father, Mr. Jinyou Zhao. He is the president of HengTong Casting.

In my plantation, there are four sections. I will start talking about HengTong Casting and our product. Then I will move to compare the standards in EN877 and American standards, ASTM888. Then I will come to conclusion at the end. There's some words from my father.

HengTong is founded in 1997 by my father. He started metal casting in his university. His final year project was to design a centrifugal casting machine used for the production of casting iron soil pipes.

After he graduated, he continually worked in the metal casting industry until he founded the HengTong. HengTong is based on technology coating developments and focus on high-end customers.

Our coat technology include two patents. One is a coating system for the capacity mold. The other is a coating system for EN877 European standard pipes.

Our products are sold to all over the world, including America, France, Germany, Croatia, Italy, Netherlands, Sweden Norway, Turkey, Australia, South Korea, Russia, and so on.

We had two large customers in U.S. markets. They are MATCO-NORCA and Star Pipe. In the European market, we supply different kinds of pipes as you can see in the page. There's one -- it's one meters long, white in color, also end-to-end. You can see this is one piece. It's not the pipe connected with a fitting. It's one piece of pipe, very special one.

In Europe, we have two large customers. One in France, another in Germany. They are the largest and second largest manufacturer of casting soil pipe in Europe. For the left side, red pipes with angle end, 1 meters with hubs, 2 meters in red color, 2 meters in white color we tailor-make for the French market. They are only made by us.

On the right side of the picture, the smallest casting in soil pipe 40 millimeters. The largest casting in soil pipe, 300 millimeters for the Germany customer are only made by us. No others.

There's -- in the next page, you can see there's more products. There's three pipes, 3 meters long. You also can see there's some different shaped in square shape.

Our pipes in European market are variable in shapes and colors, but more importantly, they are coated with different coatings and used for different applications. Let me introduce the four types of different coatings in the EN877.

We are BML, KML, TML, SML. As you can see, there's table there. The first column is the coating type. Second column is internal coatings. Third column is external coatings. And the last is the different applications.

Take example, BML is coated with internal epoxy, external epoxy with extra zinc. This kind of pipe are used for the bridge only. The second on, KML, is coated with extra epoxy internal. For the external, it coated with epoxy and zinc. Zinc coating can provide extra protection for the casting iron soil pipe. So it can be used for highly corrosive occasions, such as chemical laboratories, hospitals, and so on. For TML, it's got epoxy internal. It's got epoxy zinc external. It's used for the underground applications.

In 2012, going back to the U.S. market, we introduced EN877 into the U.S. market through the cooperation with New-Age. Okay, today, I bring three pieces of pipes as showing on the tables. The red in color is our pipe EN877 pipes in the European market. The green pipe is our EN877 pipes in U.S. market. And this black one is US ASTM888 pipes made by local manufacturer.

So let me pass on and show you how to check which one, you know, what -- how it looks like. The best way to check the pipes is point to the light and see the inside of the coatings. So please feel free to pass on, have a look. You can feel the difference.

If you're happy, we also can check the pipes on this side by the same way. You can check the inside. After you check the inside and outside, please make sure have a look at what smoothness and appearance. I have questions for you. Which one you prefer? Keep the answers in your mind. Let's continue.

In the next page, we say there are two different of standards for the casting iron soil pipe. One is EN877, European standard and on the right side, the ASTM888. So we will go deeper about the standard.

We start with, the tensile strength. In terms of tensile strength, as you can see in the EN877, it requires minimum tensile strength to 100. For the ASTM888 is 145.

Let's go into the coating. On the left side, EN877 for the internal coating only, there are seven different tests, including resistance to salt spray, resistance to waste water, chemical resistance, coating thickness, adhesion, resistance to hot water, resistance to temperature cycling.

But all this -- but for the ASTM, they have no requirements for the anti-corrosion performance. Now to show you more things about EN877, today, I bring the test report for the EN877 test report. This test report is provided by the TUV SUD for our products. TUV SUD is a Germany organization that's providing inspection and product certification services.

Let's start from the first test, resistance to salt spray. As you can see in the picture, the left side is the machine for the test. Our coating will be tested for 350 hours. According to the international standard ISO 7253.

After that, TUV will be carefully exam the surface of the coatings and classified according to another international standard ISO 4628-2. As you can see, our coating was casted as Class 1. It's the best.

Let's move to the resistance to the waste water. Our coatings will be treated in waste water for 30 days and after that, should be no change. In our case, no problem.

Let's move to the next, chemical resistance in EN877. There are two different chemicals which treat our coatings. One is sulfuric acid at pH2, another is sodium hydroxide, pH12. We feed them for 30 days, but that's not enough. At end of the immersion, we will use a cross-cut on the surface of the coating to check if the coating still, you know, thick enough on the surface.

As you can see after the cross-cut of coating, very stable. No problem even after the straight chemical treatment.

In the next test is called adhesion. This is separate test for test adhesion of the coatings. We will use a very sharp tool to cut -- vertically couple times and horizontally couple times and use the scroll type put on it, and peel off. There's not -- must be no peel off after this process. We pass.

Another test is hot water, where we test it at 95 degrees.

Another test is resistance to temperature cycling. That means we alternatively use hot water and cold water to treat the coatings, treat our pipes. It will takes 1,500 circles. After that, must be no problem. In our case, we pass.

Now you may have question. We know. You made something is good. It's better, but we may not need it because ASTM do the work. I have to say probably that's not true. Let me tell something. Compare with EN877, ASTM888 cannot standardify the requirements in our modern life.

For examples, nowadays, we use more chemicals than before. We use chemicals to clean our clothes, to clean our dishes, clean our toilets. In winter, we use industry salt to clean the snows. All these kind of things will go into the drain and create high corrosion occasions.

The second, nowadays, we use less water to flush the toilet. So we saved 85 percent waters in the toilet. However, the constitution of the waste water, in other words acidicity or alkanity will be dramatically increased because remove the water, leading to the higher requirements of anti-corrosion performance of casting iron soil pipes. So EN877 is indispensable.

Come to my conclusions. There are three. HengTong EN877 pipes are totally different from U.S. ASTM pipes. Second, U.S. manufacturers cannot produce the same products as ours. Third, obviously, our pipes to the utmost extent can satisfy various requirements that are continually increasing in modern social development.

At the end, there's some message from my father. History shows that countries that seclude themselves from the world have no future. USA is not and should not be one of them. However, it is pity that over the past 20 years, we have been refused for many times. MATCO-NORCA has been out of the market and Star Pipe has also been out of the market. Maybe one day, New-Age will be the same like them.

But we are still here, develop with the times, strive for the excellence, and never stop.

USA is a country which advocates equality and freedom. Here, technological improvement and scientific development are encouraged. Americans anyway think alike. Their rights to pursue higher quality life cannot be deprived. In a word, HengTong should not be in the anti-dumping list. That's all. Thank you.

MR. SINGH: Thank you, Owen.

STATEMENT OF BIKRAM SINGH

Can I first begin by expressing my appreciation to the U.S. International Trade Commission for providing me with this opportunity to testify today, as this is of utmost importance for our United States plumbing industry.

My name is Bik Singh. I am the president and CEO of New Age Casting, a U.S. importer of cast iron soil pipe headquartered in Houston, Texas. I am here today with our related foundry from China, HengTong.

I would like to first take a second to recognize Mr. Owen Zhao for accompanying us today on a very auspicious day today. Today is Chinese New Year, but Owen is here with us to show you guys the facts of cast iron soil pipe. Thank you, Owen.

On the question of material injury that first, despite the Petitioner's argument, that is not a case where dumped or subsidized imports or sales of Chinese cast iron soil pipe has caused material injury to domestic production.

This is because there is no U.S. domestic production of a like product to our New Age epoxy and to our New Age Protec System adhering to the EN877 European Standards, which is the reason for our acceptance and growth in this U.S. marketplace.

The domestic producers simply have denied the value or need of incorporating a higher standard compared to those outdated standards of ASTM 888, 874 and CISPI 301.

As discussed earlier by the Petitioner, they are all literally the same standards. The only difference is the dimensional criteria that's mentioned. It is time to improve our standards for drainage, for plumbing. This is what's going in every household for multi-family highrise, residentials, to hospitals, to garages, to our schools for our children. This should be held to the highest standard.

We are the greatest country in the world today. Why must our cast iron standards be so outdated? We are a part of the ASTM standard as mentioned by the Petitioners. However, just like today it is three versus one. Every time we have an initiative to add--to add a different standard, to take this to the next level to improve coatings, to incorporate corrosion resistance, chemical resistance, high-temperature resistance, we are voted out.

So it is a pity, like Owen mentioned. We are here to increase the standards. By no means are we here to dump by subsidize--bringing in subsidized Chinese pipe. I urge you to examine the sales campaign of the domestic producers and you will see there's no evidence for them to produce a like product in the imminent future.

So we're not competing at the same economics of scale, as our offering includes New Age Epoxy and New Age Protec, both adhering again to the EN877 Standard. Please do not lump these different products, different standards, into one category of cast iron soil pipe as that is not accurate and far from the facts.

Such a determination damages international trade competition, and in this case ultimately damages the life of the drainage system in our commercial, residential, and hospital buildings across the U.S.

It's funny that they can look you guys in the eyes and say cast iron soil pipe will last 100 years, and 120 years. I have samples of domestic product failing in two years in my office. I can give you guys testimonials from building owners, hospitals, universities, casinos, all over this country with failed cast iron soil pipe.

Yes, it meets ASTM standards, but it does not meet the standards of our plumbing design today. It is very important to understand how much our code has changed. We are now--we used to have 3.5 gallons per flush. That means per toilet, per flush, there was 3.5 gallons worth of water flowing down our waste systems.

Today in certain jurisdictions we are down to 1.6, 1.28, and in some instances 1.0 gallons per flush in certain municipalities. So there's roughly 50 to 85 percent less water, and the water has been reduced through our drain waste and vent systems.

However, has there been any change to our DWB codes? To our designs? To the materials used for coating? Cast iron soil pipe, so we all understand, is a gravity based system. There is no pressure pushing the media inside of our systems. So the smoothness, the coefficient of friction, is critical for the system to be successful.

So again, as Owen mentioned earlier, the interior surface is the most important thing to our systems. And if you compare New Age Epoxy to the domestic offering, it is a night and day difference of what you'll get in line carry for your systems.

And again, with no changes to our code, what do we expect to happen? Nothing? We think that we can just pull out 80 percent of the water of a system and nothing is going to change? The facts are real, guys. Cast iron soil pipe is failing. And it's not because of cast iron. Cast iron is not the problem. The problem is the coatings. The asphalt coatings are 100-years-old technology. And it is funny to kind of note that in the fittings case E-Coat wasn't even mentioned. All of a sudden it becomes a topic of conversation today?

Things like this should make you wonder, what is their actual effect? What is their actual purpose of doing these antidumping cases?

The original design methodology designed for commercial DWV was originated in 1920 by Dr. Roy Hunter. That has not changed, guys. So the sloping in our commercial buildings, or high-rises in Manhattan, you name it, they are the same sloping technologies that we've used in 1920s. However, like Owen mentioned, how much has changed in our lives since the '20s?

Can we adhere to these same standards for the United States? Being the greatest country in the world, why are we so backwards in cast iron soil pipe?

This is one of the major reasons to innovate cast iron pipe, and the introduction of the EN877 Standards which will highly improve the line carry of cast iron soil pipe.

The other major reason for introduction of EN877 Standards that Owen kind of went into, and I'll quickly summarize, is chemical resistance from 2 pH to 12 ph. If you look at Coca-Cola, you would be surprised. Coke is 2.6 ph. Coca-Cola goes down every drain. The asphalt per the

CISPI Handbook, I believe if I remember correctly, refers to cast iron being able to only adhere to 4.6 ph. So that means right off the bat it's the wrong application of choice for many applications, like kitchens, like hospitals, and going on and on. It is the wrong choice with the ASTM criteria that we have listed today. Hot water resistance in commercial kitchens and restaurants, the Epoxy can resist far more than the bitamous asphalt.

Bacteria. There are things like MIC that are attacking the carbon content of any piping systems. There is corrosive vent gases coming up through our sewer lines that are attacking cast iron soil pipe. And again, the asphalt coating will not protect the system--corrosive soils, and the introduction of New Age Protect, which is a zinc coating that Owen mentioned on the exterior, along with the Epoxy coatings. So it protects cast iron soil pipe by providing a cathodic protection and continuous metallic barriers that don't allow moisture, bacterias, chemicals, to contact cast iron soil pipe.

As I mentioned, cast iron soil pipe is failing at a far higher rate today than it ever has before, and we are here with the solution. We are here to raise the standards, and we need you guys' understanding of how important it is for our industry.

That is the premier reason that we are growing at the rate we are. Not because of some subsidies or dropping of prices being a Chinese manufacturer. That is total bogus.

In a typical case, U.S. industry can often claim that an affirmative determination will preserve U.S. manufacturing operations and U.S. jobs. The conclusion in this case is precisely the opposite.

New Age Casting is a fully U.S.-based company, fully committed to the U.S. citizens. We support roughly over 100 families across the U.S. Additionally, we have 38 sales reps across the country that are supported by our sales commissions. We have plans to continue to build our own distribution centers across the U.S. with our own trucks, our own drivers, to be able to service the commercial plumbing market.

It's funny, too, that there's two cases that we're dealing with at this time, which again should make you guys as a Commission wonder the intention of our domestic competitors. Mold for fittings can only be used for fittings. That's correct. Raw materials are the exact same. Mechanical chemical properties, exact same. Environmental costs? Exact same. Sold and shipped together on the same list prices, same multipliers, same rebate programs. Same rebate programs to contractors.

What do you give? Volume has nothing to do with the differential of pipes and fittings' 80/20 rule they kept on talking about. What does that mean? The same economics are in the same consideration of pipe and fittings. What does it matter if it's 80 percent or 20 percent? It's the same calculations in manufacturing. By doing two cases, this is an attempt to put another hurdle for New Age in fighting four cases, CBD and AD on both pipe and fittings. From an economics of scales, it is the same. Why? Why these additional cases?

Just further, prices. When they mentioned price is important, that you guys really evaluate that. Because as mentioned, as discussed, there is a list price. There's multipliers. There's net prices. There's cash discounts for the distributor. And then there's rebates to the distributor. And then there are rebates to the contractors.

The rebates to the contractors will never be on that invoice or on the back end of that same wholesaler. So I don't--again, I don't have privy on how our competitors do their books, but it's very important that we understand that there are direct checks being cut to contractors all over the country from rebate side, from all of our domestic competitors. So please make sure that we have the full facts for both fittings and pipe, because they're done the exact same way when it comes to pricing evaluation.

Mr. Dowd made a funny comment. He mentioned that if you didn't reduce the price, they couldn't pay for the airfare here. But in fact they have their own private jet. It doesn't seem to add up, in my opinion.

On the other hand, the evidence has been provided regarding the situation of the domestic industry shows that it is rather in a comfortable position, which is unlikely to change in any imminent time period and any possible future difficulties are due to factors other than imports.

U.S. and WTO rules, this is clearly not a situation of a threat of material injury to the domestic industry. Price wars are very important to understand. They are blaming the imports, which is New Age, for the reasons of these price wars. But it's very important to understand that McWane, which is AB&I and Tyler, fights with Charlotte directly. There are many markets that New Age can't compete in because Tyler and Charlotte are having a fight. We have to choose not to compete in that marketplace because of many attributions.

This happened in Texas. There was a rep change. The Charlotte rep became a Tyler rep, and the Tyler rep became a Charlotte rep. Instantaneously the market dropped. I'm talking 25 percent overnight, like this (indicating). We were not able to compete.

And this is very common. So they like to blame us, but I would like to say it's very, very much them competing for business, as everyone is. And competition is what our country is built on.

They comment a lot about AB&I's losses. So AB&I losses are part of the McWane group. This is a part of their plan, as McWane controls both Tyler and AB&I. So if there truly was concern with why AB&I is losing money or not able to be profitable, why would they not equalize production in both plants? Why would they not improve efficiencies and profitability for both their facilities? This is a clear and intent way to showcase that they're being damaged.

In fact, this case and the applicable laws require you to make a negative determination. I really urge you guys to do so. Let's protect innovations and competitions. As these were many question marks still left in our drain waste and vent side.

There is a lot of things we don't understand, as I mentioned in the fittings case. There are things that the European countries are ahead of us, and they have adopted these standards for a reason--not for fun. There is a reason there's zinc coating. There's a reason there's epoxy coating. We do not completely understand our drain, waste, and vent systems. Quite frankly, we never will. We have to do continuous technology studies. We have to continue to educate ourselves. We've got to continue to get better so we can provide better services to our country, to our buildings, to our hospitals, to our schools.

It's an integral part of what we do. Again, I want to just mention a couple other things. It's important for you guys, as you guys are conducting the investigation, to really understand the differences between hubless and hub-and-spigot.

Please investigate and understand the market shares of these different product offerings. You will see that hub-and-spigot is a very, very, very small percentage. If anything, if a case was supposed to be done it should have been broken up by standards, ASTM 888 being no-hub; ASTM 874 being service weight and extra heavy. It shouldn't have been broken up by standards, because the manufacturing actually dimensionally is quite a bit difference with the hub versus hubless.

And it's also very important to really find out who manufactures extra heavy. Do all of them manufacture it? Does one of them manufacture it? Do they have all the starter fittings? Is one guy supplying the starter fittings for the other guy?

These are all very important things that from an overview you will never know, never understand until you really dive into the fact. Hub-and-spigot, just so we're clear, which they gave very wishy washy answers, which is very surprising to me because it's very clear, is designed for underground applications, besides the City of Chicago. Underground typically is used underneath the ground of a building where you'll see like in the West Coast completely gone to plastics, where in the Central you'll still see strong sides of service-weight being used. In the New York market you'll see a lot of extra-heavy being used.

But the Chicago market, by code, is all service-weight. By code. Residential, high-rise, multi-family, anything in the City of Chicago must be service-weight. Outside of that, service-weight is very limited in use.

So just evaluate that. I think that ASTM 874 should be thrown out altogether. Just when you look at something with such a small usage, and such a small percentage, it's important to understand what is their purpose?

The topic came up that are there jobs that are only for domestic products? And they answered no, which is a flat-out lie. The CISPI trademark logo is only for the three CISPI members, technically two, McWane and Charlotte. The CISPI trademark, you'll find that in roughly about 85 percent of the specifications of engineers and architects.

If there's a CISPI trademark requirement on a job, New Age or any other importer, or any other company for cast iron soil pipe will not be able to compete for that job. So that is, once again, very wrong, a misinterpretation that was displayed to you guys.

Because a lot of their sales and marketing efforts is to get the CISPI trademark in every job, in every spec, to block out competition.

Again, it's important to understand McWane and their cross-production between the two companies and how that's really showcased in their profit and loss. When you have two different manufacturing entities with two different P&Ls and two different sales teams, but production is done in both places, a lot of question marks.

Import versus sales. There's a lot of misinterpretations that was presented by our competitors. They keep on referencing that there was such a high surge of imports that came in during this period, and that's why they are injured.

Number one, we stock everything in our inventory. We don't bring in something for one job and we plan for it. We build our inventory not on days. We build our inventory based on 9-month sales, on 12-month sales, on A, B, C and D format, very similar to them. But we can't fire up our furnace and get 2-inch pipe when we need it. When the question came up about pipe, they don't have to carry the large inventories on pipe because they can produce it very quickly. Of course it's a major part of the tonnage. So you're going to always have a large dollar value on the ground.

However, you can keep two weeks on the ground. In New Age, we keep six months of NOA pipe ln the ground. So there is a lot of disadvantages that we have being an import manufacturer of cast iron soil pipe. And again, when you're evaluating imports, that doesn't mean sales.

So if we're bringing in a new line, let's say that we decided this industry needs help because cast iron is failing in underground sectors in the desert climates, let's just talk like that hypothetically, so we have to load up on Protec. So we have to bring in not only pipe, we've got to bring in fittings. If there's underground applications, there's service-weight needed. So all these things are loaded to bring into our inventory.

Does that mean we're selling them? Why are we basing this on imports when we should be basing this on sales? And as you can clearly see the numbers, these guys control 94 percent of the market share. What are we talking about? What injury are they facing? What, they don't want competition so they don't have to improve? So they don't have to get better? So they can't bring value to the U.S. taxpayers?

Well that's what we're here for to do, and we're not going to stop. The HTS Codes does not factor standard differential. HTS Codes lumps cast iron soil pipe, or cast iron soil pipe fittings, all together. So please do not use an HTS Code as a way to determine a product category.

The standards are there for a reason. When something adheres to an ASTM 888, that's a no-hub standard. When something adheres to the EN 877 coatings, that's to a different standard. We cannot lump these two standards simply together.

And there was also some questions that were kind of going back and forth with our competition earlier that I made some notes on, and some of the statements are very contradicting.

Number one, they mentioned that distributors are locked in for one year so they're not switching because they have their rebates. So when these waves of import stock comes into the United States, how does that affect their distribution? How does that affect their sales?

It does not have a direct import at all. And it's based on import volume, not on sales volume. So we have to really look at how we're evaluating this thing.

I thank you guys for your time today, and I will be pleased to answer any questions, along with Owen, if you guys have any.

MR. CORKRAN: Thank you very much.

Before I turn to questions, I did have an overarching question. I want to see if I am characterizing the case that you're making correctly.

In listening to the testimony, I perceive the case that you are making as there is a limited degree of competition between the imported product as a result of certain product characteristics that that product has, as well as certain requirements that are in domestic contracts. And, that to the extent that there is--that the domestic industry is facing challenges, that those challenges arise from factors other than imports.

Have I distilled the argument? Or am I mischaracterizing the argument?

MR. SINGH: I think you have prefaced it correctly. And again, just to kind of add a little bit to that, the CISPI trademark, which is critical here to understand, the CISPI trademark blocks out any import product from being used on projects.

And by the way, they're saying there was a lot of mixing on jobs? That's not accurate, either. Because a product is submitted and it's approved by an engineer. So for example if Charlotte submitted, submitted an approved-on, or New Age had submitted an approved-on, the contractor's duty is to put in the New Age system or a Charlotte system. So again we've got to be clear on that.

Now will a contractor mix some fittings that he had from Altec? Sure, it'll happen. But technically by code and to their ethics to the engineer and the GC, they're supposed to follow what they submitted for the project.

MR. CORKRAN: Okay, thank you. With that understanding, let's proceed with questions. Ms. Shister?

MS. SHISTER: Thank you both very much for coming out and providing our testimony. You mentioned in your--or, Mr. Singh, you mentioned in your testimony that fittings and pipe basically go hand-in-hand in sales.

Are there any instances that you know of when it's just cast iron soil pipe being sold separately from fittings?

MR. SINGH: Sure. So typically what will happen is from a manufacturer, that shipping standpoint, we want to maximize our loads that ship out. So some distributors know that. So 45,000 is a good number that Mr. Dowd used that we also use in principle when we're shipping out flatbed trucks across the country.

So if you have a pipe order of 45,000 pounds, we will ship that by itself on a flatbed. But obviously they're usually mixed in together, pipe and fittings. But just based on weight criteria, we kind of allocate them per truck.

MS. SHISTER: Thank you. And what are your sort of major barometers for determining demand? I know you said you'd try to inventory up to nine months out. So how do you determine what you're going to inventory?

MR. SINGH: Again, it's based on sales history, and it's based on forecasting of projects we have coming in. So we try to take all those into account.

The unfortunate part is we've been promoting epoxy in the United States for about five years now, and we just--since 2015, we've had quite a large surge because there's a need for it. So that's been a challenge to really inventory correctly for. And not to mention, still inventorying enough on the asphalt coating, which is to the ASTM standards. And to the Epoxy EN 877 standards. So that's what we've realized, that plumbers could be doing a building, the exact same building, but they will design it totally differently, or an engineer will design it totally differently, but a plumber will have a preference of using a certain fitting because that's what his crew does, and that's what they're used to doing. So it's very challenging on fittings, especially, being, you know, hundreds and hundreds of SKUs, to have enough inventory. Because on one job you could sell a thousand closet bins. And then you won't sell that same closet bin configuration for eight months. But if you don't have that thousand pieces that that contractor needs, we could lose an entire job.

So that's why it's very tricky when it comes to forecasting and procurement of the inventory. But it is also very critical for our success in sales.

MS. SHISTER: Thank you. And where are you end users typically distributing, so how far does your product end up traveling?

MR. SINGH: Coast-to-coast. We do have distribution centers across the country and some are with our local representatives and some are our own distribution centers. You know to be very candid and honest our domestic competitors do a very good job of pressuring stocking distributors, so our strong commercial stocking distributors are constantly being offered low prices to block us in the marketplace, so it just happened recently in New York City. One of our largest distributors we were cut by the knees by our domestic competitors and they were offered a ridiculous program that I was not able to match.

MS. SHISTER: So I think you were starting to hint at this a bit, but what would you say are the key purchasing factors with pipe, specifically?

MR. SINGH: With pipe? The good thing about pipe is you don't -- even for New Age compared to fittings there's less skews, so you have to carry less inventory and it turns very quickly in comparison to fittings. So for example, in our distribution centers our pipe is constantly rotating in and out, in and out, in and out. Weekly, we can get hit with four or five containers of pipe and there's five or six truckloads going out or you know it's continuous. And that could be one day sometimes or that could be a week sometimes. It just kind of depends on the activity and what's happening, but pipe rotates very fast where fittings aren't, just kind of a rule of thumb.

MS. SHISTER: Thank you. So you spoke a lot about the different standards. Do you know when the standards -- the ASTM standards were last updated and also -- I guess when both of them. Do you know how frequently have any of those standards been updated?

MR. SINGH: The ASTM standards are updated very frequently. My father is part of the AO4 Committee. He's there at every meeting. He's very involved. Actually, we talk openly with the CISPI team and our domestic competitors on certain issues. My father's a mechanical engineer, so he's very involved when it comes to the ASTM committees.

Unfortunately, his suggestions and his additions don't get approved for balloting to go to the next step, just being a minority in that situation. I don't think we'll ever have the presence of being able to go to the next level, unless we have more guys that are involved in the ASTM standards. But much like this hearing, that's how the ASTM Committee is, three to one, and then you add the coupling manufacturers, then you add the other guys, we're outnumbered and our vote is kind of slipped on the side.

MS. SHISTER: Thank you. I mean I feel like the crux of what you've been trying to argue is that because your pipes are at a higher standard they're different products, basically. They're two different standards completely.

MS. SHISTER: So do the purchasers care that they're different standards?

MR. SINGH: 100 percent.

MS. SHISTER: Okay.

MR. SINGH: And can I just add, change in this country, especially in the plumbing segment of the market is very challenging to bring awareness to a building owner is easy when they have failures, but to a plumber who's been doing certain things a certain way for a hundred years it's a very challenging position, but we've been very resilient by knowing that what we're bringing to this industry is going to far outlast what the ASTM standards have to offer.

MS. SHISTER: Thank you. And I believe you mentioned this in your testimony as well, but I know it was brought up during -- this morning. The difference between an epoxy coated pipe and an asphalt coated pipe can you just go into a little bit more detail about what those major differences are?

MR. SINGH: Sure. I'll let Owen answer that.

MR. ZHATO: First of all, the pipes in terms of irons they are different. -- requires a minimum tensile test, tensile strength at 200. For the black pipes made by U.S. is 145. That means in terms of iron we are stronger. In terms of coating for the internal coating there are already some different strength tests. For the external they are different tests for the external because it depends on the different applications. Even the internal coating/external coating they are different system, so we treat the pipes differently. As Greg mentioned earlier, there is a type of e-coatings for the fittings. In fact, these can be used for some kind pipes. I have to say there are two limitations. One, it only can make very small pipes. You know it's 5 feet, but for us we can make as much as we can, as long as we can. Your pipe 3 meters long. It's 10 feet.

And another limitation for the e-coating coating only one type of coatings on the surface of the pipes or fittings, but us in our applications we need three of them separately, so that kind of machine doesn't work. Those the things, yes.

MR. SINGH: Just to add what Owen just said here, a major step that we do when we do epoxy coating of our products and actually implemented also to our asphalt, but just so we can understand, we bore the interior of our pipe. As we mentioned, cast iron soil pipe is a gravity-based system, so when you have these porosities built up on the inside of your pipe what's going to happen? It's going to lead to blockages. It's going to lead to short-term failures when cast iron is designed to last 100, 150 years. So boring the interior of our pipe, and as Owen mentioned, look on the inside because that's the most critical part. So we bore every single stick of pipe that's manufactured for New Age. And the contractors love that, the engineers love that quality, the building owners love that quality, and then it's epoxy coated, as Owen mentioned.

We're also doing 100 percent hydrostatic testing on every single stick of pipe, so again, cast iron, as we know, is a porous material, but we don't use our coating to fill our holes. We actually do the 100 percent hydro testing before the coating is applied.

MS. SHISTER: Okay.

MR. SINGH: And then again, the attributes of the epoxy coating from chemical resistance to hot water to adhesion to the temperature cycling these are all very, very -- I mean critical tests that are in the EN877 standard where the U.S. standards I mean, literally, there's one line it says that coating shall be uniformly coated without adherent to scale. And I don't remember the exact phrase, but I can pull it up if you guys would like to see what the U.S. requirements are.

MR. ZHAO: For the coatings, as I said, there are different systems. Different times we use -- for different applications we use different zinc coatings as well. They are having zinc coating and also they are variable. You know Hozinc and zinc they are different. And some pipes are used for different applications only. For example, BML is only for the bridge. We can make any shape of pipes and coat it with any combination of these kinds of coatings, so it's quite variable. It's not very -- you know only one size and one coating for inside, outside. It's not, so in our case, totally different.

MR. SINGH: Just to add, the domestic requirements "Pipe and fittings shall be uniformly coated with the material suitable for the purpose, that it's adherent, not brittle, and without tendency to scale." That's it. There's nothing about chemical resistance, temperatures, hot waters, anything of that sort, and this is caring -- mind you guys -- are shit and piss. I hate to say those words, but that's what it's caring, in essence and if we don't have the proper things to protect it imagine these things are going to corrode and fail and this is leaking in an office. This is leaking in a residence of a multi-family high rise building. So again, these are just things to kind of really consider and understanding that there is a big difference and there is a need in having an epoxy coating.

And not only that, there's going to be situations where we will have building owners come to us at an airport and they've had corrosive soils. They brought us a contaminate report and they asked us, hey, Bik, or one of our sales guys, hey, how can we improve this? What should we put -- what's the right product of choice? So there's things that we have to analyze because not every job is the same. You can't just say that everything is good with asphalt. Yes, maybe, 50 percent is good with asphalt, but there's a lot of jobs that asphalt is going to fail because it's not the right material of choice as far as coating goes and that's where the EN877 standard really kicks in.

MR. ZHAO: You may think why it ends up making it so complicated, but the answer is all the tests is from the real life. For example, we use the chemicals so there is a test for the chemical resistance. Because we use industry salts, so there's a test for the salt spray. Because we use the hot water, so we have the test for the hot water. That's where the tests coming from. That's all. Thank you.

MS. SHISTER: Thank you. And I think this is probably getting at the same thing, but why should someone use an epoxy coated soil pipe compared to a plastic soil pipe or a plastic pipe? The preference of plastic in construction has been brought up as a potential substitute, so what can this epoxy coated soil pipe do that a plastic pipe cannot?

MR. SINGH: So great question. I think, number one, as was mentioned earlier by Charlotte Pipe, Mr. Dowd, in regard to the fire resistance because if there's a fire in a building the plastic literally gives off these gases that are almost like Trinoble-like affects where it could kill everyone in the building. So number one is fire resistance. Number two is sound resistance. We found actually our epoxy has better sound attributes than even the standard asphalt, so sound and fire I would say are the two major attributes to that.

MS. SHISTER: Thank you. So I want to shift a little bit now towards specifically production in China. So raw material costs were brought up this morning and how the price of scrap has actually gone up, but prices haven't necessarily matched that. So what are the raw material costs in China and especially the use of pig iron versus scrap and how that cost changes?

MR. ZHAO: I think that's confidential information, so we can provide information for the post-conference brief.

MS. SHISTER: Thank you. It's also been -- and it was brought to our attention in the fittings case over the summer that there were several foundries that were being closed in China. Could you elaborate on that situation a bit more?

MR. ZHAO: The main problem is because Chinese manufacturer at the moment is environmental protection policy in China. This kind of problem cause a lot of manufacturers to close down.

MR. SINGH: Just to add, the environmental regulations although made to be horrific by our competitors may be the case 15 to 20 years ago, but the environmental regulations since the Olympics in China I mean literally has been on crack down, so there's not some extra usage of cast iron that's available. Foundries are shutting down left and right when it comes to manufacturing iron products and specifically when it comes to no-hub, but when it comes to cast iron soil pipe there's a handful and obviously some of them are specialized for the domestic Chinese market. Some are specialized for the European market. Some are specialized for the Middle Eastern market. And again, with HengTong and New Age with the U.S. market and our other foundry, Suzhou, which is a very, very -- I would say the most high tech technologies and the most environmental cautious foundries that I've seen in the world today.

MS. SHISTER: Thank you. So you mentioned that

HengTong uses this higher standard -- the European standard. How common is that across the Chinese market in terms of would we expect most Chinese product to come out of this higher standard or is that unique to your firm?

MR. SINGH: It is very unique to HengTong. There's a very special art when it comes to manufacturing epoxy coating. It is not something that any foundry can do. To be honest, I think U.S. manufacturers will struggle with it. We also meet VOC contents, which was thrown out quite a lot, saying that epoxy gives out these VOCs. Far from the truth, because we also maintain VOCs that meet the ASTM and CISPI standards and our products get tested by third party testing agencies that are approved here in the United States and they have approved our epoxy to meet the VOC requirements. And there's also some misinformation about epoxy, so the fittings are done through an epoxy powder when epoxy coating is done.

The pipe is a liquid epoxy. So again, I want to make sure we do understand there's differentials in the coating side between pipe and fittings with epoxy.

MR. ZHAO: If you remember, we have two patterns about making the cast iron soil pipe. My father is an expert in the production of cast iron soil pipe. Both patterns are made by him, one for the casting coating system for the cutting mold. These patterns will make sure the company's finished surface of the casting pipes will be very smooth.

The second one is the coating system for the EM877. Without these two patterns no one can beat our better quality. That's all. Thanks.

MS. SHISTER: Thank you. So the majority of what HengTong produces would you say it goes to the domestic market or is it mostly for export or is it sort of a healthy mix of both?

MR. ZHAO: I would say most of our product imports to overseas, all over the world, European market even bigger, a lot bigger than U.S.

MS. SHISTER: Thank you. Actually, on your last point could you expand a little bit on what your major export destinations are and how the U.S. fits into your export destinations?

MR. ZHAO: Do you mean what's the major markets in the company?

MS. SHISTER: Yes, what are your major markets and basically what ranking would the U.S. fill in as one of your major markets?

MR. ZHAO: I think the largest ones is the European market. You can see there's a lot of countries using and I think the U.S. would be the second. Yes.

MS. SHISTER: Thank you. And those are all of

the questions that I have for right now. Thank you.
MR. CORKRAN: Thank you, Ms. Shister. And now we'll turn to Mr. Goldfine.
MR. GOLDFINE: Good afternoon to both of you. Thank you for your participation today. Mr. Zhato, did HengTong did you permit a foreign producer questionnaire.
MR. ZHAO: Yes, we did.
MR. GOLDFINE: You did, okay. And just so I think just to be clear -- I think this was asked by Mr. Corkran earlier, but just to be clear we understand the argument you're making that your argument is that there's limited or maybe you would say no competition because of the superior epoxy coating; is that basically the argument?
MR. ZHAO: That's true. Because all three local manufacturers they cannot make the same product as ours.
MR. GOLDFINE: Okay.
MR. SINGH: Just to further add to that, the attribute to New Age's success in the marketplace is because of the epoxy. So it's not because of countervailing dumping of Chinese product, as they like to paraphrase us as. It's actually innovating and bringing value by offering the EN877 product to the United States.
MR. GOLDFINE: And is the epoxy is that the only product feature that limits competition?
MR. ZHAO: Also, I mentioned the tensile

strength, it is stronger.

MR. GOLDFINE: Okay.

MR. SINGH: I'm trying to digest your question properly. So I think that there's a couple things at scale here. Number one, from competition the domestic guys have blocked our competition, just so we're clear. With the CISPI trademark import is not allowed on projects because of the CISPI trademark. No competition is allowed besides Tyler & McWane which McWane is AB&I and Tyler Foundry. So it's just Charlotte and McWane, which is the two companies that we're discussing that blocks competition.

MR. GOLDFINE: So do you compete for sales to any of the customers that the domestic firms, those three firms compete for or are you saying you don't compete for any of the same sales?

MR. SINGH: No, we definitely do compete. We're all in the same marketplace. Now their distributors are --

MR. GOLDFINE: You just said the competition was blocked. I guess I'm confused then.

MR. SINGH: So when it comes to specifications. So there's a lot of different sectors to the business. One is the engineering community, which is not a direct sale, but the engineers have specifications for projects. So these guys have been around and those two have been around for a 100, 150 years. They have the CISPI trademark language in these specifications, which blocks New Age to partake in the marketplace. Does that make sense?

MR. GOLDFINE: If you could give a specific example that would be helpful.

MR. SINGH: Sure. Let's talk about a 30-story high rise that's going up and we have a distributor in that marketplace. There's a contractor that we have a friendly relationship with and we want to go after this project. It's identified by our local sales rep as a high profile cast iron soil pipe project. So we would identify the project and do the marching orders to land the project. The first hurdle is the engineering hurdle.

If we're not able to partake in the specifications because the CISPI trademark language New Age is blocked from that project.

MR. GOLDFINE: And trademark language, whose trademark language is this?

MR. SINGH: CISPI, the Cast Iron Soil Pipeline Institute, the Petitioners.

MR. GOLDFINE: Okay.

MR. SINGH: So it's their collective group that used to be made up of 24 foundries and now we down to two foundries that controls CISPI, which is fully funded and managed by the two members, McWane and Charlotte.

MR. GOLDFINE: And the customer -- the building why do they have to use that trademark?

MR. SINGH: They put it in their specifications because, obviously, our competitors have been around a very long time. There's not a lot of value in it, to be honest, but they've done a very good job of selling that trademark. And it's, like I mentioned, we see it in about 90 percent of the projects across the U.S. They mentioned Dodge Software.

If you ever get your hands on that and you do a search for the CISPI trademark, you will see how many projects that New Age would never even have an opportunity to even compete after.

Now listen, if we have an opportunity to go and meet the engineer and explain who CISPI is and who they really are and what they are today as opposed to what they were in 1949 and we get that changed, then we can compete. But right off the bat, we have to first get that hurdle cleared. It doesn't matter our distributor in that marketplace. It doesn't matter our relationship with the end user, the mechanical contractor, if the specification will not allow our product.

MR. GOLDFINE: Okay. Is your product generally higher or lower priced than the domestic pipe?

MR. SINGH: So the black is typically lower, the asphalt because it's a commodity-based product, so a plumber wants a discount when it comes to the asphalt. The epoxy is typically at the same price or higher.

MR. GOLDFINE: How much higher?

MR. SINGH: It depends. I mean we still have to be competitive; otherwise, we won't get a project. And there've been a lot of competition by our competitors that we have to compete with no matter what, so in certain markets we can get away with 15 percent on project. Certain markets it's 1 percent, 2 percent, certain markets at the same price or sometimes even lower. It just depends on what the circumstance is and what that project means to us in that marketplace for us to go after or not to go after.

MR. GOLDFINE: So if yours is lower priced or competitively priced, sometimes higher priced you said, but if it's superior product you're saying so why would anyone ever buy the domestic product then?

MR. SINGH: Why would anyone buy the domestic product? They have done a very good job of brainwashing the industry that Chinese product is bad. I mean, literally, it comes down to the reality that they say it's radioactive. I've seen instances where that's come up on jobs, that our Chinese product is radioactive, literally. So there's a lot of misconception when it comes to that. They'll bring in things like a drywall that failed in Florida or toys that had some major issues in China and they'll send this to educated engineers and building owners and put a lot of fear in them to specify New Age or even talk about epoxy because they have all this fear that, oh, it's Chinese. And listen, Star Pipe went out. MATCO-NORCA went out, DDVD went out. If I put you in spec, you're going to go out. Who's going to stand behind this product? So this is all part of kind of their sales operandi that has taken place for the last -- I don't know, 30 years plus.

MR. GOLDFINE: An epoxy does not appear to be the predominate form of the imported product, so can you explain that in light of your claims about epoxy?

MR. SINGH: Absolutely. As I mentioned, change is very, very challenging in the plumbing sector of commercial construction here in the United States, so we have been promoting epoxy for five years. We've had a tremendous uptake in the last two years of the epoxy product because the need is there, but obviously we have to -- we've always had the black asphalt ASTM standard product from the get-go of our business for 14 years now, so that has been the bread and butter.

When people and building owners started coming to us and saying, hey, our cast iron's failing. Is there anything we can do because your competitor is telling us there's nothing wrong with the iron, just put in more pipe; that wasn't good enough for me. So that's how epoxy, with the work of HengTong and us collaborated an offering here in the United States, so I would still say a majority of our sales is still asphalt and we could even provide the detailed breakdowns in confidential information after the briefs.

MR. GOLDFINE: Thank you. I have no other questions.

MR. CORKRAN: Thank you, Mr. Goldfine. Ms. Preece.

MS. PREECE: Okay, thank you very much.

I'm sorry; I'm getting kind of confused about this product a little bit now. So the first thing is let's talk about this CISPI. Is it C-I-S-P-I?

MR. SINGH: Yes, ma'am, Cast Iron Soil Pipe Institute.

MS. PREECE: Okay, okay. And you're saying that 90 percent of the projects have CISPI requirements in them or CISPI recommendations in them.

MR. SINGH: CISPI trademark requirements.

MS. PREECE: Okay. And so that means that they're required to use U.S.-produced product. Correct?

MR. SINGH: In that sense what it means is the product must carry the CISPI trademark and the CISPI trademark is only carried out by its two members, McWane and Charlotte. In essence, yes, the domestic producers can only use the CIPSI mark, which blocks New Age from competing.

MS. PREECE: Is there any way you can -- they can during the production after this point where firms can say, well, we can get cast iron soil pipe from other sources that aren't CISPI that we can use and use instead of the U.S. product to get a better price? Is there any ability in that level?

MR. SINGH: Yes, there is.

MS. PREECE: So how difficult is it for them to make that shift once they've got a CISPI?

MR. SINGH: It's very hard to answer that question because every situation is literally different. It depends on the mindset of the engineer, the relationship with the local rep in that marketplace, and also the relationship with our domestic competitor or a relationship with us, so there's a lot of variables when it comes to that. In certain instances, I mean you can bang your head against a wall and have more success. In certain instances, you can talk logic and show facts like the EM877 standard and do some testing. And the engineer, who's again very educated, should realize the value in it, but again, it's not always that simple or that easy.

MS. PREECE: So of the 90 percent some of them will even go back to the engineer and say, listen, you really should reconsider this CISPI requirement and then you can make that change even though they've started with the

CISPI; is that what you're saying?

MR. SINGH: That is correct.

MS. PREECE: Okay. Oaky, so what share -- okay, I think I've gone as far as I go on that guy. If you have any more information about those kinds of projects, how the decision is made, anything like that, it would be very helpful for me, so you can put them in your briefs.

MR. SINGH: So I could just add a little bit -- a little more clarity to that.

MS. PREECE: Sure.

MR. SINGH: So I mean there's value engineering is a big part of our industry. So a contractor can value engineer PVC for cast iron, depending on the project as well. So in certain instances, value engineering doesn't always mean saving money. Obviously, that's the name behind it, but if you're bringing value with an epoxy EM877 standard, that's also considered value engineering. So it just kind of depends on the circumstances, but you'll even see a CISPI trademark cast iron spec that a contractor will be able to value engineer into plastics. You know it can go to that extent.

Now again, the core commercial building construction is still cast iron soil throughout the United States. Plastics has made quite a lot of end roads. And in my opinion, plastics is our number one competitor, not import cast iron soil pipe. Plastics is our number one enemy that we're facing.

MS. PREECE: Okay, I'm getting low blood sugar, but I'm going to go onto the next question. So unfortunately, we don't have other importers from China here. What share of the U.S. imports from China would you estimate are this epoxy versus the asphalt, tar, whatever that is that's in the normal?

MR. SINGH: I wouldn't know of any other importers. We're the only import manufacturer that has epoxy coated cast iron.

MS. PREECE: Okay. And so all the other ones are?

MR. SINGH: Black asphalt to ASTM standard.

MS. PREECE: Bituminous - that's it. There I got it. So most of the imports from China would be competing on a very different level than the epoxy material you're talking about.

MR. SINGH: 100 percent.

MS. PREECE: Okay, okay.

MR. SINGH: And just to add, New Age is the only national player that's in competition with the domestic guys on a national level. So you'll have your local importers, like they mentioned that they're prevalent on the coast. So you'll have a guy in San Francisco. You'll have a guy in

L.A. You'll have a guy in New York that are in that pocket or in that segment, but there again, not competing on the same level that New Age is competing with our domestic producers.

MS. PREECE: Okay, I want to go back to my CISPI because I sort of remembered what I wanted to ask about that. And what exactly is the process by which you go through and change from requiring the CISPI trademark to allowing either your material or plastic? What kind of hurdles are there in the way? I mean you just can't go into it and say, well, you know I'm going to build this building, but I'm going to put plastic in. Do you have to have the -- do the engineers have to approve it? What other steps are there in making that change?

MR. SINGH: There's a formal process for value engineering with the form and approval processes that the engineer and the GCS has to sign off on. So it's definitely not something done very easily and there's a lot of work that's put into it to get a specification that late into a game on a project changed.

MS. PREECE: Okay. You bid on project; is that correct?

MR. SINGH: That is correct.

MS. PREECE: So you bid via your distributors on contract -- on projects?

MR. SINGH: Correct.

MS. PREECE: Just like the U.S. producers?

MR. SINGH: Correct, absolutely.

MS. PREECE: Okay, so you know what projects these things are being used in and stuff.

MR. SINGH: Yes. We don't rely on our national software. We rely on our local representatives. As mentioned, we have 38 local reps across the country that are regionally located and they're fighting for the large commercial projects in competition with our domestic competitors.

MS. PREECE: And they hold inventories like the domestic producers' distributors hold inventories?

MR. SINGH: Yes. So reps are different than distributors.

MS. PREECE: Okay.

MR. SINGH: So reps are like commercial sales agents.

MS. PREECE: Okay.

MR. SINGH: They're not employed by New Age or our domestic competitors. They also have local reps as well. So they're their independent, third parties' companies that represent your line, along with other product categories.

MS. PREECE: Okay.

MR. SINGH: So they could be New Age on cast iron, but they have fixtures for a different manufacturer. They have a different manufacturer on drains, so on and so forth, and they are locally representing, you know, 13 manufacturers in the territory that they reside in. And then we have distributors that are stocking distributors that are of the similar capacity that our competitors brought up earlier. So they literally receive the material in bulk. They break it down, put it on their own trucks and they ship it to the job sites as needed. The only other thing that I would say was missed was they are also the bank to the contractors. So they literally sell to the contract and they carry out the payment terms that they have worked out with the contract. So New Age sells to the distributor, the distributor then sells to the contractor based on their arrangements.

MS. PREECE: Okay. And the distributor acts as the bank to the --

MR. SINGH: To the contractor.

MS. PREECE: The contractor?

MR. SINGH: Correct.

MS. PREECE: In what way do they do that? I mean do they provide the product, but don't require a payment until a certain period of time; is that the action of the banking you mean?

MR. SINGH: That's correct. So depending on the terms -- and some get extended terms. Some get special terms and so on and so forth.

MS. PREECE: What kind of terms would that mean; how long would that be?

MR. SINGH: I'm not a distributor, so it's hard to answer that, but at least from what I've been privy to, it could be 30 days or it could 180 days, depending on the contractor, depending on the amount of work and the relationship between the contractor and the distributor.

MS. PREECE: Okay. And you talk about rebates to the contractors. Do you have rebates to your contractors?

MR. SINGH: We have started in that capacity to compete with our domestic competitors. You know again ours are a much smaller scales, but we're finding that we have to do that to be competitive in the marketplace.

MS. PREECE: What are the benefits of rebate to contractors rather than just having the rebates at the distributor level, which end up being a lower price? Why are -- why do they add all these complexity to the -- who's adding this complexity and why is this complexity so valuable some way in this market that it allows you -- somebody to be able to sell more or what's going on?

MR. SINGH: Very good question, by the way. I think that the number one goal is to protect the market, to keep the market up as much as possible. And the rebates are not given evenly to every guy on the contractor's standpoint, which is something that should be factored in your evaluations.

So one guy will get it. One guy won't get it. A certain guy with certain volume may get a substantial rebate. And a medium-sized guy will be like rebates, there's rebates in cast iron? I mean, literally, that's the market place. One guy will have no idea what's really happening and one guy will have the deal of a lifetime.

And that's what we're walking into in a lot of these markets. And we're -- as we continue to grow, we're uncovering a lot of these scenarios.

MS. PREECE: So you see a lot of price segmentation in this market that's -- is that -- or I mean, where -- oh, what do they call it? I can't -- where you have different prices for -- sort of like airlines. You know, you have the price that you pay if you buy it 20 years in advance and the price you pay if you buy it a month in advance, the price you pay if you walk up to the gate, that kind of price discrimination. Yes, that's the word, price discrimination. So there's seem to be a lot of price discrimination in this market?

MR. SINGH: There is a lot of price

discrimination, absolutely. And it's picked on who they want to be their partners and their friend, but it's based on volume to be quite frank. The guy that's going to be doing $5 million worth with the cast iron a year is going to get the deal. The guy that's going to do a million dollars is not going to get the deal. And that's what we're seeing, especially in the major markets across the country.

Cast iron soil pipe is very segmented in certain regions. It's not about the import guys being on the West Coast and oh, the import guys, you know, close to New York. These markets by code require cast iron soil pipe. So based on code, there's more volume of cast iron soil pipe.

And that's where you see the prices to be more aggressive. They'll blame it on imports, but it's Tyler and Charlotte fighting. And they're bringing down these markets, so then they turn back and say, oh, it's the import guy. So and we're kind of in the middle of that. And we have to sell, you know, so we have to compete.

MS. PREECE: Okay, and the other question I had, we have examples from you of only the whatever, the -- no, no, no, not the epoxy, but the ones that don't have the --

UNIDENTIFIED SPEAKER: Hubless?

MS. PREECE: Hubless, that's it. Do you import hubby?

MR. SINGH: Hubby?

MS. PREECE: Hubby?

MR. SINGH: The hub pipe, yes, we do.

MS. PREECE: Okay.

MR. SINGH: And again, it's a very small segment of the market, which I think the ASTM 874 should not even belong just by based on volume and based on usage. And also, if you look at percentages of how much they control.

And there's only one manufacturer from my understanding of extra heavy pipe. So what are we doing? It's just an added thing that's thrown in the mix to add confusion in my opinion.

MS. PREECE: Okay, and what's happening in Chicago? You mentioned that Chicago required?

MR. SINGH: Hub.

MS. PREECE: Hub.

MR. SINGH: Correct.

MS. PREECE: But not heavy, just the medium?

MR. SINGH: Correct.

MS. PREECE: Okay.

MR. SINGH: That's right.

MS. PREECE: So why? Is this just sort of a -- something that's stuck in the world, you know, that they just -- they decided 20 years ago and they haven't updated it? Are they being bribed by some contractor who's really good at doing hubby? What's the going on there?

MR. SINGH: I mean, definitely, I would have to say that the unions are very strong in Chicago and that has definitely some influence in the market place. But you know, it's hub -- hub and spigot has been the product of choice in Chicago. And not to mention, lead and oakum. So they're not even using gaskets in the city of Chicago. You have to use lead and oakum.

So this is, again, very old school. And it's the only market that's still kind of follows these rulings, based on the jurisdiction.

MS. PREECE: Okay, and the -- so there's another issue that you mentioned there, and that's the unions. Have -- do unions affect the choice of U.S.-produced product versus imported product?

MR. SINGH: It depends on the market.

MS. PREECE: Yeah, in some markets, they do then?

MR. SINGH: Certain union contractors are very loyal to our domestic competitors because of relationships, rebates, call it what you want. And certain union contractors may be union, they're still not getting the right price, because they're not a large volume guy, or they're just not -- don't have the relationship. So it just kind of depends on the market place and the market sector.

MS. PREECE: So it's more of the contractors rather than the union?

MR. SINGH: Sorry, I didn't catch that?

MS. PREECE: It's more of the contractors rather than the union that are making these distinctions?

MR. SINGH: Yeah, I mean, as a collective whole, the union can't make a decision on hey, we're not going to use import or, hey, we're going to only use domestic. As a whole, they can't make that distinction, but there's definitely preferences in certain markets with union contractors, definitely.

MS. PREECE: Okay. Okay, thank you. I think that's all for now.

MR. CORKRAN: Thank you, Ms. Preece.

Mr. Yost?

MR. YOST: Good afternoon. Thank you very much for your testimony and for coming to share the information with us. I just have a couple of questions. Is there finishing in the U.S. of imported cast iron soil pipe?

MR. SINGH: Bikram Singh, New Age. At New Age headquarters, we actually do coating. It's at a very small scale. You know, just depending on as need basis, but it's again very, very limited. We'll even get returns on materials for certain jobs and we'll recoat those to make sure they're in sellable condition. So type of coatings are done typically more on fittings, rarely ever on the pipe side.

MR. YOST: Finishing in the sense of you, you know, square the ends so to speak or do any upgrading of well -- bring in unfinished pipe and then so you square the ends or put a hub on a hubless pipe or something like that?

MR. SINGH: No, not at this time.

MR. YOST: Okay. Just the touch up and epoxy coating?

MR. SINGH: Correct on fittings.

MR. YOST: Okay. Then there seem to have an increase in imports in 2016. Can you comment on that? Do you know what was happening, what was causing that increase?

MR. SINGH: I think the surge in 16 was because of our epoxy product. Literally, the acceptance, us breaking the market open finally led to us having a big surge to have adequate inventory. As I mentioned, you know, we'll carry nine months' worth of inventory, and especially with epoxy being a new line, we have to really kind of load up.

We also introduced the zinc coated pro tech that Owen mentioned as well from the EN 877 standards. Again, limited offerings on that, but we did bring in inventories of that in 2016 as well.

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

MR. CORKRAN: Thank you, Mr. Yost. Mr. Brininstool?

MR. BRININSTOOL: Thank you very much to joining us today. I just have a few questions. My first question would be just to check, the production process in China, it's basically -- essentially the same as the U.S. producers up to the point of the epoxy coating in your case, is this correct?

MR. ZHAO: It's Owen from HengTong Actually, coating system is very unique in our factory. It's quite different with U.S. manufacturers. There's two types of coating system, one for the internal, another for the internal. And there's one mold for the zinc coating system. So they're totally different from the U.S. manufacturer.

MR. BRININSTOOL: Okay, with the coating, that's in terms of the coating, but in terms of the production process up to that point, it's essentially --

MR. ZHAO: Even the casting process is quite different. The material we use --

MR. BRININSTOOL: Oh.

MR. ZHAO: Oh, sorry, it is Owen from HengTong Casting. Even for the casting process is quite different. First of all, we use different material. Second, we have another patents about coating system for the casting mold. This can -- these patent includes the material we use. The method we apply is on the -- on to the coating mold. No other manufacturer, even in China, no one can beat us on this. It's our patent on that. Thanks.

MR. SINGH: Okay. Bikram Singh, New-Age, just to kind of further elaborate to what Owen said, so actually the beginning of the raw material is different and I think Owen will comment on that on a confidential note after the hearing, along with our tensile strengths, our mechanical properties are at a higher level compared to the domestic manufacturers. So again, keep that in mind as well with the investigation. And then of course, the coatings to the EN877 standard is completely different.

MR. BRININSTOOL: All right, thank you very much. And I know in the fittings case, we asked about the -- how the epoxy coating is applied and if there's any way without revealing, you know, proprietary information, if you could give a little short description of how that -- the epoxy coating is applied in your factory?

MR. ZHAO: This is Owen from HengTong Pipe. HengTong is specially list in casting and pipe. We only make pipes, no fitting. Thanks.

MR. BRININSTOOL: Okay. And so within the pipe -- in terms of the pipe, again, without revealing proprietary information, if you could give a description of how the coating is applied?

MR. ZHAO: They're a complicated process to make the -- make coating on the system. So we can apply this in the post-conference brief and we also recommend everybody to come our factories, have a visit as we agreed. Thanks.

MR. BRININSTOOL: All right, thank you very much. I think that's all I have for now. Thank you very much.

MR. CORKRAN: Thank you very much. This has been a very informative panel. I do not have any additional questions, though I know Ms. Shister has a couple. So I'm going to turn to her.

MS. SHISTER: Thank you very much. This is going to be very brief. In your post-conference briefs, could you just provide some of the examples of the SISB trademark language that you testified about? And on that note, what does it take to become a member of SISB? Is there a way that you could include yourselves so you would also be covered by the SISB trademark?

MR. SINGH: Bikram Singh, New Age. As per my understanding, not being a member, we filled out an application, sent it in, we got no reply. My national sales manager at the time got a phone call from I don't remember who the call was from. I think for Mr. Levan, who was the director of CISPI at the time, saying that you have to be a domestic manufacturer to be a part of SISB and that's the only information that we got. We never got a documented reply on our application.

MS. SHISTER: Okay, thank you.

MR. SINGH: Application request. There was no formal application. It was a request.

MS. SHISTER: Thank you. And then also I guess in your post-conference materials, because this is most likely BPI, but could you describe New-Age's product mix of imports of epoxy versus the black asphalt?

MR. SINGH: Sure can.

MS. SHISTER: Thank you, and that's all I have.

MR. CORKRAN: Thank you. Let me do a quick look, see if there are any in additional questions? One more, sure.

MR. BRININSTOOL: Mark Brininstool, industry analyst. The question real quick, you mentioned earlier that you bore the insides of the pipe. Is this done after centrifugal casting or is this instead of using centrifugal casting?

MR. SINGH: After the spun process is done?

MR. BRININSTOOL: After the spun process. And that's mainly just as you said to create a smoother interior surface?

MR. SINGH: That's correct.

MR. BRININSTOOL: Okay. Thank you very much.

MR. ZHAO: Sorry, this is Owen from HengTong Casting just to make it clear to coating system, you mean the one for the casting mold or the one for the EN877? You said the coating after it's finished or before the --

MR. SINGH: When it's boring on the inside, cleaning the inside.

MR. ZHAO: Oh, yes, okay. Yeah, sorry about that.

MR. BRININSTOOL: No problem.

MR. ZHAO: No worry. Thanks.

MR. BRININSTOOL: All right, thank you both so much. That's all.

MR. CORKRAN: Thank you all very much for your testimony. This has been a very enlightening afternoon. We certainly appreciate it. We certainly appreciate the distance and you've come and we always welcome testimony in our proceedings.

So with that, I'll dismiss this panel and then we will turn to closing statements.

MR. SINGH: Mr. Corkran, as far as the samples go, do you guys want to keep any of the samples?

MR. CORKRAN: I think in this case we might be better off not keeping them, because I'm not sure where we're going to be able to store them, but I appreciate it.

Thank you.

MR. SINGH: I was trying to lighten my load. I understand. Just to add the last thing on the samples, it's interesting to note from our competitors, they brought in both pipe and fittings because it's one system. We brought in just the pipe because that's what we're discussing today.

But just to kind of give you guys a little more affirmation on what the climate is of cast irons, it's one system pipe and fittings together.

MR. ZHAO: This is Owen from HengTong Casting. Why I didn't put any pictures in the testimony, because the only way, the best way to check out the interface of the surface of the pipe is to point to the light and check, have a close look. That's why we bring this pipe. We hope you can be useful to reference. Thanks so much.

MR. CORKRAN: Okay, thank you very much. Very much appreciate it. Thank you.

CLOSING STATEMENT OF ROGER SCHAGRIN

MR. SCHAGRIN: Good afternoon, Mr. Corkran and members of the Commission staff, Roger Schagrin giving closing in favor of the Petition. So that was very informative, as well as entertaining, I'm very glad they came to make their presentation. I certainly learned a lot and I'm sure so did the Commission staff. So it's been a long time for me in a China case versus a non-China case where the Respondents said they sold their products in greater quantity in the U.S. market -- not on the basis of price, but because they sell a better product than the U.S. industry. So they are definitely trying to convince the Commission, even in this preliminary stage that there is a real attenuation of competition between the Chinese product and the U.S. product.

Now the good news about Commission proceedings is that you actually establish a factual record, and testimony is part of that record. But so are facts. Sometimes the testimony can be contradicted by the factual record. So, now, partially based on what you've learned at just the preliminary stage of the fittings case, and now we have the pipe and more of the final on fittings, you've actually asked importers in the importers' questionnaire, "Tell us how much of your imports are epoxy coated versus non-epoxy coated, and the non-epoxy, all this bituminous type coating or asphalt coating."

So you already know -- New Age says they're not the only importer of cast-iron soil pipe from China. There are many, many importers of cast-iron soil pipe from China. You would think if there was lots and lots of epoxy-coated imports from China, and it was this great product which we're selling at a big premium because it's so much better than everything the domestic industry makes, that the AUVs for imports from China would be much higher than the average selling price of domestic product.

Initially, let me just tell you that they're not even close. Now, the only thing we know that, probably, like, in a lot of these China cases, that a lot of importers won't respond to you. We don't think you ought to hold it against the domestic industry if New Age responds and tells you how much of their imports are epoxy-coated and non-epoxy coated, and ten other importers don't respond, then you shouldn't say, well, you know, I mean, for those who responded, but say 65% -- I'll just throw a number out, I don't know what the numbers are -- I think he said in response to a question that, even for him, the majority of these imports are not the epoxy-coated product.

But based on what the domestic industry knows in the market, they believe that today a very, very, very small amount of total Chinese imports of cast-iron soil pipe are epoxy coated. So initially, all of us haven't done this for a long time. This sounds like a great argument in this case. Wow, there's all this attenuated competition, throw out your records, because we don't even compete with each other.

But your real record, the facts that this Commission staff gathers, is gonna show that this dog doesn't hunt, to sound like Mr. Dowd. You know, you just gotta make sure you bring it when you bring it. And I think you're gonna find that the overwhelming majority of imports from China are a product that has the same coating as the domestic product.

We'll probably spend a lot of time in the final phases' investigation arguing about whether the difference in water flows and new alkalinity of what comes out of all us, you know, makes this product not useable or not, and it's changed, and might last 100 years before, but only last for 100 days now. We'll get into that later.

But in terms of change in the codes, if things have changed so much, let me just clarify about the ASTM Committee. And we'll do an affidavit from Mr. Simmons for the final, from Greg. So Greg chairs the A04 committee, which covers a whole range of products. And within that, there is a A04 12 committee just on cast iron soil pipe and fittings products.

The big committee chairs has 134 members. A smaller committee dealing with just the product subject to this investigation, has 50. So when Mr. Singh says it's three against one, that's not the reality. You know? There's 50 people in this committee, half of them are users. So with all of the consumers these products want the ASTM committee to change the standards to require epoxy coating, they could do it.

In fact, to Mr. Simmons' knowledge, Mr. Singh's father, who is the member, hasn't actually furnished a proposal to this ASTM subcommittee to change the ASTM specifications for these products.

So then the other question is, how did imports injure the U.S. industry if distributors are selling either only Chinese or only domestic and Mr. Singh says, and sometimes our distributor gets changed back to a domestic distributor.

Well, he didn't tell you that many times, he has changed domestic distributors into his distributors of Chinese product. And that's because all these distributors compete downstream to the end users. And we think there's a tremendous amount of competition there, which is how we had a 50% increase in imports from China in 2016.

Because they compete with each other. They compete on price. It proves that these are fungible products and there is lots of competition between the Chinese and the domestic. So let's sum the case.

First of all, you know, even though some foundries are closing in China, we have heard the huge emphasis here as we did in fittings at the conference saying, we can't even get product anymore, they're shutting down foundries so fast in China for environmental -- they are shutting down foundries.

They are shutting down steel mills. They still have enough overcapacity to furnish the whole world market for all these products in China. Because, in fact, in fittings, as Commission will see, because we just got our prelim yesterday from Commerce, or the day before, is that in spite of the claims made at this conference, that you don't have to worry about us, we can't even buy product out of China after we had a conference here.

And after the importers who came to this conference testified to you that they couldn't buy fittings from China, we had an import surge after the conference, sufficient that the Commerce Department made an affirmative critical circumstances determination. Now, how do you get affirmative critical circumstances if you can't buy the product at the time you come and testify?

So let's wrap it up. When you get rid of the noise, you look at the staff report and the data in the staff report. And the what the Commissioners have wrote in this preliminary determination you'll see that the import increase over the POI was significant, that this is a fungible product that claims of attenuated competition don't work.

There is significant underselling. That underselling depressed and suppressed domestic prices and caused the domestic industry's profits to fall considerably.

That's what the record's gonna be in this case.
Everything else is going to amount to noise and I personally look forward, after we're able to get even more information in the final investigation that we do in the preliminary to demonstrate to this Commission, and maybe we'll bring in some of the experts at bituminous-coated, asphalt-coated soil pipe can handle our country's needs.
I don't want there to be problems in your ITC building. I don't want to be representing an industry that is ruining America, that is ruining America's waste water. I am confident that, you know, bring in experts and, as I say, Greg is the chairman of this committee, you know, that the Commissions gonna see that what this industry does to supply the U.S. market is perfectly good for our needs.
And I'm glad the Europeans and the Chinese are using so much better things for their wastewater. With that, we ask you to make an affirmative preliminary determination, and thank you for all of your time today. Thank you.
MR. CORKRAN: On behalf of the Commission and the staff, I'd like to thank the witnesses that came here today, as well as counsel, for helping us gain a better understanding of the product and the conditions of competition in the cast iron soil pipe industry.
Before concluding, please let me mention a few

dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Thursday, February 22nd. If briefs contain business, proprietary information, a public version is due on Friday, February 23rd.

The Commission has tentatively scheduled its vote on these investigations for Friday, March 9th, and it will report its determinations to the Secretary of the Department of Commerce on Monday, March 12th. Commissioners' opinions will be issued on Monday, March 19th. Thank you all for coming. And this conference is now adjourned.

(Whereupon the meeting was adjourned at 2:35 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Cast Iron Soil Pipe from China

INVESTIGATION NOS.: 701-TA-597 and 731-TA-407

HEARING DATE: 2-16-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 2-16-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

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

SIGNED: Gaynell Catherine
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