UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of: 
ALUMINUM EXTRUSIONS FROM CHINA 
) Investigation Nos.: 
) 701-TA-475 and 
) 731-TA-1177 (Final) 

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Place: Washington, D.C.
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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:                      )
) Investigation Nos.:
ALUMINUM EXTRUSIONS ) 701-TA-475 and
FROM CHINA ) 731-TA-1177 (Final)

Tuesday,
March 29, 2011

Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at
9:31 a.m., before the Commissioners of the United States
International Trade Commission, the Honorable DEANNA
TANNER OKUN, Chairman, presiding.

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On behalf of the International Trade Commission:

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THE HONORABLE SHERROD BROWN, United States Senator, Ohio
THE HONORABLE CLAIRE McCASKILL, United States Senator, Missouri
THE HONORABLE PETER J. VISCLOSKY, U.S. Representative, 1st District, Indiana

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

On behalf of the Aluminum Extrusions Fair Trade Committee and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW):

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JEFFREY S. HENDERSON, Director of Marketing, Sapa Extrusions, Inc.
AMELIA KONESNI, Esquire, Buchanan Ingersoll & Rooney, P.C.
SUSAN D. JOHNSON, President, Futura Industries Corporation
LYNN BROWN, Senior Vice President, Sales and Marketing, Hydro Aluminum North America, Inc.
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LARRY LANGEFELS, Chief Financial Officer, Basco Manufacturing Company
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PROCEDINGS

(9:31 a.m.)

CHAIRMAN OKUN: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-475 and 731-TA-1177 (Final) involving Aluminum Extrusions From China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of subsidized and less than fair value imports of aluminum extrusions from China.

Schedules setting forth the presentation of this hearing, notice of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of time allocations. Any questions regarding the time allocations should be directed to the Secretary.
Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into the microphones and state your name for the record for the benefit of the court reporter.

Finally, if you will be submitting documents that contain information you wish classified as business confidential, your requests should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Yes, Madam Chairman. With your permission we will add Amelia Konesni of Buchanan Ingersoll Rooney to the witness list on page 2.

CHAIRMAN OKUN: Thank you. Without objection.

Will you please announce our first congressional witness?

MR. BISHOP: The Honorable Peter J. Visclosky, United States Representative, 1st District, Indiana.

CHAIRMAN OKUN: Good morning and welcome back, Congressman.

MR. VISCLOSKY: Madam Chair, members of the Commission, I appreciate again the opportunity to
testify before you today. The last time I appeared before the Commission it was winter. I am told it is now spring, despite the fact that it was 37 degrees driving in today.

On February 25 of this year, China Watch also suggested that there was a change in seasons in that a fruitful visit charts a new course as far as Chinese trade policy. I must tell you though today, as with the weather, seeing and feeling is believing.

You have an aluminum extrusion case before you. In August the Commerce Department had an affirmative preliminary determination on a countervailing duty rate between 6 and 137 percent. In October, Commerce found antidumping margins of 32 to 33 percent. As always, a trust of your careful consideration of the facts involved as far as an injury determination.

I have seen it in my own district. There is an aluminum extrusion facility in Kentland, Indiana. Forty-seven people at that plant between 2007 and 2010 have lost their jobs. That is a very small portion of the American population, but the population of Kentland, Indiana, is 1,748 people total.

I would not suggest to you that every person at that plant is a resident of Kentland, but a job
loss for each one of those 47 families is significant, and for a small, rural community in Indiana like that it is devastating.

So again, as always, trusting your consideration of the facts before you, I do believe injury has been found and hopefully that will be your determination, but again I thank you very much for the courtesy in letting me testify.

CHAIRMAN OKUN: Thank you, Congressman. Let me see if my colleagues have questions.

(No response.)

CHAIRMAN OKUN: Thank you and good day.
MR. VISCLOSKY: Thank you very much.
MR. BISHOP: Madam Chairman, that concludes our congressional appearances at this time.

CHAIRMAN OKUN: Very well. Let's turn to our opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be by Stephen A. Jones, King & Spalding.

CHAIRMAN OKUN: Good morning and welcome, Mr. Jones.

MR. JONES: Good morning, Chairman Okun, and good morning, members of the Commission. My name is Steve Jones. I'm with the law firm of King &
Spalding, and I'm appearing today on behalf of the Aluminum Extrusions Fair Trade Committee, which is an ad hoc coalition of United States manufacturers of aluminum extrusion, and the United Steel Workers Union, which represents a significant number of workers in the industry.

The Committee is comprised of 11 companies that together account for a significant majority of U.S. production of soft alloy aluminum extrusions, which is the domestic like product. The United Steel Workers represent approximately 2,000 workers at 14 soft alloy aluminum extrusion plants in the United States.

Dumped and subsidized imports from China increased significantly from 2008 to 2010, and the increase was significant absolutely and in relation to both U.S. consumption and U.S. production. According to the official import statistics, subject imports increased 138 percent from 2008 to 2009 alone and captured 20 percent market share resulting in a 10 percent or a 10 point drop in the domestic industry's market share.

The imports continued to surge in early 2010 until the filing of the petition, and the imposition of provisional duties in September 2010 stopped the
surge. The industry recovered its footing slightly as imports started to recede from the market, but the data reflected in the prehearing report still show an industry in severe distress.

How are imports from China able to penetrate the U.S. market so quickly and deeply? The answer is simple. Aggressive pricing. You will hear testimony this morning from industry witnesses that price is the most important factor in purchasers' decision making and that business is won or lost in this industry based on mere pennies per pound.

In addition, there is competition throughout the like product continuum in all shapes, sizes, types of finishing and types of fabrication. Purchasers use the China price in virtually every negotiation, which frequently results either in lost business or a reduction in price. There is underselling and confirmed lost sales and revenues for a wide variety of different products.

The data collected show that all the key operational indicators -- production, shipments, employment -- are down significantly from 2008 to 2010. The data show that injury intensified in 2009, the time when imports from China surged.

Financial performance recovered slightly in
2010 based on two factors -- a slight recovery in demand in some market sectors, combined with a decline in imports after the petition was filed, including a virtual cessation of subject imports in October 2010 after the imposition of provisional duties.

There is no question that the pendency of the investigation has benefitted the industry, and the Commission should take note of this as it is statutorily authorized to do. Absent the filing of the petition, there is every reason to think that this industry would be much worse off today than it was a year ago.

There is no question that demand for aluminum extrusions declined during the economic downturn. There have been fewer business opportunities for U.S. producers due to economic conditions, particularly those who focus in the building and construction sector, but the competition for these few opportunities has intensified, and dumped and subsidized imports from China have unfairly taken an increasing share of a smaller pool of business.

The results have been severe for a large number of businesses and communities. In fact, our analysis shows that since 2007 33 extrusion plants
operating 79 extrusion presses have closed. Fifty-two additional presses have shut down at plants that are still open. Thousands of jobs have been lost. The impact has been devastating.

Finally, the industry is grievously threatened with future additional injury. Unfortunately, only a few Chinese producers responded to your questionnaire, but our research shows that there is massive underutilized capacity in China, and the Chinese have every incentive to produce more extrusions and ship them to the United States.

They have proven their ability to penetrate this market quickly. Their shipments to Canada are down significantly due to the orders imposed there in March 2009, and additional orders were imposed in Australia in October.

If the Commission does not make an affirmative determination, imports cut off by provisional measures will return in large volumes. While there is still an industry left to save, we urge the Commission to make an affirmative determination.

Thank you.

CHAIRMAN OKUN: Thank you. And, Mr. Secretary, I understand we have another congressional witness so we will fit him in before we go to our next
opening remarks.

MR. BISHOP: The Honorable Sherrod Brown,
United States Senator, Ohio.

CHAIRMAN OKUN: Good morning and welcome,
Senator.

MR. BROWN: Good morning. Thank you, Madam
Chair, and thank you all. It's good to be back.
Thanks for your service that all of you provide to
this country and to American workers and businesses.
Thank you for that.

I thank you again for the opportunity to
testify in the case on behalf of more than a dozen
Ohio companies representing hundreds and hundreds of
workers from Columbiana in eastern Ohio to
Bellfontaine to Mt. Eaton. These aluminum extrusion
producers include Aerolite Extrusion in Youngstown,
Hydro Extrusions in Sydney in western Ohio and Kaiser
Aluminum in Heath, a city just east of Columbus.

The workers at these companies make aluminum
for a wide range of customers, from the auto industry
to picture frame manufacturers. Like other industry
leaders in Ohio, these Ohio workers and these Ohio
manufacturers can compete with anyone in the world.

But as I've testified numerous time in front
of this Commission on behalf of Ohio manufacturers of
consumer tires, of thermal paper, of coated paper, of
offroad tires, of different types of steel or clean
energy products, our industries are forced to compete
on an all too often unlevel playing field in the
global economy.

Subsidized competition from so-called
trading partners threaten to put key American sectors
out of business. Unfair trade subsidies mean lost
jobs, stagnant wages, communities struggling without
tax revenue to support basic services and to support
schools.

And as I've made clear in previous testimony
and this Commission has made clear in its previous
findings, our trade enforcement laws are vital to
strengthening our economic competitiveness. This
hearing is particularly timely as our trade
enforcement laws are under attack at the World Trade
Organization. Earlier this month, a WTO appellate
body reversed a prior WTO ruling that had upheld the
use of our trade remedy laws against China.

Right now, the Chinese Government is said to
be planning a $1.5 trillion, five-year investment in
seven strategic manufacturing industries. At a time
when we need to enforce our trade remedy laws to fight
this clearly unfair Chinese subsidy, the WTO's
appellate body overreached and threatens to dilute the power of our own laws.

To make sure that doesn't happen, Maine Republic Senator Olympia Snowe and I today sent a Dear Colleague letter to our colleagues to join us in a letter to Ambassador Ron Kirk urging the Administration to take all steps necessary to remedy and to rectify this ruling. These steps include pushing negotiations in the Doha Round to ensuring that our countervailing duty laws remain fully applicable to China.

The case before you today on aluminum extrusions is a perfect example of the danger that American manufacturers face without the effective use of trade remedy laws. Aluminum extruders sell products for everything from autos to heavy machinery to commercial lighting to windows to doors to other building and home products.

But around 2007, according to one Youngstown manufacturer, the orders stopped coming. Around that time, imports of Chinese extrusions began to create havoc in the U.S. aluminum extrusion industry. Prior to 2007, China's market share in aluminum extrusion was pretty much negligible, but, remarkably, within a few short years its market share expanded to about 20
During a time when U.S. consumption of aluminum extrusions fell substantially during our recession, Chinese imports more than doubled from 2008 to 2009. As a result, production capacity in China dramatically increased and capacity expansion continues at a rapid rate.

One Ohio manufacturer talked to me about the cottage industry that importers created over the last few years based on China's subsidized production capacity expansion. These are warehouses in the United States that employ just a few people to receive subsidized Chinese imports and sell them to American customers, the customers who would otherwise purchase from American manufacturers.

The competitive disadvantage for U.S. producers is very clear. The temporarily imposed duties unequivocally show that inputs from China are taking market share from U.S. producers, not from other imports.

Chinese import prices are so low that U.S. aluminum extrusion manufacturers end up with little room to negotiate on price. This is the case even though China theoretically should be paying roughly the same global commodity prices for the raw materials.
that everyone else pays.

American manufacturers do have some built-in advantages, such as the cost of freight within the continental U.S. This is a significant geographical advantage over imports from China obviously, yet despite this advantage imports from China are able to undersell us by significant margins. This is possible only through Chinese Government subsidies to their producers and their exporters and by harmful dumping practices.

Before the preliminary duties went into place last year, much of the U.S. industry was working at 50 percent production capacity, but since the Commerce Department announced preliminary relief just last October I've heard at least anecdotally that more customers are coming back to aluminum extruders in Ohio.

Our trade laws are indispensable, even more so in a global economy where free market competition is based on sound pricing, on solid workmanship and on solid efficiency, thereby giving way to distorted subsidies, dumping and other anticompetitive and corrupted practices.

Our trade remedies, when properly applied, defend against the type of unfair competition
currently faced by the U.S. aluminum extrusions industry and its workers. The producers and workers in Youngstown, Ohio, and Sydney, Ohio, and Heath, Ohio, and across my state can compete with anyone as long as it's a level playing field.

You as Commissioners have helped us level that playing field with many decisions you've made in the past. I hope you'll examine closely the record and testimony given today and make an affirmative final determination. Thank you, Madam Chair.

CHAIRMAN OKUN: Thank you, Senator. Does any Commissioner have a question for the Senator?

(No response.)

CHAIRMAN OKUN: Thank you very much for your testimony.

Mr. Secretary, let's return to opening remarks.

MR. BISHOP: Opening remarks on behalf of Respondents will be by Duane W. Layton, Mayer Brown.

MR. LAYTON: Madam Chairman, Mr. Vice Chairman, members of the Commission, good morning. My name is Duane Layton. I'm a partner with Mayer Brown and the head of its Government and Global Trade Group. Along with my partner, Sydney Mintzer, I appear on behalf of Aavid Thermalloy.

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As you may recall, Aavid did not participate in the Commission's preliminary investigation of Aluminum Extrusions From China, and it wouldn't be participating in the instant investigation were it not for a U.S. Customs agent last fall who thought a finished heat sink imported by Aavid from China should be subject to Commerce's preliminary countervailing duty determination.

You see, until that moment Aavid knew nothing about this case. And why should it? It wasn't named in the petition as a U.S. importer, a U.S. producer or foreign producer of subject merchandise. It certainly wasn't sent a questionnaire by Commerce or the Commission. It was, in short, out of sight, out of mind.

Now, all of this might suggest to you that finished heat sinks imported from China are not subject merchandise. It certainly does to us, and we keep hoping Commerce will eventually agree, but until it does we need to defend ourselves, and that includes before this Commission.

We ask you to make two findings. First, finished heat sinks are a separate like product from the aluminum extrusion products subject to these investigations. Second, the domestic industry which
produced finished heat sinks is not being materially
injured or threatened with material injury by reason
of subject imports.

On both issues the evidence is clear. Finished heat sinks are a separate like product, and
the relevant domestic industry is not being materially
injured or threatened with material injury within the
meaning of the statute.

I'll leave to the Shower Door Manufacturers
Alliance and Floturn to make whatever points they want
to make today, but I will say this. We are listed in
the calendar to this hearing today as parties "in
opposition" to the imposition of antidumping and
countervailing duty orders, but that really isn't the
case.

If the U.S. Government wants to impose
antidumping and countervailing duties on certain
aluminum extrusions from China, go ahead. I know
Aavid does not object, and I doubt the other
Respondents appearing here today do either. All we're
asking is that some reasonable limits be placed on the
products subject to duties. Thank you.

CHAIRMAN OKUN: Thank you. Mr. Secretary, I
understand we have a congressional witness on their
way. Do we have an update?
MR. BISHOP: She is on her way, Madam Chairman. She has not yet arrived.

CHAIRMAN OKUN: Okay. Then let's go ahead and bring the first panel up.

MR. BISHOP: Would our first panel, those in support of the imposition of antidumping and countervailing duty orders, please come forward and be seated?

Madam Chairman, all witnesses have been sworn.

(Witnesses sworn.)

CHAIRMAN OKUN: Thank you. Good morning again and welcome, Mr. Jones. Although I hate to interrupt the witnesses, I think we should go ahead and get this panel started and we'll just accommodate our congressional witness when they arrive.

MR. JONES: Thank you, Madam Chairman. Good morning again, members of the Commission. For the record, my name is Steve Jones. I'm counsel to the Petitioners.

Before we get started, on behalf of the Committee I would like to thank everyone here at the Commission for their hard work on this case to date. We would especially like to thank Vice Chairman Williamson, Commissioner Pearson and Ms. Elkin from Heritage Reporting Corporation

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Commissioner Lane's office and Mr. Sigler from Commissioner Pearson's office for taking the time to visit Bonnell Aluminum in Newnan, Georgia, last Monday, March 21, for a plant tour. We hope that time was productive and helpful to them in understanding aluminum extrusions and how they're manufactured, marketed and sold.

The panel before you represents a broad cross section of the domestic industry and all of the major products and markets served by this industry. We hope to be able to answer your questions this morning unless it is necessary of course to refer to proprietary information to answer the questions, and if that's the case where we need to do some research to check our facts we will provide additional information to you in our posthearing brief.

Before I introduce our first industry witness, I'd like to briefly discuss the domestic like product definition in the investigation. Subject aluminum extrusions are by their nature highly differentiated in terms of alloy, shape, sizes, finishes and fabrication.

There is a continuum of soft alloy aluminum extrusion products that are different shapes, different types of coating or finishing and different...
types of fabrication. Where there is a broad continuum containing different forms of the same product, the Commission has generally found one like product.

Regarding channels of distribution, all types of soft alloy aluminum extrusions are sold both directly to end users and through distributors. Soft alloy extrusions also have common producer and consumer perceptions in that they are relatively easy to work or machine, which in turn enables the formation of a wide range of shapes and forms.

Soft alloy extrusions are produced in common manufacturing facilities by the same employees using the same machinery and the same processes. Production can be shifted between different shapes merely by changing the dies in the extrusion press.

Finally, the prices of soft alloy extrusions are based on finish and level of fabrication. The range of prices is similar within the different types of alloys used to make extrusions. Thus, our position in this is that the domestic like product in this investigation should be co-extensive with the scope of the investigation.

Soft aluminum extrusions are a separate like product and a separate industry and no basis exists to
define the like product more narrowly. There are no
bright lines within the soft alloy category.

Aavid Thermalloy and the Shower Door
Manufacturers Alliance argue that the Commission
should subdivide the scope into four distinct like
products corresponding to: 1) Producer tested
finished heat sinks; 2) Knock down shower door units;
3) So-called jewelry grade shower door and bath
enclosures; and 4) All other aluminum extrusions
within the scope. Subdividing the like product as
suggested by Aavid and the SDMA would be contrary to
Commission practice and the factual record here.

The Commission has often faced the situation
where the scope of the investigation involves numerous
products that vary from each other, but exist within a
product continuum that has no clear dividing line. As
recognized by the Commission in its preliminary
determination here, its practice with respect to such
product continuum cases is applicable here because, as
the Commission stated:

"The product in these investigations appears
to be one where models of several different alloys and
finishes and many different shapes and sizes
constitute a continuum without any clear breaking
point."

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Neither Aavid or the SDMA have attempted to distinguish the product continuum precedent cited by the Commission in its preliminary determination or any of the many other analogous product continuum cases. Aavid cites only the *Replacement Glass Windshields* investigation, which was not a product continuum case.

Moreover, in *Replacement Glass Windshields*, the Commission defined a like product as co-extensive with the scope and rejected Respondents' argument that the like product should be broadened beyond the scope. Thus, *Replacement Glass Windshields* is irrelevant to the evaluation of a product continuum situation and in fact supports Petitioner's position here that the like product should be defined as co-extensive with the scope.

The separate like products proposed by Aavid and the SDMA are extremely narrow. Although they attempt to distinguish these products based on the like product criteria, the dividing lines they draw are highly arbitrary and exclude products within the product continuum that are more similar to the proposed narrow like products than other products within the continuum. There is no precedent for such narrow like product carve outs, and neither Aavid nor the SDMA cites any.
The Commission correctly found in its preliminary determination that, "All in-scope aluminum extrusions are made from similar raw materials with similar qualities and are produced on the same equipment at the same facilities." Moreover, the record continues to support the Commission's finding that, "There is an overlap among different types of extrusions in the channels of distribution."

Consistent with its product continuum practice, the Commission acknowledged that, "The in-scope extrusions have many different uses," and "There is a lack of interchangeability among the thousands of different shapes of extrusions." Because these observations are true across the continuum, differing uses and a lack of cross use interchangeability do not undermine a single like product finding.

Of course, much of the information relevant to the like product issues is confidential, but we would be pleased to address the like product issues raised by Aavid and the SDMA in our posthearing brief if the Commission wishes us to do so.

We note that while the Commission's questionnaire collected responses on the like product criteria and performance data with respect to the
production and sales of finished heat sinks, it did not do so with respect to shower door knock down units or jewelry grade shower door extrusions, so the record on those products is incomplete.

We also note that unlike Aavid, the Shower Door Manufacturers Alliance did not request that the Commission staff collect data on those alleged separate like products, and it is too late to do that now.

Domestic industry witnesses appearing this morning manufacture heat sinks, shower door enclosures or both, so they will be able to answer your questions about these products.

In sum, well-established Commission practice and the evidentiary record here strongly support a final determination of one like product co-extensive with the scope of the investigation.

With that I would like to introduce our first industry witness, Duncan Crowdis, the president of Bonnell Aluminum and chairman of the Committee.

CHAIRMAN OKUN: Mr. Crowdis, before you begin we do have our last congressional witness so we'll go ahead and hear from her and then you'll proceed.

MR. BISHOP: The Honorable Claire McCaskill,
United States Senator, Missouri.

CHAIRMAN OKUN: Good morning and welcome, Senator. You may proceed.

MS. McCASKILL: Thank you very much. Thank you for giving me this opportunity, and I apologize to the witnesses that were prepared to testify, but I did want to come over and just briefly talk about the important decision that you have in front of you.

There's a lot of folks around this town and around America that are talking about four letters, and that jobs. It's jobs, jobs and jobs. Obviously this issue in front of you is certainly primarily about jobs. This extrusion industry fell by 4,500 folks in two years, which I believe the case will be made today is partly due to unfair competition from the Chinese.

I want to speak personally about some jobs in Missouri and give this context because I know how difficult it is, many of the decisions you make. I think it's important that you get in front of you real world consequences of your decisions.

We have three aluminum extruders that have operations in Missouri. We have Hydro, and it is a factory in a town called Monett, Missouri. This town is a little under 10,000 people, away from the urban
centers of Missouri, and several hundred people work at this facility manufacturing windows with extruded aluminum.

Then there's Lock Screen, a plant in Hayti, Missouri, that is down in the boot heel of Missouri. There are only 3,000 people in Hayti, and this company employs 200 of them in working with aluminum extruders, and then there's another company that employs around 50 people in St. Louis, Missouri.

These folks are willing to compete on a level playing field, and obviously that's what this is all about today. I'm here just to urge you, on behalf of these 450 jobs in Missouri, to take a hard look at making sure that we have leveled this playing field.

I understand that the proponents of this duty need to make their case to you. I am confident, having reviewed the material that has been provided to me, that that case is a strong one and I urge you to accept the facts that will be presented to you today about the unfair competition in this area and impose this duty so these jobs in Missouri in these rural communities that frankly have very few places to turn when facilities like this must close their doors because of unfair competition. Thank you very much.

CHAIRMAN OKUN: Thank you for taking the

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time to testify today.

Mr. Crowdis, you can proceed.

MR. CROWDIS: Good morning. My name is Duncan Crowdis. I'm the president of Bonnell Aluminum, which is a manufacturer of soft alloy extrusions. We are a division of Tredegar Corporation, which is a publicly traded company out of Richmond, Virginia, which I'm also a vice president.

Our headquarters, Bonnell's headquarters, is in Newnan, Georgia, which is just southwest of Atlanta. Bonnell was founded in Newnan in 1953 and in 1989 was spun off from a predecessor to become part of Tredegar. I joined the company in 1998 and have been president of the Aluminum Division since 2005.

The company has three production facilities, one in Newnan, Georgia, one in Carthage, Tennessee, and another in Kentland, Indiana. We currently have 13 extrusion presses, five each in Newnan and Carthage and three in Kentland. Unfortunately, we are currently operating only about half of these presses as we speak. In December of 2006, we had over 1,300 employees. Today we have just over 800.

I'm here today because Bonnell has been severely injured by unfair imports from China. We have lost significant sales and revenues to these
imports, and we are extremely concerned about the possibility of losing even more in the future.

We have outstanding production facilities and people. We manufacture what we believe are world class products, and we believe we can compete with anyone in the world on a level playing field. That's, quite frankly, all that we're asking; that the duties be imposed so that imports from China are fairly traded in the United States.

Bonnell manufactures a wide variety of aluminum extrusions in its three facilities. Our focus is in the building construction industry in residential and even more significantly in the nonresidential sectors, but we also have significant businesses and customers in several other sectors such as automotive, electrical and consumer durables.

As a leader in the building and construction market, we've actually had the benefit of a double whammy. First with the decline in demand for our products due to the collapse of both the residential and the nonresidential real estate markets and increasing and very low-priced imports from China underbidding us on what have become fewer and fewer opportunities. The Chinese are very significant players in the building and construction sector that
we play in.

    We certainly appreciate the time that Vice Chairman Williamson, Commissioner Pearson, Mr. Sigler and Ms. Elkin spent in Newnan last Monday. Unfortunately, even though we had a slight improvement in the overall economy in 2010, the plant they saw was still running at virtually half capacity, which is about the level of operating utilization across our entire company as we speak.

    Not long ago we ran three shifts, seven days a week, across most of our operations. Because of the onslaught of unfair imports from China, at the beginning of 2010 we're down to two shifts, five days a week and sometimes even less than five days a week, running three of the five presses during these shortened work weeks in our Newnan facility. In addition to dramatically cutting production, we also reduced and let go a significant number of production employees, as well as administrative staff.

    To enable Bonnell to manufacture larger extrusion sizes and provide more design freedom to commercial architects, which is the business that we play in, in 2007 we obtained an approval from our board of directors for a significant capital project to install a large, 5,500 ton press producing 16 inch...
wide shapes in a 72,000 square foot new building in
our Carthage, Tennessee, plant. This capital project
was completed in late 2009 as planned, and we
commissioned it in December of that year.

We made the decision to purchase this press
in 2007 before the surge in unfair imports from China.
During the construction of this project, the economy
declined, but we remained confident in the wisdom of
this investment because we were positioning ourselves,
quite frankly, to take advantage of the recovery, but
the incredible rapid rise in imports from China took
substantial volume and market share from us, as well
as the other domestic producers.

We remain confident that in a fair trade
environment this press would provide a significant
differential advantage for us and therefore would be
an outstanding investment, making Bonnell even more
competitive and profitable in the future. Without
duties on unfair imports, however, I'm not sure
whether we'll ever see the kind of return on this
investment that we had intended when we put this
project in place.

Indeed, the viability of any investment in
the U.S. production is severely undermined by the
presence of a high level of duty-free and unfair
imports from China that routinely undersell us by large margins. As we look into the future, I'm not sure that I would be able to justify any significant further investment in our facilities.

While there has been some modest recovery in some sectors in 2010, the recession of the building and construction industry certainly isn't over and the industry continues to have severe difficulties. Despite the slight recovery in 2010, the industry remains injured and is extremely vulnerable to future additional injury caused by unfair imports.

Companies smaller than Bonnell can quickly go bankrupt if they run out of cash, and we've seen this happen in numerous companies through the period of this investigation. Of course, even Bonnell can't operate profitably or invest in the future when unfair imports, which are completely interchangeable with our products, continue to flood into the market.

Only the filing of this case and imposition of provisional measures that were brought about in September slowed down the imports from China. Overall, the industry did a little better in 2010, but unfair imports are still in the market, causing significant injury.

One final note. Bonnell operated soft alloy
extrusion production facilities in Ontario and Quebec, Canada, which we sold in 2008. As you know, Canada imposed antidumping and subsidy orders on imports of aluminum extrusions from China in March of 2009.

Before we sold our Canadian operations in 2008, we were involved in that case, and to me it's striking how the imports from China have penetrated the U.S. market and injured the U.S. industry in much the same way that we experienced when I was there in 2008.

We can handle economic cycles, quite frankly, even including this long recession that we're currently experiencing, but we cannot survive the loss of sales and volume from unfair imports from China and the negative price effects that these imports have on our markets.

On behalf of Bonnell, I respectfully urge the Commission to make an affirmative final determination that will permit the domestic industry to compete with imports on fair terms. Thank you.

MR. JONES: Our next industry witness is Jeff Henderson from Sapa Extrusions.

MR. HENDERSON: Good morning. My name is Jeff Henderson. I am Director of Marketing for Sapa Extrusions, Inc. Sapa Extrusions is an indirect
subsidiary of Orkla ASA, a publicly traded Norwegian company. Sapa has been part of the Orkla family of companies since 2005.

I have been in my present position with Sapa for two years. Before that I was employed as the General Manager for Sapa's Delhi, Louisiana, extrusion plant. In all, I have been working in sales and marketing in the aluminum extrusion industry for 18 years.

Sapa is the largest aluminum extrusion producer in the United States and the largest producer in the world. We have aluminum extrusion operations in 26 countries. In the United States, we operate 12 manufacturing facilities in nine states, employing approximately 2,800 people.

We are a global company and believe strongly in the benefits of free trade, but trade must be fair. We cannot stand by and allow unfairly traded imports to capture our market share, idle our plants and force layoffs of our people.

Sapa has invested heavily in U.S. production. However, the viability of those investments are now jeopardized by the displacement of our production and market share by low-priced imports from China.
Since 2007, Sapa's investments in the United States, including the acquisition of Indolex in 2009, as well as acquisition of Alcoa's soft alloy extrusion business, have resulted in the addition of 13 production facilities and 18 extrusion presses, representing 1.2 billion pounds of production capacity.

These investments strengthened Sapa's geographic coverage in the United States' market, improved Sapa's logistics efficiencies and broadened Sapa's product range in value added services, which include painting, anodizing, fabrication and design assistance. These steps made economic sense for Sapa in a fair trade environment. However, we have lost significant volume to imports from China.

Sapa's product offerings reach into almost every end use market, including building construction, transportation, various engineered products and standard shapes such as rod and bar. While Sapa holds a strong position in the U.S. market, it has been injured and remains threatened with injury because many of our plants and products compete head-to-head with imports from China.

In fact, our heat sink blanks are dedicated to finished heat sink production, and our finished...
heat sinks compete with finished heat sinks imported from China. In fact, the industry is concerned about heat sink imports, and we have seen significant loss in this area in recent years.

I'd like to take this opportunity to thank Aavid Thermalloy and other heat sink suppliers for their continued business. We look forward to renewing and growing those relationships in the future.

Sapa is also very concerned about what the shower door manufacturers call knock down units, which are essentially aluminum extrusions with some hardware included. The petition also intended to cover those products, and we hope the Department of Commerce will agree, but I have to respond to an untrue statement in the SDMA's brief.

They said that the petition excluded shower doors with glass, but not knock down units, because Sapa manufactures shower door extrusions in China and imports them with glass from China. That claim is false. We did not participate in this case to find some seam in the law that we could exploit. We support the petition because our U.S. manufacturing has been injured by unfairly traded imports from China.

The sharp decline of residential

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construction, combined with the surge in unfair imports from China, forced us to close our Magnolia, Arkansas, extrusion line and purchase the extrusions previously made in that plant in order to be competitive. But Sapa does not manufacture shower door extrusions or complete shower doors in China, and we do not have any plans to do so in the future.

Imports from China have been a growing problem in the U.S. market and were causing adverse effects in 2008, but the volume of these imports became especially great during the calendar year 2009 and the first half of 2010. Imports during this period have displaced domestic sales and unfairly depressed prices in the United States.

The significant rise in Chinese imports during a time when demand was decreasing magnified their market impact. Sapa rationalized capacity during the 2007 to 2009 period, yet our capacity utilization continued to decline markedly through 2008 and 2009. The imports grew rapidly and gained significant market share only because they undersold domestic product by large margins.

The products imported from China and the products we and other U.S. producers make are comparable in terms of quality and product
availability and compete head-to-head. Imports from China cover all market sectors and most of the wide spectrum of standard and custom shape demand.

Domestic and imported aluminum extrusions move through the same channels of distribution and both are sold to distributors and end users, including OEMs. Moreover, distributors increasingly handle both domestic and imported extrusions. Our production faces both direct and indirect competition on all fronts from the unfair imports.

Sapa made a long-term commitment to the U.S. market and remains confident that its investments were justified by sound economic analysis. Unfortunately, our careful and well-considered investments have been impaired by imports from China.

Indeed, what is likely to occur in the absence of relief is further disinvestment and bankruptcies throughout the industry. We therefore urge the Commission to make an affirmative determination in this case. Thank you.

MR. JONES: Thank you, Mr. Henderson. Our next witness is Susan Johnson from Futura Industries.

MS. JOHNSON: Good morning. My name is Susan Mooney Johnson, and I'm the president and CEO of Futura Industries Corporation. We produce soft alloy
aluminum extrusions out of two plants in Clearfield, Utah. Clearfield is about 30 minutes north of Salt Lake City. We are a wholly owned subsidiary of Futura Corporation, a Boise, Idaho, corporate entity.

We have been in business for 65 years, and I've been president of this company for 16. I'm a mechanical engineer by education, and prior to Futura Industries I was president of the U.S. wholly owned subsidiary, Mack Trucks.

We employ 230 people in Utah, which is small in comparison with the other Petitioners here today. However, by far the majority of extruders in this country are similar in size to us. The custom nature of much of the aluminum extrusion market allows small producers such as Futura Industries to compete very effectively.

We have extensive and sophisticated machining operations. Thus, the majority of our sales are in the engineered product sector, and many of our extrusions end up in high value-added fabricated parts. We supply well over 600 different customers in every kind of type of extrusions you can think of.

The fact is that the Chinese suppliers can and do supply the same type and range of fabrication that we do. No type of value-added work has been
insulated from their competition. We have competed against Chinese suppliers for fabricated parts at numerous accounts and continue to do so. The China price is a daily occurrence at our company.

One of the markets we have traditionally served is the bath and shower enclosure market. This was among one of the first value-added markets targeted by the Chinese. Chinese imports dominated this market from 2008 through 2010.

We have our own anodizing capacity and we can offer both the bright dip and brushed nickel finishes that are most common in this industry. Utilization of our anodizing facility remained low through most of the period of investigation. I am pleased to note that business has picked up for bright dipped anodized parts for shower door manufacturers during the latter part of 2010 as sourcing has shifted away from China.

I'd like to talk about the Chinese prices in the bath and shower enclosure market. In the specific case of Futura Industries, we have documented underselling of shower door accounts of up to 50 percent by our Chinese competitors. We also have reduced prices by well over 20 percent at accounts that we currently sell.
By way of demonstrating how much Chinese extruders were undercutting the domestic suppliers, I'd like to look at the unit values for 2009. For anodized products as compared with mill finish, Chinese extruders were 22 percentage points below the U.S. extruders' pricing, and specifically as it relates to shower doors for bright dipped products as compared to mill finish, Chinese extruders were 48 percentage points below our pricing.

As this data points out, it's no wonder that the bath and shower enclosure producers want to maintain their Chinese sources. It's also no wonder that Aavid Thermalloy, which is an OEM just like many others, wants to retain its Chinese manufactured heat sinks.

Futura Industries manufactures heat sinks, including what are commonly referred to as high aspect ratio heat sinks, and have sold heat sinks to both Aavid and Thermalloy prior to their joining together as one corporation in the past before they began sourcing from China.

There are thousands of different kinds of heat sinks with as many different applications. Let me explain the differences between the heat sinks that Futura Industries makes and those that Aavid
Thermalloy have alluded to in their petition. They choose to do thermal testing services in-house as a final QC process and we do not. That's it.

There are no actual manufacturing operations that they perform that we do not. We extrude the same shapes that they buy from their Chinese extrusion suppliers. We do the same anodizing and fabrication that they do if needed, and we run many of the same tests and quality checks. If Aavid and Futura were given the same engineering specifications, the heat sinks produced by the respective plants would be physically indistinguishable.

We are a producer of finished heat sinks, and many of our heat sink customers do no further manufacturing to the finished heat sinks they buy from us. Some of them do thermal testing, but the heat sinks they buy from us are finished in both our minds and theirs.

We didn't provide data to the Commission on finished heat sinks because there was some confusion as to whether these finished heat sinks had to have thermal testing as a required operation. For a finished heat sink, that is arbitrary in our and the domestic industry's opinion and it has been used to intentionally confuse this issue. Excluding products

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based on what kind of adherence to design specification QC testing is done postmanufacturing is arbitrary.

In conclusion, I ask that you keep in mind that many U.S. producers operate on the scale that Futura Industries does. Extruders of our size represent the majority of extruders in this country. We are a significant local employer, and we are a great corporate citizen and have been for 65 years.

We reinvest continually in the long-term viability of our business, as well as the well-being of our employees. On behalf of the many U.S. producers similar to Futura Industries and the communities they serve across the United States, we ask the ITC to act now to enforce the trade laws as well to keep us a viable employer into the future.

Thank you.

MR. JONES: Thank you, Ms. Johnson. Our next witness is Mr. Lynn Brown from Hydro Aluminum.

MR. BROWN: Good morning, members of the International Trade Commission. My name is Lynn Brown. I am Senior Vice President for Sales and Marketing at Hydro Aluminum North America. Our parent company, Norsk Hydro, is a major global producer of aluminum with operations in Europe, the Middle East,
Asia and the Americas. Hydro Aluminum North America, which I'll refer to as Hydro, is a major U.S. producer of soft alloy aluminum extrusions. During the period of this investigation, we had six extrusion plants operational in the U.S. We also cast aluminum billet, both for our internal use and to sell on the open market to competing extruders.

I would like to walk you through the typical way in which aluminum extrusions are priced and marketed. The starting point for all pricing is the cost of aluminum, a globally traded commodity. In those markets with which I am familiar -- North America, South America and Europe -- aluminum billet is priced according to the London Metal Exchange or LME.

That LME price on any given day is publicly reported and known throughout the industry. For example, yesterday's LME price for aluminum ingot was just under $1.15 per pound, about one cent less than the day before. Today it was up about three-tenths.

CHAIRMAN OKUN: Mr. Brown, would you be able to move your microphone a little closer so we can hear you better?

MR. BROWN: On top of the LME you need to
pay for delivery of that metal. In the U.S., this additional cost is referred to as the midwest premium. That's also widely reported by industry sources such as Platts. Yesterday's midwest premium was just over 6.5 cents per pound, giving a total transaction price for aluminum ingot in the U.S. of just under $1.22.

Keep in mind that we can't extrude aluminum ingot so there's additional cost for casting that ingot into aluminum billets, which is the feedstock for our aluminum presses. Depending on alloy, the cost of this process is anywhere from eight to 10 cents per pound.

So the total aluminum input cost that we look at before even the first extrusion operation is the cost of ingot, the cost of producing the billets, the midwest premium of delivery. That total cost was approximately $1.30 to $1.32 per pound yesterday.

U.S. producers have very little opportunity to negotiate or otherwise affect that metal cost. That cost is easily transparent to everyone and is generally passed through to the customer. For most finished aluminum extrusions, that metal cost accounts for the majority of our total cost. It would not be unusual to see the aluminum metal representing over 75 percent of our total cost of manufacture.
There are exceptions. Certain specialty paints can be very expensive, and complex fabricated parts often result in total cost of conversion exceeding the cost of the metal. That term, that conversion cost, represents the value that we in the industry add to the metal we buy. That includes value added in the extrusion process, whatever finishing and fabrication we perform.

Conversion cost is the only area where we really have cost control. Hence, it's the primary area where we have flexibility of price. Each producer has different incremental costs for extrusions, for finishing, for fabrication, and that's where and how each of us competes with other suppliers, those costs and the value that we provide.

Faced with the level of Chinese pricing over the past few years, U.S. producers have extremely little room to negotiate on price. At Hydro, we have emphasized our supply chain effectiveness and extensive value-added services.

Most of the continental U.S. is within a day's drive from one of our facilities. Nevertheless, even with significant geographic presence an advantage over imports from China, we have faced extreme price pressure.
Hydro participates in a wide range of extrusion market segments, including solar energy, transportation, electrical, consumer goods, industrial and building and construction. We have lost sales and revenues to the Chinese in every one of these segments.

As reflected in your staff report, purchasers consider Chinese aluminum extrusions to be comparable to U.S. aluminum extrusions. The Chinese offer a broad range of shapes, sizes and finishes. They also provide design services and fabrication. They're sold into a variety of markets and to many different types of customers, and numerous suppliers have U.S. based warehousing, which enables short delivery lead time.

As a result, and as also shown in your staff report, price is the leading criterion in purchasing decisions. Even competing with other domestic suppliers, bids are most often lost or won on pennies per pound.

The price competition from China is much greater. To illustrate, in 2009 we put together a very competitive bid for a large volume of extrusions for a fencing supplier. The prospective customer was within three hours of one of our plants in the
midwest. The Chinese underbid us by fully 25 percent, essentially pricing at our cost of billet. As a result, we lost over $10 million in sales.

In another situation quoting large volumes of thresholds, we lost over $5 million in sales to Chinese extrusions priced less than 7 percent below our prices. That shows how critical the pricing factor is.

And it's not just large volume purchasers that are buying on price. We've been shut out of quoting on smaller volume opportunities because of price. There is simply no market that we see that's safe from Chinese price competition.

I started off by mentioning that we are part of Norsk Hydro, a publicly held global company. Over the past several years, it has been increasingly difficult for Hydro Aluminum North America to justify capital expenditures in our facilities, given the competitive environment and our internal rates of return.

We closed two plants in 2009 and idled production lines in three others. New data show a steady stop in capital expenditures in our industry. From 2008 to 2010, these investments fell nearly 50 percent. Without the establishment of a level playing
field, this industry is facing a downward spiral: Disinvestment in which we lose competitiveness, which leads to further decline in production, sales, revenues and of course jobs.

The time to act is now. The Commission can stop the loss of this industry to unfair import competition with an affirmative determination in this investigation. I thank you for your time.

MR. JONES: Thank you, Mr. Brown. Our next witness is Linda Andros from the United Steel Workers Union.

MS. ANDROS: Good morning, Commissioners. Thank you for the opportunity to appear before you today. My name is Linda Andros, and I'm the legislative counsel for United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industries and Service Workers International Union, also known as the United Steel Workers or the USW.

The USW is the largest industrial union in North America with approximately 850,000 active members working across a broad range of the nation's manufacturing base, including in the U.S. aluminum industry. Since long before I joined the United Steel Workers back in 2007, the union has been fighting, and fighting hard, against foreign government and foreign
companies who seek to gain a competitive advantage in
the United States market by violating our trade laws.

We seek to redress that balance through the
trade laws. The USW represents workers involved in
all facets of aluminum production from mining of the
primary production of aluminum to secondary smelting,
refining and rolling and extruding and die casting of
aluminum products.

USW members work at many of the domestic
industry facilities. In 2009, our members represented
approximately 1,945 workers producing the soft alloy
aluminum extrusions at issue here. We have workers at
Aerolite Extrusions in Youngstown, Ohio; Bonnell
Aluminum in Kentland, Indiana, and also in Newnan,
Georgia; Hydro Aluminum in Kalamazoo, Michigan; Kaiser
Aluminum in Bellwood, Virginia; and Sapa Extrusions in
Cressona, Pennsylvania.

What's happening to all of these petitioning
companies and all of the other U.S. producers who are
supporting this petition is a slow undermining of the
industry, an industry and its workers who have been
competitive, efficient and hard working. The domestic
aluminum extrusions industry is being pushed out of
the U.S. market by China. China, who wants jobs rich
people, and China, who is ready, willing and able to
subsidize and then have its producers dump products in
the U.S. to reach that goal.

But the result here is increasing levels of
low-priced imports, depressed U.S. prices that have
led to U.S. producers and workers experiencing plant
closures, reduced production, employee layoffs,
shorter work weeks and reductions in shifts of workers
and loss of capacity and, as you've heard today, it's
going to lead to disinvestment in the United States.

U.S. local union officials have reported
layoffs occurring over the last few years at companies
such as Aerolite Extrusions in Youngstown, Ohio; Hydro
Aluminum in Kalamazoo, Michigan; and Bonnell Aluminum
in Newnan, Georgia. Of course, our union has seen
this pattern over and over again in the various
industrial sectors that we represent, and we know well
that the very policies designed to create jobs in this
case in particular in China and to maintain those jobs
again in this case in particular to China can often
destroy jobs in the United States.

These are jobs that provide family
sustaining wages and provide a strong revenue base for
communities across the country, especially local
communities that are the very fabric of our nation
like we've heard today from Utah.
It is my understanding that Chinese imports of aluminum extrusions have increased by 138 percent from 2008 to 2009. That's a pretty large number. And this is during a time of decreasing demand in the United States. The only way to rationally explain the surge of imports from China during a period of declining demand is that there was significant underselling of aluminum extrusions by Chinese producers. This occurs due to their ability to dump after having received subsidies from their government.

Moreover, the Chinese industry and the Chinese Government are unlikely to give up the U.S. market -- clearly it's a very lucrative market, a very open, large market -- in particular since Australia and Canada have implemented their own antidumping and I believe countervailing duty orders against China and in particular, as you've heard here today, the massive capacity expansion that China is undergoing in this product, so we believe that they're not likely to give up this market on their own.

Our members of the United Steel Workers are ready and willing to compete and to compete fiercely on a level playing field, but we cannot, no matter how hard we may try and how much we may want to, compete or win if that field is not level. It's just that
So we would urge you today to render an affirmative finding to assist an industry and its workforce that have been harmed substantially by this unfair trade from China and to give us all the ability to regroup and recover in the coming years. Thank you.

MR. JONES: Could I get a time check, please, Mr. Secretary?

MR. BISHOP: You have 18 minutes remaining.

MR. JONES: Thank you. Our last witness is Rebecca Woodings from King and Spalding.

MS. WOODINGS: Good morning, Madame Chairman, Mr. Vice Chairman, other Commissioners and Commission staff. It is always a pleasure to return to the ITC. I do so at this time on behalf of U.S. producers of soft alloy aluminum extrusions.

My testimony will focus on the statutory indicia for the Commission's determinations regarded injury and threat of material injury. I begin with several important conditions. First, price is a critical purchase criterion. Price closely followed quality in purchasers' ranking of factors affecting their purchase decisions. Let me add that the large majority of purchasers judged U.S.-produced aluminum
extrusion to be comparable to Chinese extrusions in terms of quality.

U.S. extrusions were also held to be either comparable or superior to Chinese extrusions in terms of availability and delivery. But in actual purchase decisions, nonprice factors are minimized, and price becomes the deciding factor. In fact, 86 percent of purchasers judged a price a very important purchase consideration, and more than 70 percent of purchasers said that the lowest priced aluminum extrusion either sometimes or always wins the sale.

Second, as the industry witnesses have testified and the record demonstrates, there is competition between U.S. and Chinese extrusions across the continuum of products and markets. The prehearing report demonstrates that the subject imports include mill finished, painted, and anodized extrusions. These imports consist of standard and custom products in very similar proportions to those of the domestic like product.

Chinese extrusions were also present in all market segments. And from the last revenue and sales discussions, it is clear that there is competition from many types of fabricated products and from many different types of customers.
Third, we are all very aware of U.S. economic conditions over the past several years, and such depressed sectors as residential housing. Demand for aluminum extrusions declined from 2008 to 2010. Many segments of the market had been in decline starting back in 2007. And in fact, the U.S. housing slumped in 2006.

New data show a steep decline in demand from 2008 to 2009, and then a smaller increase from 2009 to 2010. We have data that suggest that the recovery was somewhat more modest, the new data report. In any event, the subject reports remained at very high levels in 2010, and the aluminum extrusion industry showed mostly negative performance indicia.

Ladies and gentlemen, this is an injured industry, and large volumes of aggressively priced Chinese imports have been a leading cause of distress, along with weak demand.

The final condition of competition that I will note is the role that aluminum import material plays in pricing. As Mr. Brown has described, the metal cost is generally not negotiable. As a result, U.S. producers' pricing flexibility is limited to conversion costs. In cases with this type of variable cost structure, the Commission would expect to see
relatively larger what I'll call volume effects from the low-priced imports, and relatively smaller priced effects. So let's turn to those data now.

The staff report quantifies the subject imports using the HTS items identified in the petition as accounting for most of those imports. We do not disagree with this methodology, although subject imports also entered under other tariff classifications and we're unable to capture those volumes. As a result, the aggregator will be understated. The subject import volume data will be understated.

The HTS items identified are the appropriate data source for this purpose. These data show a 138 percent increase in imports from China from 2008 to 2009, and that is as demand is declining. So the Chinese market share, as we see, went from 6.9 percent to 19.4 percent.

This is huge surge imports during a period of already considerable distress for U.S. producers. The Commission's preliminary opinion also noted an increase in the margins of underselling by Chinese imports during 2009, just as this surge is occurring. The combined impact was devastating to U.S. producers.

The next slide you will see is the monthly

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imports from China throughout the entire POI. Purchasers' questionnaires are replete with evidence regarding the impact of the filing of the petition and the imposition of preliminary remedies. Basically, purchasers of the subject imports began turning to U.S. producers about halfway through 2010.

Now, as you can see, the monthly import volumes remained quite high until October. But the request for price quotes from U.S. producers -- to U.S. producers were increasing after about mid-year. Overall, the volume of imports declined 5 percent from 2009 to 2010, and the Chinese market share declined to 16.3 percent -- 16.2 percent, excuse me.

Here is another visual for the next slide. This is another visual showing the steep drop in imports between the first half and the second half of 2010. In sum, the clearly show that the volume of subject imports is significant, both absolutely and relative to domestic consumption and production.

Turning now to price effects. The staff report demonstrates underselling in 45 of 59 possible price comparisons. That's 79 -- 76 percent of the time, excuse. And underselling margins were from 3.5 percent to 54.4 percent. We have pointed out some problematic pricing data and believe that the
instances of underselling were actually greater.  However, the uncollected data clearly point to significant underselling, as envisioned by the statute.

With regard to price suppression, Chinese prices for six of the seven products fell over the period. And these price declines were from 9.5 percent to 43.7 percent. Meanwhile, U.S. prices for five of the seven products surveyed also fell over the period, and these price declines were from 3 percent to 27.2 percent.

As summarized on the slide, Chinese prices fell more and for more products over the same period compared with domestic prices. Viramid aluminum is a globally traded commodity, and metal costs are generally passed onto the customer, as steeper price declines for the Chinese demonstrate significant price suppression by reason of the subject imports.

I recognize that U.S. operating results improved over the POI, and I will address that in a moment. Meanwhile, there is no public total for the confirmed lost sales and revenues. We provide a total based on a prehearing report summary, and you can find that in our brief on page 44. I can only refer the Commission to the confidential record and state that
confirmed loss sales and revenues were substantial and fully support findings of adverse price effects and significant subject import volumes.

As a result of the sharply increased subject import volume, underselling, and price depression, there were significant declines in domestic performance indicia for the industry. I'm going to skip over capacity because as we have discussed with the staff -- I believe the staff is aware -- there is a data problem there. But production, capacity utilization and U.S. production shipments -- the shipments volume, value, and unit value all fell, while inventories and inventory ratios rose.

Employment indicators also fell. Even hourly wages are down. And my experiences in these cases suggest that that is rare. The financial data show another steep decline in revenues. And the variance analysis in your prehearing report shows that this drop was driven by both declining volumes and declining prices. The surge in imports in 2009 simply took substantial sales volumes from U.S. producers, and this caused deepening losses for the industry.

Now, in 2010, several things happened. First, there is a pickup in demand in some market segments. Second, starting in the summer and
accelerating into the fall after the imposition of the provisional remedies in early September, there is some shift by purchasers of Chinese extrusions to U.S. extrusions. This enabled U.S. producers to increase sales volumes, and in some places to increase prices. There is evidence in the record to support both factors occurring during 2010 and directly tied to post-petition behavior.

Third, and we note this in our brief, there were a number of U.S. extruders that exited the market during 2008 and 2010 -- 2008 to 2009. For the most part, your prehearing report does not include that data. I can expand during the question and answer period if you want, but in sum, the producers that survived and responded to the Commissioners' questionnaires all benefitted from the exist of these suppliers and their capacity. Thus, we believe there is a good bit of survival bias in the data.

Overall, and despite these positive developments, the 2010 results show only a very slim operating margin for the industry as a whole.

Finishing up on the financial data, capital expenditures were down 46 percent, R&D was off 18 percent, and total asset value declined by 20 percent. Again, my experience in these cases is that that kind
of decline in asset value is unusual.

Net return on investment for the domestic industry was 3.8 percent in 2010. And I ask you, outside of T bills and maybe some tax exempt bonds, how many of you consider a 3.8 percent return good on an investment.

In sum, I submit that the record establishes more than a sufficient basis for a finding of material injury by reason of the subject imports. With regard to the question of threat of material injury, you have an insufficient foreign questionnaire response rate to address the threat criteria pertaining to unused capacity or likely future increase in capacity.

The prehearing report does contain other evidence on that score, as does our prehearing brief. One of the facts that I'll highlight is the planned expansions by the Chinese industry are expected to add 4.5 million metric tons of U.S. new capacity in China.

Let's move to the next slide and put that in comparison. This slide shows the current size of the U.S. market, the size of the U.S. market in 2010 compared to the capacity planned to come on in China. And I will refer -- the prior slide also noted the imposition of countervailing duties and antidumping remedies on these imports from China -- or these
exports from China, excuse me, by Canada in 2009 and Australia in 2010.

Mr. Jones has addressed the issue pertaining to like product. But I'm going to add some very limited remarks on the data, first regarding heat sinks. The data that the Commission has on finished heat sinks do not represent what either producers or consumers in this country consider to be heat sinks, finished heat sinks. The definition put forward by Aavid Thermalloy serves their interest as an importer of these products.

I ask you to take a look at the public prehearing report table presenting pricing for product setting. Here it is. It's on page Z-14 of your report. This is a particular kind of heat sink, the definition for which was provided by Aavid Thermalloy. You will see that there are zeroes for the imported products for the first six quarters. And then for the domestic like product, there are zeroes for the last five quarters.

I don't know what other conclusion you can draw from this table except that sourcing has shifted entirely to China. And while heat sinks are not a separate like product, the available data for those products indicate that that portion of the domestic
industry is also injured by imports.

As Mr. Jones indicated, we do not have industry data and the bath and shower enclosure extrusions which are proposed as separate like products. We do have some general information on the volumes and prices of this product type in general. For example, we can tell that the subject imports dominated the bath and shower enclosure segment of the overall U.S. aluminum extrusion industry throughout 2008 to 2010.

You also have some pricing evidence for these extrusions. It's product 4. These are bath and shower enclosure extrusions. That's page V-11 of your staff report. The table is confidential.

That concludes my testimony. I'm happy to respond to any questions you may have, and I'll return to Mr. Jones for any further concluding remarks.

MR. JONES: Madame Chairman, that concludes our presentation. Whatever few minutes we have left we'll reserve for rebuttal.

CHAIRMAN OKUN: Thank you, and before we turn to our questions I would take this opportunity to thank all the witnesses for appearing here, particularly for industry witnesses who have traveled to spend the day with us and to answer our questions.
and to Ms. Andros for representing labor here today.
And with that, a reminder to just repeat your name
when you answer questions for the benefit of the court
reporter. We'll turn to Commissioner Pearson to start
the questions this morning.

COMMISSIONER PEARSON: Thank you, Madame
Chairman. And allow me to express my appreciation to
Mr. Crowdis and others from Bonnell who did provide a
very interesting tour of their facility at Newman. As
sometimes happens after those tours, I find myself
noticing aluminum extrusions in this case now wherever
I go, and not just when I get into the shower. And,
no, I did not put that door together by myself, and,
yes, it does include glass.

This really is, I think, rather an unusual
case. To the best of my knowledge, no Respondent is
actually arguing on the basic issues of volume price
and impact. Instead, the main issues appear to be
like product disputes for two quite minor items,
finished heat sinks and shower door kits. The like
product arguments seem to me not to be trivial. We
have very capable counsel who have come forward with
colorable and thoughtful arguments on like products.
And having myself made like product decisions in the
past that are entirely removed from what is being
suggested here, I am interested in understanding that.

So my question, Mr. Jones, why hasn't this issue been resolved? You know, there is a lot of precedent for scope issues to get sorted out before they get here.

MR. JONES: Well, the issue has not been resolved because the inclusion -- well, finished heat sinks and shower door knockdown units, the products in dispute, were very clearly, we think, intended to be included in the scope of the investigation, very consciously, very intentionally, because as you heard today, these are products that are important to domestic producers, and they are products that have been imported from China, we think unfairly, have been dumped and subsidized, and have unfairly taken market share from domestic producers.

So they were very consciously and intentionally included within the scope.

COMMISSIONER PEARSON: Okay. But does that mean that you consciously and intentionally kind of picked a fight with some of your customers? Because aren't the Respondents who are here customers who buy a product from people who actually run extruders?

MR. JONES: There are. In fact, they are in fact customers, some of the extruders, that's correct.
COMMISSIONER PEARSON: Have there been any efforts to have a negotiation or discussion with the Respondents about possibly changing the scope?

MR. JONES: There were some discussions early on, but they did not lead to any sort of settlement.

COMMISSIONER PEARSON: Okay. And I can infer from your presentation today that you are not inclined to make changes in the scope to accommodate the Respondents.

MR. JONES: At this time, we are not inclined to do that. That's correct.

COMMISSIONER PEARSON: Okay. Do you know of any efforts to get Commerce to change its scope?

MR. JONES: Well, the issue has been briefed and argued at Commerce, and Commerce today will issue its final determinations in the antidumping countervailing duty investigations, and will speak to these scope issues today.

COMMISSIONER PEARSON: Okay. It would be correct to say that you have not supported scope changes at Commerce.

MR. JONES: That's correct. We have opposed changes in our scope.

COMMISSIONER PEARSON: Then help me to
understand the commercial significance of these two products where we have the like issues. And let's start with finished heat sinks, where we do have some data, quite detailed data, in response to questionnaire responses. And I know Ms. Woodings has just said that there are other data that we can look at.

In both cases, I have found the -- looking both at tables V-9 that Ms. Woodings pointed us to and looking at table E-1, which provides the confidential information on the finished heat sink production -- now, I express regrets to those who have no access to the confidential business information. But we're going to have a lot of discussion about stuff that you can't see here.

I did the numbers. I looked at the percentage of total production, sales quantity, and sales value of finished heat sinks relative to the totals for the entire like product, as you've defined it. And we can't talk about specific numbers, but we oftentimes characterize trends and whatnot. And my characterization would be to say that for finished heat sinks, the sales quantity, sales value, and the percentage of production are very, very small.

So how is this commercially significant?
I'm just missing something. And perhaps other people than Mr. Jones would want to answer because you have commercial experience with this product.

MR. JONES: Well, I'll start off. There are certainly large producers in the industry, such as Sapa and others here today, Hydro, Bonnell, for which heat sinks would not be a significant portion of their shipments. But there are other producers, smaller producers, for which heat sinks is a significant part of their business. And it is very, very important to them whether heat sinks are included within the scope or not.

And that's not to suggest it's not important to folks sitting here. They'll speak for themselves on that. But in terms of a percentage of domestic production or percentage of domestic shipments, for some companies, it is very significant.

MR. HENDERSON: Jeff Henderson with Sapa Extrusions. Mr. Pearson, in my testimony I mentioned that we lost jobs in Magnolia, Arkansas due to this, in the shower and bath enclosure. It's very significant to those folks. And that was a very successful business for our company for years until the industry declined, coupled with the option of cheap imports from China, a very significant issue.
COMMISSIONER PEARSON: Even though the actual tonnage of finished heat sinks involved here is really quite small, that could cost jobs?

MR. HENDERSON: Yeah. Now, I was referring to the bath and shower in Magnolia. Now, in heat sinks, what we tend to find is that some of our operations will get better at extruding certain shapes than others. And so they tend to -- I almost want to say specialize, but that's probably an overstatement. But they do a good job at it, so they get the business.

So even though in a macro sense those buckets may look very small, to a given operation, it may be extremely significant and important. And our Cressona, Pennsylvania operation is a good heat sink extruder. They're good at it. And they've lost hundreds of jobs over the years, some of which were a result of the lost sales in the heat sink area.

MR. JONES: Commissioner Pearson, it's important to consider that the data that you have on finished heat sinks is a very narrow definition that was proposed by Aavid. But heat sinks encompasses both finished heat sinks, of course, but also unfinished heat sinks. And a lot of companies in the industry, including Sapa, produce unfinished heat sinks.
sinks, heat sink blanks that they then sell to -- they
may finish and sell, or they sell it to others that
would finish and sell them onto the LEM.

So, you know, if finished heat sinks are a
separate like product, then clearly unfinished heat
sinks are part of that like product. And there are a
lot of companies in the domestic industry that produce
unfinished heat sinks.

MS. JOHNSON: Susan Johnson from Futura
Industries. As you mentioned earlier, now that you
know about aluminum extrusions, you see them
everywhere. Well, heat sinks are no different. They
have been narrowly defined by Aavid Thermalloy, who
primarily supplies the electronic cooling market,
which is a very specific application. However, heat
sinks are everywhere. I have no doubt that they're
operating in this room right now.

They operate on mass transit facilities,
class eight trucks, lighting systems, audio systems.
So my guess is that many of your Respondents, producer
Respondents, characterized heat sinks as OEM products
in a general characterization. They can masquerade in
many forms. And I would suggest that if we allow this
exclusion, there will be a tremendous amount of
confusion in the industry as to what is a finished
heat sink or not because as I mentioned, this
particular 2C or final inspection operation that Aavid
has chosen to add would be considered by our industry
to be somewhat arbitrary.

So the confusion would enter in as to we
make a lot of heat sinks in our company, and none of
them for the specific application they're talking
about. We consider them finished when they ship
because we cut them to length, we do machining, we'll
put secondary products with those heat sinks. So it's
an arbitrary, and as Steve mentioned, small slice of
the market that has been called a finished heat sink.

COMMISSIONER PEARSON: Okay. Thank you.
Madame Chairman, my time has expired.

CHAIRMAN OKUN: Commissioner Aranoff.

COMMISSIONER ARANOFF: Thank you, Madame
Chairman. I want to join my colleagues in welcoming
all of you on this morning's panel. I appreciate your
taking the time to answer our questions. I'm going to
take up where Commissioner Pearson left off and
continue to ask some questions about like product.

First, a legal question for you, Mr. Jones.
The analysis that you provided to us on the like
product issues, and indeed the analysis that all of
the Respondents provided as well, was based on the
traditional six-factor test. But since the products -- well, two of the three products that various Respondents are proposing to have a separate like product are in fact downstream of other products in the scope.

Would it be more appropriate to be using the semifinished product analysis?

MR. JONES: That's something we'll think about and discuss in our posthearing brief. I think that certainly at a minimum, in addition, those are factors that you could look at in determining whether we have one like product or separate like products. And we're certainly prepared to discuss that in our posthearing brief, and we can give you more analysis of that then.

COMMISSIONER ARANOFF: Okay. I appreciate it. I would like to see that analysis. I tend to lean towards that as being the more appropriate analysis at this point, although I wouldn't say I've totally made up my mind.

Back to the more factual question. Respondents argue that -- and this is a quote, that, "The point at which the extrusions are fabricated for a specific purpose and combined with other components of a product that is known by consumers as a
particular identifiable product different from all other aluminum extrusions," end of quote, constitutes a true bright line division between aluminum extrusions and other products. That's the SDMA arguing about the knockdown kits, I think, in particular.

How do you respond to the idea that once you combine aluminum extrusions with other parts into a product that the market views as some final product that's a combination of aluminum and other things, that that's a clear dividing line? And can you describe other products within the scope that would also have these non-aluminum extrusion parts?

MS. JOHNSON: By way of example, this would be -- you want to talk small markets, and Commissioner Pearson just left, but we produce a product that is used in its final application as hanging systems for very high net worth art and museum-grade art. And I would guess that most of the museums in this area use them.

So we put them together in a kit along with wires and grommets, along with the extrusion we produce in a machine. And this kit leaves, and it is a finished product that is used in these museum hanging systems.
We produce products for the gas fireplace market, where the fronts that look like they're brass or they're nickel are actually aluminum. They leave as a kit ready to be installed on the front of a gas fireplace.

COMMISSIONER ARANOFF: Okay. Those are helpful factual examples, so let me go back to Mr. Jones and ask for a comment on the broader question. Is that a clear dividing line once you add other points?

MR. JONES: Well, the dividing line that we think exists is when an aluminum extrusion is completed into a final downstream product that is not an aluminum extrusion. The problem with the knockdown units for shower doors -- and there are knockdown units in other types of aluminum extrusion products. You know, it's not unique with respect to shower doors -- is that shower door knockdown extrusions are just extrusions. They're just extrusions that have been cut to length and fabricated, and they're shipped together with some hardware. But they aren't a complete shower door. And where we drew the line for purposes of scope is that imports that were extrusions and other hardware but not the glass for a complete shower door, and not the
glass for a window, would be included within the scope. But if the glass were included, and it was actually a completed downstream product, a complete shower door that could be used in a shower door, a complete window that could be used as a window, the final finished downstream product, that would be excluded. And we have been very clear on that line, we think, from day one.

COMMISSIONER ARANOFF: Okay. Just so that I understand, when SDMA member companies are purchasing extrusion, but maybe they're -- because they're not extruders, and then they're further fabricating them, and they're combining them with other parts to make their products, what is the product that they're buying from an extruder? Does it look like any of the products that are on the table here? Or how can you describe it to me?

MR. HENDERSON: This is Jeff Henderson with Sapa. It varies. It depends on what the customer, our customer, would ask for. And I think this goes to the heart of the matter. And from an extruder's standpoint, you know, we're a full service extruder. If a customer comes to us and says, I want to buy sticks of aluminum, then that's what we will provide them. Sometimes they come and say, we'd like you to
punch holes in it, like some of these examples.

Sometimes they say, we'd like you to package
it in a way where all my shapes come into one box, and
for whatever reason they want, and we do that for
them. Some of them ask even for sub-assemblies of
products in some cases.

So we want to add those values, those added-
value services, because as you've seen, the margins in
extrusions are not great. So these value-added
services, our concern from the beginning -- I'll speak
from Sapa's point of view. But I think I can say on
the industry and coming forward with this petition is
that if the scope did not include kitting, okay, up to
whatever level legally we could be aggressive with
that, then that would create a loophole. And the
problem with that is in competing against the Chinese,
the more value they add to a product, the more they
undercut our prices.

So when we compete for a kitted product, we
may provide for a customer here out of our extrusion
plants against the Chinese doing the same. The gap is
even greater than if it's just simply a mill finished
extruder. So where it's the best opportunity for us,
it is the steepest competition against the Chinese.
So they can be shower doors, heat sinks, or anything.
And we just don't see any reason why shower doors or heat sinks should be made an exception.

COMMISSIONER ARANOFF: Okay. Oh, Mr. Crowdis.

MR. CROWDIS: This is Duncan Crowdis with Bonnell. Just to add something. This has been an incredibly interesting process for us because the extrusion industry really is made up of a whole raft of entrepreneurs across the country. And the thought of actually doing anything together is -- it's just never been done. And, you know, one of the concerns that many extruders had when we were trying to, you know, see what kind of support we would get for this whole process was how easy would it be for the Chinese to circumvent any kind of order by just punching a few holes in it, drilling it, mitering it, sticking it in a box.

So the whole concern about circumvention, and the fact that we were going to take care of this, is what brought a lot of folks on board because it would be so easy to circumvent an order by just doing a few other things, which we often do, don't always do, that would be easy to change the definition.

So that's why we've been so strong in terms of any kind of scope change and exception because it
could be applied to all the other different kinds of products that we do.

COMMISSIONER ARANOFF: Well, I appreciate those answers. And I'm still going down into those factual claims that have been raised by each of the Respondents because, you know, we want to have a really complete record on this when we make our decision. So you shouldn't draw from it necessary that we don't agree with you. We will make that decision later. And I don't want to seem like I'm badgering you, but I do want to go through one by one some of the things.

MR. CROWDIS: Badger away, we're okay.

COMMISSIONER ARANOFF: Let me get one more question in then before my time is up. One of the references to these so-called jewelry-grade extrusions, one of the arguments made was that these are very rare, rarely made, difficult to make, they're bright dipped, anodized, and then you have to use a separate vat, I guess, for the anodizing that you can't use on anything else in order to avoid contamination.

So if there is any domestic producers here today who engage in bright dipped anodizing, if you could tell me whether you really need a separate set
of production equipment for these jewelry-toned products, and also what other products you make that use that bright dipped anodizing process.

MR. CROWDIS: Again, Duncan Crowdis with Bonnell. We do bright-dipped in our Newman, Georgia facility. And quite frankly, there is nothing that would differentiate what is being termed as a jewelry-grade product, which by the way is not an industry term -- it's the first I heard of it in the briefs from the Respondent. But it's the same alloy. It's a specific alloy that we use and that the Chinese use, and anyone else that would do bright dip. It's the same chemical process. It is unique to the bright dip process. There are certain specific tanks and chemicals that we use. But it's no different than anyone else that would use to produce the same kind of products. Quite frankly, a jewelry-grade product is more in the handling side. You just have to make sure you don't scratch it. It's a defect-free type product. And while it's a challenge, without out, it's more of a questioning of, you know, how you handle it to ensure that there is no defects whatsoever.

COMMISSIONER ARANOFF: These are the brushed nickel finish pieces of my shower door?
MR. CROWDIS: They could be, you know, or any -- the chrome-like surface, the 70s grade, you know, your --

COMMISSIONER ARANOFF: Your lamp.

MR. CROWDIS: -- lights in front of you there, the gold bright. It's all part of that.

MS. JOHNSON: Susan Johnson, Futura Industries. Interestingly enough, there are three of us here that bright dip. And the reason that's unusual is because the Chinese have so significantly undercut bright dipping in this country that many of the people that used to do it, General Extrusions in Youngstown, Ohio, for instance, have gotten out of the business.

So the fact that there is three of us here that bright dip -- you asked about like products. Storm door bottoms, if any of you have storm doors in your house, the bottom that looks like it's brass or nickel, is bright dipped aluminum made out of 6463. We make grills for Kenworth and Peterbilt Trucks, as well as Freightliner and Western Star Truck, in our plants. All that metal is bright dipped.

COMMISSIONER ARANOFF: Thank you so much for those answers. I have gone way over my time, so I'll come back in the next round. Thank you, Madame
Chairman.

CHAIRMAN OKUN: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madame Chairman. And I thank all of you for being here today to help us understand this industry and what is happening and likely to happen in the future. I want to begin by just highlighting something that Commissioner Aranoff asked about in regard to the semifinished product analysis, and that is that one of the elements of that analysis is whether or not the product has been substantially transformed. And so for purposes of discussing the downstream product, particularly in the posthearing submission, it would be useful to have your views about whether the products in question have been substantially transformed from the basic aluminum extrusion product.

MR. JONES: We would be happy to do that, Commissioner Pinkert, in our posthearing brief.

COMMISSIONER PINKERT: Thank you. Now, staying with the domestic like product issues, is it true, as argued by the shower door manufacturers, that many aluminum extrusion vendors will not make the dyes to the shower door manufacturer specification because of the sophistication and volume involved?

MR. CROWDIS: Could you repeat the last
point?

COMMISSIONER PINKERT: Yes. The allegation is that many aluminum extrusion vendors will not make the dyes to the shower door manufacturer's specifications. And then the explanation is because of the sophistication in the volume involved.

MR. CROWDIS: I can only say no. I don't -- that is not true, to my knowledge. We can do exactly what is required, just like any other extruder, whether they be located in China or the United States.

COMMISSIONER PINKERT: Any other comments on the panel?

MS. JOHNSON: We have seen a resurgence in shower door manufacturers since the preliminary remedy, and we have never had any trouble making the dyes for whichever producer is coming to us.

MR. CROWDIS: Excuse me, Commissioner Pinkert. If I could just add something. Duncan Crowdis with Bonnell. There are some thing that we may have been less willing to do, but it has always been a question of price. There are certain things to get a product that we're absolutely capable of producing those kind of products, but perhaps not at the price point that we were given relative to the Chinese competition. That happens frequently, and has
happened more frequently, in the past number of years.

COMMISSIONER PINKERT: Thank you. Now, Mr. Jones, you testified about the distinction between the shower door kit with the glass panel and the shower door kit without the glass panel. And I'm wondering whether that distinction, which is clear, is a distinction that is relevant for the purposes of the domestic like product analysis.

MR. JONES: It's certainly relevant for the purposes of scope determination that the Department of Commerce is making today. That's something I'll have to think about. I would say that it probably is relevant for the domestic like production. But we'll take a look at that specific in our posthearing brief and provide you an analysis of that.

COMMISSIONER PINKERT: Thank you. Now, this is another question that may require posthearing analysis, but I'll throw it out here anyway. When you talk about price depression, in many instances you have a situation where the pricing product for the subject merchandise is leading down the prices for the domestic shipments. Do we have that here, or do we simply have parallel declines in prices?

MS. WOODINGS: Rebecca Woodings for King and Spalding. Commissioner Pinkert, thank you for that
question. What we see here is clearly trends of
steeper price declines for the imported products.
That's clear across perhaps not all, but the overall
-- I can't speak to individual price declines. I can
also address that in confidence if you wish. But the
overall picture is that there were more declines from
more Chinese products, and those price declines were
steeper relative to the price declines for your
domestic like product.

But if you permit, we might address that
also, the specific individual pricing items in
question afterwards in the posthearing briefs.

COMMISSIONER PINKERT: Thank you. Now,
going back to the basic presentation and the slides
that you presented today, I think one of the question
marks here is what do you when an industry is
suffering from poor financial performance throughout
the period? For example, from 2008 to 2009, apparent
consumption declined by about 15 percent, and subject
imports increased dramatically, including market share
of subject imports. What was the impact of that on
the financial performance of the industry?

MS. WOODINGS: Again Rebecca Woodings from
King and Spalding. The financial analysis that is
evident in the variance analysis that is in the
prehearing report makes clear that the domestic industry suffered as a result of those declining volumes and declining prices. Declining volume, certainly there is -- demand is at play there. But the loss of 10 percentage points, 12 percentage points of the U.S. market to the subject imports, which were -- that also is highlighted in the preliminary opinion, high margins of underselling, particularly in 2009. Those contributed materially to the losses for the domestic industry in that period.

I'd also like to speak the condition of the industry in 2008. Many sectors were also depressed at that point in time. It's also a fact that some sectors -- there was a 7 percent market share by China already at that point. That's not insignificant in and of itself, and particularly if you consider the fact that those imports were focused in sectors like the bath and shower enclosure market, already heavily impacted by imports into that segment of the market, so that a price depression and competition with China is already very evident in 2008, even before the increase in imports in 2009.

COMMISSIONER PINKERT: Well, there are a couple of hypotheses that one can have about the situation between 2008 and 2009. One would be that
you can't go much lower in profitability than the
industry was experiencing in 2008. So you wouldn't
see much decline, even though you see lost market
share and other indicia of injury.

Another hypothesis might be it's not
reflected in unit profitability, but it might be
reflected in some other measure of profitability for
the industry. Or maybe there is a third or fourth
explanation. But I'm wondering how you cope with the
fact that the unit profitability numbers don't decline
as much as one might expect from 2008 to 2009.

MS. WOODINGS: As you see in the data, the
domestic industry was in an operating loss position
already in 2008, and individual U.S. producers that
were in that position. Given the opportunity perhaps
to price against Chinese products in 2009, they want
the volume. They've squeezed their margins already.
They're trying to be very competitive for how they
price against the Chinese product. But they still
lose it because it's undersold, because they're being
undersold and they lose that volume.

So they lose -- the impact is largely -- or
to a large extent, it's the fixed costs that they are
unable to cover because they try to price each time to
cover the variable cost. You see that in the gross
profit margins. But the loss of volume spilled over into the fixed costs that the industry also bears, which are not insignificant. We're talking about people like engineers that develop the dyes, that develop the designs that would go to a dye.

Ms. Johnson spoke in the preliminary investigation about the efforts on the part of her company to develop designs that then were shopped and taken to China, out to China, after they had done the design.

So there is a lot of fixed costs. And again, the loss of volume in 2008 made it so the industry was unable to cover those fixed costs, and that caused the deepening losses within their operating results.

COMMISSIONER PINKERT: One other question, and this is on an issue that I often refer to as the BRASk issue, although there is some disagreement on the Commission as to what is required under the line of cases.

I note that the quantity of imports from Canada increased at a faster rate than apparent consumption from 2009 to 2010. How should I view that for purposes of considering alternative or alternate causation of harm to the domestic industry?
MR. JONES: The imports from Canada, Commissioner Pinkert, I think you'll see in the data a lot of cross-border transfer between domestic producers that have facilities in Canada as well as facilities in the United States. A lot of the Canadian trade is cross-border flow back and forth. Some domestic producers have plants in Canada that supply products banned in the United States and vice versa.

We do not think that there is really any evidence here in the record that supports the conclusion that imports from Canada are a potential source of any industry to the domestic industry. If you look over time, the average unit value of imports from Canada and the volumes of imports from Canada have been fairly constant, and in terms of average unit values comparable to what you would see on the U.S. side.

So we see no -- we see nothing in the record that should give the Commission any concern that a remedy against China is going to lead to imports from Canada taking that market share as China recedes.

COMMISSIONER PINKERT: Thank you. And I too am past the end of my period of questioning for this round. But I thank the witnesses.
CHAIRMAN OKUN: Again, I thank all the witnesses for being here. You know, it is somewhat unusual when I'm thinking of my questions here because again today we have a panel appearing in opposition, but on very specific products. And if the scope decision goes another way, maybe they all disappear, and we're not really arguing -- they're not really arguing the big picture.

So I have some big picture questions, but I think I do need to understand the industry a little better. And, Mr. Crowdis, you helped me out in talking about what the industry is like. You know, you just have a lot of people doing a lot of different things. So maybe I'll have you all just help me a little more in just understanding who is out there, who is doing what, and how that relates to this issue about the kits needing to be in it to avoid circumvention.

So just help me first of all. Is there a segment of the industry -- and again, you may not be able to speak to it if you're in it. But is there a segment of industry where this is a greater concern than not? In other words, if we look at table 3-7 in the staff report on page 3-12, which talks about a figure of shipments by market sector in the building...
and construction and transportation and similar
products and some other market sectors, among those
sectors, is one of them -- is it really in
construction where you're more likely to have kits,
where it would the extrusion that could be put
together with hardware, or not?

Ms. Johnson, you're shaking your head back
there. So just help me understand the --

MS. JOHNSON: Susan Johnson, Futura
Industries. There are many different market segments
for OEMs in the U.S. that make a variety of products
that import either length of extrusion or forms of
kits. That may be in the exercise industry. It may
be in the fireplace industry, the shower door
industry. We don't see any distinguishing difference
between the shower door industry and all the other OEM
manufacturers in the U.S. that buy -- they're
arbitrary. Whatever works for their manufacturing
facility, either kits or lengths of metal.

CHAIRMAN OKUN: Okay. Do others have
comments on that? Mr. Brown.

MR. BROWN: Yes. Lynn Brown from Hydro
Aluminum. My response would be quite similar. I
don't see a difference based on the major end use.
It's rather a reflection of the specific customer and
the way that they would like to optimize their supply chain. We provide kitting services for people in the exercise equipment industry, in the solar energy industry, in the window industry. And again, it's what they have chosen to do in terms of where they wish to organize and add value, and where they're looking for us to optimize the supply chain, streamline things, provide inventory advantages.

CHAIRMAN OKUN: Okay. Mr. Crowdis?

MR. CROWDIS: Yes. And I would also add that that changes all the time. Strategically, our customers may choose to do it one way today. You know, next year they may choose to use their facilities in other ways and want us to perform more added value activities that could end up in a kit of some sort.

So, you know, that has changed over the time, and we expect it to continue to change.

CHAIRMAN OKUN: Mr. Henderson.

MR. HENDERSON: I agree with -- Jeff Henderson with Sapa. I agree, and I think there is a general trend here. I mean, the last to use keep in mind. I mean, fixed costs have been an issue we have had to deal with in our industry, as well as our customers. I mean, we're all manufacturers. And we
sit down together and think about how we can take cost 
out of the supply chain, having more done at our 
facilities, and putting them in a position to be more 
focused on the actual product is a trend that we see. 
And it's good business for us. It's good business for 
our customers. And in light of this petition, it's a 
very, very threatening loophole that could be created. 
And I think, frankly, in the Shower Door 
Manufacturers Association case, they make that case to 
you, saying, okay, if I can't buy the extrusions from 
China because there is going to be a duty placed on 
them, then I'll just buy kits. And we're saying, 
exactly, that's why we don't there to be an exclusion 
in that. And if the shower door can make the case, 
then other industries could as well.

CHAIRMAN OKUN: Okay. And then you may have 
reported this individually. I don't want to touch on 
anything that is confidential. But in terms of how 
big a portion kitting is in the different sectors, is 
that information available?

MR. JONES: Chairman Okun, I'm not aware of 
any data on that. You know, we might be able to 
discuss that and provide you with some estimates in 
our posthearing brief, but I'm not aware of any 
industry data that is collected on kits.
CHAIRMAN OKUN: Okay. Well, if there is anything available that would help me understand if it's prevalent now and why that might be, if you can put it together. I'm trying to understand that part of the industry.

Then turning to some of the other arguments made by the shower door folks, which relates to availability. And, Mr. Crowdis, you touched on it in response, I think, to a prior question, saying, yes, maybe you have to refuse work if it wasn't -- if you couldn't meet the price. And some of the other arguments were made with respect to size and volume, and you talked about having a lot of small producers out there. Do any of you find volume being an issue, you cannot meet the volume required by a customer?

MR. CROWDIS: Specifically on the bright dipped type -- this is Duncan Crowdis from Bonnell. On the bright dipped type products, we've got a significant amount of spare capacity that we would turn on in a heartbeat, given that opportunity. I don't know what the whole industry looks like, but I know that we've got significant spare capacity to be able to service an increase in the need for bright dipped products.

In terms of the heat sink thermal treatment...
or any other kind of product, quite frankly, it's just extrusion prices that were required. There isn't any capacity issues. When the industry is operating at 55 percent capacity, 60 percent capacity, there is no issue there whatsoever, in my view.

CHAIRMAN OKUN: Okay. Any other comments with respect to that on any of the other products, the shower doors, or the heat sinks in terms of capacity to produce or customers that have been turned down based on volume?

MR. HENDERSON: Yeah. Jeff Henderson with Sapa. We have confidence that we'll be able to meet any capacity demand for the market, absolutely. And our view of the industry is that it is in place to do so. There is a lot of idle capacity still available, a long way to go to fill that.

CHAIRMAN OKUN: That reminds me of another question on capacity. And again, I don't want to touch on any of your individual business proprietary information. And Ms. Woodings or Mr. Jones can jump in here as well, which is trying to understand capacity utilization and how that relates to profitability for this industry. When you're talking about producing all kinds of different shapes and having OEMs with specific requirements, how do I
evaluate what the capacity utilization rate that this
industry needs in order to be profitable? Again,
without touching on your --

MR. CROWDIS: Duncan Crowdis with Bonnell.
You know, the aggregate data says that several years
ago, we had an operating loss, and the industry was
running at about 50 too 55 percent capacity. So that
tells us that the break-even point of our industry
probably is in that 60 percent range. And I would
suggest that's probably not a bad figure. Just a
break even. That doesn't mean we're getting a good
return on our investment, but that is just to keep our
head above water.

CHAIRMAN OKUN: Would other producers have
any different view? Ms. Johnson.

MS. JOHNSON: I would think that the break
even would be higher than that. This is a basic
infrastructure industry. The aluminum extruders in
this country make products that supply every form and
shape of business in the United States. And it's a
very high fixed-cost industry. You don't get into
this lightly. There are high barriers to entry.

Duncan just finished a press in. They spent
$27 million or something like that. It's a high
fixed-cost industry. We need to have the volume to
cover those costs.

CHAIRMAN OKUN: Okay. Other comments on capacity? Mr. Henderson, Mr. Brown?

MR. BROWN: Lynn Brown from Hydro. I would agree that I think the break-even is probably a little bit higher than that 60 percent number. The other observation I'd make is these capacity numbers that we're talking about are based on a five-day work week. Typically this industry in good times, we like six days. We like Saturdays. Sometimes we even like Sunday.

The other comment that I'd make about capacity is -- and it particularly goes back to the heat sink discussion -- is that there is press capacity and there is downstream capacity. Press capacity takes significant dollars to add. And when we talk about 55 or 60 percent capacity, that's what we're talking about.

Downstream capacity for finishing, for fabrication, can often be added much more quickly. And often when we have a customer that challenges us with high volumes, we will add C&C equipment, we will add automation. We will do what is necessary to ramp up to meet those volume requirements. So that's not a factor.
CHAIRMAN OKUN: Okay. I appreciate all of those comments. My red light is on. Vice Chairman Williamson.

VICE CHAIRMAN WILLIAMSON: Thank you, Madame Chairman. And I too want to express my appreciation to the witnesses for their testimony today. Before I begin my formal questions, Ms. Johnson, I was wondering if you could answer a personal question for me. My son is an artist. And when you mentioned those museum kits, I remember spending two days trying to hang the aluminum extrusion in that kit. And so I want some tips after this hearing about how do you hang that in a 100-year old house when you can't find the studs. But as soon as you mentioned that, I said, oh, that's what I had.

So right now, I'd like to turn to -- I forgot my question here. I was wondering about these heat sinks and just what -- are they a higher value product than many of the aluminum extrusion products that you make?

MR. JONES: I think the answer to that, Vice Chairman Williamson, is it depends on what type of heat sink it is and what it's going to be used for. But I'll let the manufacturers speak to that.

VICE CHAIRMAN WILLIAMSON: And the reason I
ask the question -- and I'm just trying to think about
if you're looking towards the future, what is the
segment of the business that is going to grow, and
what is not going to grow, since we're using more and
more electronics products. I was just wondering.

MR. HENDERSON: Jeff Henderson with Sapa. A
couple of different responses there. It can be. Like
Mr. Jones mentioned, it can be of a higher value, not
because it's a heat sink per se, but because of the
nature of that particular design and its
extrudability, and maybe the downstream fabrication
that's added to it, not because it's a heat sink.
It's just because of the manufacturing process that's
involved to develop it.

But yes. I know there was a question
earlier about heat sinks, that it being a small
market. But, you know, our ambition around heat sink
is very high. I mean, we're seeing -- I mean, we're
at the ground level in manufacturing innovation in
this country. I mean, when we hear folks talk about,
you know, America can be the best and everything else,
we're there working with America's manufacturers to
develop tomorrow's products. And what we're seeing is
a move towards electricity. And that means thermal
management, which is going to be a high demand for
heat sinks. So we see it as a very good market, and one we should keep in the United States and keep it home.

VICE CHAIRMAN WILLIAMSON: Okay. Mr. Crowdis.

MR. CROWDIS: Duncan Crowdis with Bonnell. You can have very complex shapes that are not in the heat sink business as well, with a significant amount of fabrication and other post-extrusion processes that would render it more valuable, or more valuable -- at least as valuable as the most complex heat sink. So I don't think there is -- there is nothing in the heat sink and final heat sink products that would indicate it's more valuable. And by the way, that large heat sink you see on the table in front of you is one for commercial LED lighting product, which is just -- we're at the very starting phase of that entire growth area. So that is we think a growth opportunity for this industry.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you. I think that was kind of my question, you know, where is the industry going, you know, whether we do the competitive products in the future. Thank you. I was wondering to an extent if any of you know, could you describe the way in which labor is
used in China in plants in the aluminum extrusion industry as compared to the way it's used in the U.S. Are there any differences there?

MR. CROWDIS: I mean, I've been there. They typically have a lot more folks working on the similar kind of processes that we do. The processes are identical. If you walk into a Chinese extrusion operation, it wouldn't look any different than walking into one of ours. Same equipment, same process. They generally have more people doing things, what we may have automated. But no difference.

MS. JOHNSON: One phenomenon that seems to be consistent in the Chinese extruders is the tendency to extrude one-hole dyes. U.S. manufacturers, where possible, will not do that because it's not productive.

VICE CHAIRMAN WILLIAMSON: What kind of dyes?

MS. JOHNSON: Where you just extrude one piece at a time. So those products that are on the table, depending on the size and the size of press that they're on, you may extrude three or four, in some cases at our plant eight products at the same time, where in China you would see one product being pressed. Obviously, the eight-hole dye is eight times
more productive than the single-hole dye.

VICE CHAIRMAN WILLIAMSON: Okay. What does that say about the skill of the worker who is, say, operating -- loading and unloading that dye or operating that press, the demands on the workforce?

MS. JOHNSON: Well, it's a lot more work. Actually, we have highly automated systems in the U.S., where they may have just manual systems in China. My guess is that our costs are extremely -- you know, we have optimized our costs as much as possible, and we're still at a price advantage because labor isn't a consideration.

VICE CHAIRMAN WILLIAMSON: One thing I was curious about is this question of -- Ms. Woodings had mentioned the fact that because wages had actually -- the hourly wages had actually gone down, which is something we rarely see. And I was wondering, is there anything about this industry as to why that happened in this period?

MS. WOODINGS: Rebecca Woodings with King and Spalding. I would want to look at maybe the individual companies driving that. The companies that reported, there were mill closures, and there were also a number of companies that aren't included in your data.
I would like to look at the confidential data underlying the employment numbers, and see who might be driving that trend.

VICE CHAIRMAN WILLIAMSON: Okay. The reason why I asked you is the injury to the workers in this industry seems to be quite great, because as I said, you don't usually see that application, or see it work out that way.

And so I was just wondering if there was anything about whether the workers might be more vulnerable than they might be in some other industry.

MS. WOODINGS: Between the number of jobs lost, and the number of hours lost, and the number of shifts lost -- and Mr. Crowdis talked about the number of shifts that they are operating now compared to what would be considered optimal for their operation.

Industry-wide, you can see that has been the response by a number of U.S. producers to the volume that they have lost to China. They have cut down the shifts first, and they cut down the number of people on the shifts. And if they can sustain operations at that level that's fine, but then there is the plants that have closed.

MS. JOHNSON: Susan Johnson, Futura Industries. Remember that there is a spectrum of
wages across all of these plants, where your
maintenance people and your dye technicians are going
to be your highest paid, and so on down the spectrum.
And due to the reduction in volume, it may
have represented a differential change in the
employment at each one of those levels of pay.

VICE CHAIRMAN WILLIAMSON: Okay.

MS. JOHNSON: With that clarification.

VICE CHAIRMAN WILLIAMSON: I understand.

Thank you. Thank you for the clarification of those
questions. I think that the industry has indicated
that a key to competition is that the industry cannot
control the price of metal, which means that the
negotiations between customers concerning the
conversion price of turning the metal into extrusion.

Now, do the Chinese producers face the same
metal costs as you do? When people talked about it
being a world wide price, I was just wondering.

MR. JONES: Vice Chairman Williamson, Steve
Jones from King and Spalding. That is hard to say.
We know that there are -- that there is of course the
London Metal Exchange Index for aluminum prices.
There is also the Shanghai Metal Exchange.
Those two exchanges are usually in sink.
Sometimes not. So it may get out of bounds from time
to time, and of course, there are also subsidies that
have been documented in China that provide for the
provision of aluminum for less than adequate
renumeration.

And we expect that subsidy to be discussed
in the final determination by the Department of
Commerce in their CDD investigation that will be
released today. So we don't have any data on what
they are paying, but we think that it should be the
same price, but there are some factors in the market
that sometimes provide advantages on metal costs in
China.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
I think that this has already been asked, but I just
wanted to make sure I ask anyway. The domestic
producers can make all of the types of extrusions --
you know, the finishes, and the quality that are used
in the bath and shower enclosure industry?

MR. CROWDIS: Duncan Crowdis for the Bonnell
Company. Yes.

VICE CHAIRMAN WILLIAMSON: And I guess you
notice that sometimes some people come to you and ask
for things that you aren't willing to give at the
price that they want. Does that mean that it is
possible because there are so many different players
in the industry that they can find it someplace else
domestically, within reason?

MR. CROWDIS: That is always possible in a
specific situation. I am sure that has been the case.
You know, in the context of what we are talking about
here, the prices is not a little different. It is
significantly different, and that is the hurdle that
we have.

VICE CHAIRMAN WILLIAMSON: Okay. I want to
thank the witnesses for their testimony. I have no
further questions at this time.

CHAIRMAN OKUN: Commissioner Lane.

COMMISSIONER LANE: I, too, want to thank
this panel for coming and providing us testimony, and
I am sorry that I didn't get to go on the tour. But I
do understand what shower doors look like, and I am
not quite sure that I know what a heat sink is, but
is there one down there on the table?

MR. CROWDIS: The ones with all the little
splines that you see, all of those would be heat
sinks. There is quite a few of them on that. Most of
them actually on that table are either heat sinks or
shower/tub enclosure products.

COMMISSIONER LANE: Okay. Thank you. And
this question may have been asked while I was out of
the room, and if so, I'm sorry, but if we were to find
that shower doors were a separate like product, and
that heat sinks, finished heat sinks were a separate
domestic like product, is the domestic industry
producing these products materially injured or
threatened with material injury?

MR. JONES:  Commissioner Lane, Steve Jones
from King and Spalding.  We think that the data that
have been collected show that an industry producing
finished heat sinks would be materially injured, and
that you would have the data to support it in a
determination if you were to make that like product
finding.

With respect to shower doors, unfortunately,
there have not been data collected on U.S. production
of shower door enclosures.  So there really is no
basis in the record in our view to make a finding with
respect to injury to that industry if you were to
define it that way on the record right now.

COMMISSIONER LANE:  Okay. Thank you.

On page 6 of the Prehearing Public Report, we discuss
indicators of impairment that were sufficient for one
company to actually record an impairment of assets in
2009. I would like you to discuss the impairment
indications that led to that impairment write-down.
And I would like to know if other companies represented on the panel today have recorded impairment write-downs during the period of investigation.

MS. JOHNSON: We took an impairment write-down on one of our extrusion presses that is no longer in operation.

COMMISSIONER LANE: So it was the shutdown that caused the impairment breakdown? Does somebody else have any answer? And if you would feel more free to answer it in post-hearing that would be fine.

MR. BROWN: Lynn Brown from Hydro. We similarly took impairments on a number of our facilities based on assessment of the future earning potential given market conditions at the time, and we could certainly provide additional information in a post-hearing brief.

COMMISSIONER LANE: Okay. Thank you.

MR. CROWDIS: Duncan Crowdis, Bonnell. We also are a publicly traded company and that information is publicly available, but we also took a fairly significant impairment because of the condition of our business.

MR. HENDERSON: Jeff Henderson with Sapa. We will be happy to provide in the post-hearing brief...
COMMISSIONER LANE: And maybe we will get the same answer to this question. The public hearing report indicates a significant decline in total assets between 2008 and 2009. Could you explain what caused that decline in assets? Is that because of the trends that you were seeing in the market place?

MR. HENDERSON: In general terms the answer would be yes. This is Jeff Henderson with Sapa.

COMMISSIONER LANE: Okay.

MR. CROWDIS: Duncan Crowdis, Bonnell. It was both from -- you know, just an asset value, as well as a significant reduction in volume that has an impact on your total asset value from a working capital perspective.

COMMISSIONER LANE: Okay. And one of you alluded to this earlier, but given the level of interest expense and other net deductions from operating income, you said that the 3.8 percent ratio of operating income to assets was not a reasonable return. Could you tell me what a reasonable return on your assets would be?

MS. WOODINGS: Commissioner Lane, this is Rebecca Woodings with King and Spalding. My point was
a 3.8 percent return is not considered particularly good. But it would be to individual companies to probably identify internally, and perhaps for the post-hearing brief again, what might be acceptable, or what their target rates of return are for each company.

COMMISSIONER LANE: That would be fine.

Thank you. Do very many or any of the members of the domestic industry have internal or affiliated sources of aluminum raw materials?

MR. BROWN: Lynn Brown from Hydro. We certainly have affiliated sources. We are a global producer and we operate smelters in Europe and in the Middle East.

COMMISSIONER LANE: Okay. Then my question is how is the raw material priced when transferred to the extrusion operations?

MR. BROWN: Based on LME value.

COMMISSIONER LANE: I'm sorry, say that again?

MR. BROWN: The price is transferred based on LME value, fair market value. Our upstream operations operate as a separate entity, and frankly we don't get any advantage buying from them. We buy from them and we also buy from other producers.
COMMISSIONER LANE: Okay. Thank you. Does anybody else have anything that they want to add to that?

(No Response.)

COMMISSIONER LANE: Okay. Thank you. The prehearing report indicates that the domestic supply elasticity for domestic aluminum extrusions is four to six. Do you agree with this supply elasticity, or if not, what do you think the domestic supply elasticity is? Ms. Woodings, you might be the right person to answer that.

MS. WOODINGS: Yes, Commissioner Lane. We reviewed the elasticity for supply and the other elasticity suggested in the prehearing report. We don't disagree with the ranges that have been proposed or suggested by staff.

COMMISSIONER LANE: Okay. And do you have any analysis regarding the supply elasticity of subject and non-subject producers of aluminum extrusion?

MS. WOODINGS: Perhaps we might address that in the post-hearing brief as well.

COMMISSIONER LANE: Okay. Thank you. Let me stick with you, please. The prehearing report indicates that demand is relatively inelastic. Do you
agree that it is inelastic and that the elasticity is between minus .25 and minus .5?

MS. WOODINGS: Again, we feel that is a reasonable range based on what we know about the industry and the market, yes.

COMMISSIONER LANE: Okay. Now, let me ask you about substitution elasticity. The report says that it is within the range of 4 to 6. Do you agree with that range?

MS. WOODINGS: Our feeling is that it would be above or near the high range of that, but the range of 4 to 6 is consistent with what we know about the industry. The staff report makes clear that there is a high substitutability between the domestic and the imported product, and that would be towards the high end of 4 to 6, we would agree.

COMMISSIONER LANE: Okay. Thank you. There are some proponents of smart electric grids, smart electric distribution facilities, smart meters, and other energy efficiency initiatives for the United States.

Would a green energy future have any implications, either positive or negative, for the aluminum extrusion industry?

MR. BROWN: Lynn Brown from Hydro. We
certainly believe that it would. Given that a green energy future tends to incorporate alternative energy, solar, and wind, there is significant opportunities for the use of extrusion in both of those technologies, and we in fact participate in both today.

COMMISSIONER LANE: What are your projections regarding the U.S. moving forward with widespread green energy initiatives in the near future?

MR. BROWN: A great question, and my answer will vary almost daily, depending on what I read in the papers. We can be very optimistic about the potential consumption of product into that industry in the next couple of years, or depending on the news of the day relative to project announcements, we can be pessimistic.

I think it is fair to say that it will grow. It will grow significantly. The question is how rapidly, which specific technologies, and what the magnitude will be. We are still in a very early phase, but an encouraging opportunity.

COMMISSIONER LANE: Okay. Thank you, and with that, Madam Chairman, I am right on time and I give it back to us.
CHAIRMAN OKUN: Commissioner Pearson.

COMMISSIONER PEARSON: Thank you, Madam Chairman. Ms. Woodings, you brought my attention earlier to Table V-9. This deals with pricing product number seven. Now, as I read the definition for pricing product number seven, it does not include thermal testing of that particular heat sink.

So is it your understanding that product seven is not a finished heat sink, but rather a heat sink blank that has undergone coating and some drilling, but is not ready to be sold to a customer and put into use?

MS. WOODINGS: I have not read the definition -- Rebecca Woodings with King and Spalding. Having read the definition just now, it was my understanding that product seven was a finished heat sink.

COMMISSIONER PEARSON: Okay. Well, I will discuss this with the Respondents, too, because it is not clear to me that the data for product seven are directly comparable with the material that we have in Table E-1. It is Table V-9 directly comparable with Table E-1.

MS. WOODINGS: An excellent question, and I will make sure to clarify in my remarks in the post-
hearing brief if I may.

COMMISSIONER PEARSON: Okay.

MR. JONES: Commissioner Pearson, this is Steve Jones from King and Spalding. Product 7 is a very specific product, and even more specific than the broad finished heat sink definition that the questionnaire set forth.

So this is a very specific product, with specific specifications, and specific dimensions, and so forth. This is a subset of the heat sink category. We think that the addition of the thermal testing is arbitrary, and that a finished heat sink may or may not be thermal tested by the producer, or by the aluminum extruder who manufactures it.

It depends on the customer's specifications, and what the customer asks for. So the addition of that thermal testing, we think, is an arbitrary addition to the finished heat sink definition.

COMMISSIONER PEARSON: Okay. You have no additional observations on the direct comparability of Table V-9 and E-1?

MR. JONES: I would just say again that Product 7 is a subset of what would be in the data, in the overall data, which I believe is what is set forth in E-1.
COMMISSIONER PEARSON: Okay. Thank you.

Now, am I correct to understand that Aavid's position is that only finished heat sinks should be found to be a separate like product, and that heat sink blanks, any heat sink that is not finished, should continue to be covered by any ADCVD order that might result from this investigation?

In other words, if we give them a separate like product, and then put an order on aluminum extrusions broadly, heat sink blanks from China would be covered by that order. Is that a correct understanding of their position as you understand it?

MR. JONES: That is how we understand it, Commissioner Pearson. Yes, and we think that makes absolutely no sense, and the reason why is because I think as I mentioned earlier, if a finished heat sink is included, or is a separate like product, but an unfinished heat sink is not, then products that are much closer in similarity to the finished heat sink would be excluded from that downstream domestic like product.

And I think that Commissioner Aranoff noted before the applicability of the semi-finished product analysis potentially to this investigation. I think it would have to apply to a semi-finished product
analysis to that situation.

And when you have a finished heat sink, and an unfinished heat sink, the argument is that they are separate like products. I think that you would have to apply semi-finished product criteria to that situation.

And we think that you would have to conclude that an unfinished heat sink and a finished heat sink are the same like product if you did that.


MS. JOHNSON: The allegation that thermal testing is mandatory to leave the heat sink in a finished state is akin to a woman's clothing manufacturer alleging that every size eight dress needs to be tried on by the producer at the factory to ensure that it is a size eight.

If the garment is used, it is produced using a size eight pattern, and it will be a size eight. If heat sinks are extruded to the design that the customer, such as Aavid, provide, the parts will perform in final application.

COMMISSIONER PEARSON: Okay. Now, Mr. Jones, getting back to the commercial significance. If the order only excludes finished heat sinks, isn't the potential risk to the U.S. industry greatly
reduced because unfinished blanks from China would be covered by the order?

MR. JONES: But finished heat sinks would not, and so the market for producers of heat sink blanks to tell to companies that may be fabricating, and then producing a finished heat sink, were U.S. producers themselves who produced finished heat sinks, would be injured by the imports of finished heat sinks, and the reduced market opportunities for the shipments of heat sink blanks.

COMMISSIONER PEARSON: Okay. So even though heat sinks often are used in quite sophisticated equipment, and customers may well have high standards for them, your position is that that finishing can be done comfortably in China, and they can all come in here, and that that would be acceptable to the customer base, Mr. Henderson?

MR. HENDERSON: Well, I think the data that we saw in Ms. Woodings' presentation suggested that is exactly what has taken place. You saw an example in the table I think on heat sinks, or finished heat sinks, and were produced in the U.S. and then they moved to China.

It has been our experience that we have started to manufacture, and I think by the definition,
it has been kind of created to call it finished heat sinks. We have been making those this year.

We have never been asked to test anything by a customer. We can. We have the capability in fact. We can do that and we can put that capability here in the U.S. if we need to do it, but we have not been asked to do it.

Basically in simple terms what would happen is if finished heat sinks are allowed to come in from China, that is where all that business will go. There won't be any reason for somebody to buy a blank in the U.S., because adding the holes and punching in what you see the fabrication there that makes it a finished heat sink, that is easy in China.

That is peanuts on the price, and that is no big deal. So there would not be any motivation for a U.S. OEM, a U.S. based OEM to bring in a heat sink blank from China anyway, because they would have to unpack it, and fabricate it, and repackage it to their customer.

They would just go ahead and bring it in as a turnkey from China. There would be no reason to do that, and those volumes that chart showed that were lost in heat sinks, they would stay lost. We will never see it again.
COMMISSIONER PEARSON: Okay. And just to be clear, I am still uncertain what the data mean that were presented. That's why I have gone back and forth on this issue. So I know that the chart was up there, and I don't yet know how to interpret it.

MR. HENDERSON: Yes, and I know that it didn't get on a customer level, but we were pretty involved with heat sink and supply, and we fabricated for heat sink folks, and even some OEMs that bought heat sinks over the years off and on, we never called them or considered them finished heat sinks.

We did not see any distinction in that, but just an extrusion that someone wants a hole punched in. What they are going to do with it is up to them. Over the years -- and this year, we made a decision that we have to be more involved in a more finished heat sink if we want to go after that business in our view, to be quite candid about it, and the only hope of bringing that back to the U.S. is not allowing a change in the scope.

COMMISSIONER PEARSON: Ms. Woodings?

MS. WOODINGS: Yes. Commissioner Pearson, I just wanted to mention that there is a definitional problem that affects the data. You start off by discussing or characterizing the data that are
available for finished heat sinks as being a relatively small part of the industry as a whole. The data that you are looking at -- there has been a lot of confusion about what qualifies as a finished heat sink in that, because as the producers here are describing, there was an understanding that to read the definition in the questionnaire, the product had to be fully tested, including the thermal testing that may take place, often bore by the purchaser and not the manufacturer.

So what you are looking at in terms of the finished heat sink data are an extremely narrow part of what the industry overall would consider a finished heat sink. Futura, for example, Ms. Johnson has indicated that her company produces a product that could be physically indistinguishable from what Aavid considers a finished heat sink.

The only difference is that her company does not do the thermal testing internally. So I would welcome comments from Respondents that might clarify this definition. It has been a source of confusion for a number of companies filling out the questionnaire, and the staff is aware of this.

COMMISSIONER PEARSON: Okay. Thank you for those responses, and Madam Chairman, my time is
Commissioner Aranoff.

COMMISSIONER ARANOFF: Thank you, Madam Chairman. Mr. Jones, assuming that we accept your argument that all of these various products, downstream products, are within the scope, and within one like product.

Do you agree with the Respondents that producers of knockdown units in particular conduct sufficient production related activities to be considered domestic producers and members of the aluminum extrusion industry?

MR. JONES: Commissioner Aranoff, Steve Jones. My understanding is that the data that are relevant to that determination are still being collected, and we intend to analyze the record, and comment on that in our post-hearing brief.

But I would say that fabrication, unlike what the shower door folks say that they are doing, is done all across the aluminum extrusion industry. So I would be very loathe to say that that is not domestic production, because aluminum extruders do that all across the United States.

So again we will provide our interpretation of that in the post-hearing brief, but I think it is a
question of degree, and how much are they doing, because certainly there could be fabrication that is so significant that it would constitute domestic production.

COMMISSIONER ARANOFF: Okay. I will be interested in your additional thoughts on that. I think in some places in Petitioners' brief that there is a suggestion that the essence of being a domestic producer in this industry is the extrusion process, which makes certain sense, and yet the like product in this case, as currently defined, will include products that are made by companies that are not extruders.

So we have to figure out how to treat all of them, and that includes the shower door folks, but obviously a host of other people. Okay. Let me turn to some questions for Mr. Henderson.

When Sapa purchased the assets of Indelux, that was in 2009, right?

MR. HENDERSON: Yes.

COMMISSIONER ARANOFF: Can you tell us what was the company's thinking in terms of why this was a good investment, and how much were you thinking about imports from China at the time that you were doing the calculus on that?

MR. HENDERSON: Well, one of the things that
-- well, one of the aspects of the opportunity that appealed to Sapa was the complimentary nature of the offerings to our customers. Sapa was the number one supplier in the U.S., and Indelux was number two, and you would have thought that there was a lot of overlap.

But when you looked at the data, it wasn't an overlap. It was complimentary, and the geographic footprint that it established for us was also extremely attractive. We didn't have many occasions where plants were on top of each other.

It came us -- for instance, for Sapa, it gave us a presence in the west, where we didn't have much other than up in Portland, and a presence in Canada, which we didn't have really at all. So that was attractive.

There were synergies on paper. I mean, again, this was a time where the critical element in the economy and the market then was that we were probably in month number nine after the financial collapse.

And so we were a bit reeling there, and there was some synergies on round fixed costs by merging the two companies together that made a lot of sense, and some rationalization of some assets that
made some sense as well.

So putting it all together on paper, it
looked like a good opportunity if it was well
executed, and in the meantime, while we were busy,
because all of this took place in about 90 days. It
was at lighting speed.

And then when we got back to reading
headlines, we saw this surge that had just begun to
occur in imports, and so we immediately became plugged
into the Aluminum Exteriors Council, where we were
asked by the industry if we would be willing to
support the effort, and given the data, we decided to
support.

COMMISSIONER ARANOFF: Okay. Excuse me, but
if there is anything that you can add to the record
post-hearing in terms of documents that were prepared
as you were doing your due diligence on the deal that
would show how you assessed the likely value of the
acquisition, I think that would be helpful to us.

MR. HENDERSON: Yes, we will do that

Commissioner Aranoff.

COMMISSIONER ARANOFF: Thank you very much.

Also, with reference to Indelux, I knew that when we
looked through the lost sales and lost revenues
allegations in some of the narrative responses that
are in the report.

And I know that at least some of that is public, and some of it is not, one thing that is striking about it is that a number of customers cite problems with obtaining reliable supply from Indelux around the time of its bankruptcy, and they cite that as their reason for going to Chinese sources. Does anyone have a comment or a response to those claims?

MR. JONES: I can't speak to the Indelux situation, but I would note that there were a lot of other domestic producers who could have provided the products, and it wasn't necessary to go to China.

MR. HENDERSON: Yes, I think typically what you would find -- and it wasn't unique to Indelux at that time, is that when a customer makes the decision to change extruders, it is a big decision.

There is a lot of tooling that has to be bought, and there is a big engineering expense involved in it, and so they don't really spend a lot of time shopping around. I can't overgeneralize, but when you start shopping, and somebody from a -- when an agent from a Chinese extruder walks in and says, hey, since you are in the market, I can save you a big chunk, and make this easy for you, it is extremely attractive.
So when customers are on the look, and when they go shopping and they see that kind of price dangling in front of them, it makes sense. But there were domestic suppliers including Sapa and others, on this panel that could have taken care of those needs with no difficulty at all.

COMMISSIONER ARANOFF: Well, Sapa would have acquired Indelux's customer lists, right, as part of the acquisition?

MR. HENDERSON: That was our hope, yes.

COMMISSIONER ARANOFF: Okay. So for post-hearing, if there are particular customers, for example, that you know were Indelux's customers, and once you had rationalized and combined the assets, and they were gone, that might be useful information to know. Thank you.

A couple of questions on pricing. I know that Mr. Brown testified that it is very typical to have the London Metal Exchange price, or the midwest price, it builds off of that as a pass through in a pricing formula, and you said it was common in North America, South America, and Europe, which were the markets that he was familiar with.

Do all domestic producers follow this practice, or are there some domestic producers that
don't include this pass through formula in their pricing?

MR. CROWDIS: This is Duncan Crowdis of Bonnell. There are perhaps several pricing mechanisms, but for the ongoing business, I am not sure of anyone that would do it any other way. Perhaps on a midwest prior basis.

The other pricing mechanisms, there could be some customers that want some sort of forward price which we would do through some sort of financial instrument to help lock a price in, but on the ongoing business, a midwest price past through with the conversion costs is how as far as I know how everyone does it.

And it is not just the extrusion industry, but the aluminum industry generally.

COMMISSIONER ARANOFF: And has that been the case for a long time, or is that a fairly recent phenomenon because aluminum prices have been so volatile?

MR. CROWDIS: It has been that way a long time. It is obviously very critical because it has been so volatile in the past 3 or 4 years, but it has been that way -- I have been in this business 36 years, and it has always been that way as far as I
COMMISSIONER ARANOFF: And Mr. Brown testified to the Americas and to Europe. Has it always been that way? Is it that way globally, and in particularly in Asia?

MR. BROWN: I can't specifically speak to the Asian situation because I am not familiar with it. In Europe, it is a little bit different. Often in the U.S., we will quote a conversion on top of the midwest, and so the customer knows that they are going to pay 50 cents, 60 cents, 70 cents a pound on top of the midwest.

In Europe, very often they would quote a three months price. Metal would be buried in that, and they would index their price on a three months basis. But it is well understood in these markets, and also in South America, that the price does vary with the underlying cost of the metal.

COMMISSIONER ARANOFF: Okay. Are any of you aware of specific importers of products from China who are not pricing their product this way, with a pass through for aluminum, or are the importers basically doing it the same way?

And I take it from the fact that no one is answering that they probably are doing that, and so
when we are looking at pricing, you are saying that we should just be looking at what they are doing with the conversion costs?

MR. JONES: I don't think that we have any specific information on that, but we will discuss that, and if we do have a comment on that, we will provide it in our post-hearing brief.

COMMISSIONER ARANOFF: Okay. That would be very helpful. My time is up. Thank you, Madam Chairman.

CHAIRMAN OKUN: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam Chairman. I just have a few additional questions. First of all, I have a couple of questions about circumvention. The threshold question is do you believe that circumvention is an appropriate consideration when defining the domestic like product?

I understand that it is considered often in determining scope over at the Commerce Department, but is the potential for circumvention appropriate in the domestic like product context?

MR. JONES: Commissioner Pinkert, Steve Jones. It certainly is not one of the traditional criteria. I think it is relevant to what you are looking at. We think that you can find one like
product coextensive within the scope without looking at circumvention, but it certainly adds flavor to the analysis in our view.

COMMISSIONER PINKERT: Thank you. Now, since the preliminary determinations were made, is there anything that has happened in the marketplace that might give some flavor to the consideration of circumvention?

MR. BROWN: This is Lynn Brown from Hydro. We know of at least one situation where a customer, who is buying substantial quantities, and who has been buying substantial quantities from China, has raised the possibility that they would ask their Chinese supplier to provide material in kits as a way around any type of countervailing or anti-dumping duty.

This is product that they have not been buying in kit form, and it would not be all components as we have defined kits, but clearly they have been thinking down that road, and saying, okay, how can we continue to buy subsidized product.

MR. JONES: Commissioner Pinkert, this is Steve Jones. We have heard a lot of rumors during the pendency of the investigation, and there are probably going to be a number of circumvention problems that we face, not necessarily involving the definition of a
But just more general problems of the kind that perhaps some of you have read about involving steel pipe, where product is just simply transhipped through a third-country market, or a product is not declared as subject to the order because it doesn't -- it is not classified under the harmonized tariff schedule under one of the HGS numbers that is specified in the scope.

There are a number of different things that we have heard, and if we are fortunate to obtain the relief that we seek, we will have some work to do with customs to educate folks who are administering the order about what the scope covers, and what it doesn't cover, and what some of the schemes are that we have been told about so that the order can be effectively enforced.

COMMISSIONER PINKERT: Ms. Woodings.

MS. WOODINGS: Yes. Commissioner Pinkert, I wanted to add that I have been since the filing of the petition following Customs rulings that pertain to aluminum extrusions.

And there have been an extraordinary number of requests with regard to this product, and a number of them -- there is a certain number. These are
public. I get them off the Custom's website.

A number of them were generated because one importer in particular asked to reclassify products from Chapter 76, which is the aluminum chapter, to Chapter 82 in the tariff schedule. Chapter 82 pertains to a number of different products, to include building hardware, door hardware, and that kind of thing.

In some of these cases the company was -- the importer was successful in having the product reclassified to Chapter 82, and in a number of cases, Customs ruled that that was not appropriate and that they should be in Chapter 76.

There are also a number of requests that have come in to Customs to ask to have certain products defined as a kit. So there is activity bubbling by importers to try to deal with or to try get around this order, and bring in imports either in kit form that would be excluded, or to try to classify them in another category.

I can't say that they might be particularly very legitimate reasons why products might be classified under another chapter. It might be also that the products would not be detected because that chapter isn't identified thus far in the scope. So
there is a lot of activity going on.

COMMISSIONER PINKERT: Just as a practical matter could an extrusion be brought in, in the form of a kit, and then used for some purpose other than the purpose that might be indicated by the inclusion in a kit?

MR. JONES: Commissioner Pinkert, Steve Jones. That is possible. The reason why we have defined a kit that would be excluded the way we have, that is, for shower doors, including the glass for the shower door, and a window, including glass for the window, is because that type of activity that you referenced would be more difficult if the glass were included.

But there is only so far that we can go to try to address this problem, and we are going to have to rely at some point on the Department of Commerce to administer the scope, and the Customs folks who are very taxed as we all know to enforce the order, and if people are illegally circumventing to bring them to the justice system.

COMMISSIONER PINKERT: Thank you. Now, with regard to the related parties issue, in determining whether domestic producers primary interest is in importing versus domestic production, what
consideration should we give to the ratio of imports to domestic production?

MR. JONES: This is Steve Jones, Commissioner Pinkert. That is certainly a factor. If a producer is much more at a higher ratio of imports to domestic production, and if its primary interest is more in importing than in domestic production, then that would be a factor indicating that they are not a domestic producer. So that is definitely a relevant factor in your analysis.

COMMISSIONER PINKERT: Well, let's just suppose hypothetically that the number starts out above, or the ratio starts out above a hundred percent during the period under examination, but then drops to below 100 percent.

Does that indicate that the interest, the primary interest has shifted from importation to domestic production?

MR. JONES: I am not sure I understand how far the shift has moved. A couple of percentage points probably would not indicate a shift, but it is hard to address that in the abstract.

COMMISSIONER PINKERT: Thank you. Well, perhaps for the post-hearing, if you could look at that issue and look at some of those ratios, that
would be helpful.

MR. JONES: We will do that, Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, and with that, I have no further questions, but I do thank you all.

CHAIRMAN OKUN: Just a few questions left for me. One is, and this would be just a follow-up to Commissioner Pinkert's question about whether appropriate circumstances would exist to exclude any party if the Commission were to define a like product as argued.

And if you can address all the factors that we would look at that would be helpful. Then going back from not having had the opportunity to travel, but on your continuum argument for purposes of like product, Mr. Jones, the things that are in front of me, I am assuming that this is not really the continuum, and that you brought examples of what the Respondents are arguing would be things that they would see as different like products.

But if you were instead had a table out here and were trying to show me how these things all fit within the continuum, and this would be for the producers, what would be on one end versus the other
And maybe some of these, as you said in response to Commissioner Aranoff on other examples, but just help me understand your continuum and how it may or may not relate to the arguments made by the Respondents of where their products sit?

MR. JONES: Well, I will start out, and then the producers can chime in with their comments. The continuum ranges from very simple shapes, and what we would call, what the industry would call standard shapes, that literally every aluminum extruder produces, which would be a simple L-shape or some sort of a bar, a simple tube product. There are very simple shapes that everyone does.

CHAIRMAN OKUN: And when you say everyone, just help me. For the shower door manufacturers, and for the heat sink, they would also have to be able to do this to produce what they produce?

MR. JONES: Well, the shower door manufacturers, specifically, those who are just fabricating and don't extrude, would be purchasing the extrusions that they need from extruders, and then doing the fabrication process at some level to those products.

So, no, what we are talking about here are
extruders, those with extrusion presses, and everyone has standard shapes, and then there are custom shapes that can become increasingly intricate and difficult to produce.

And there can be just what is called mill finish, which is where it comes out of the extrusion press, and pretty much that's it. Nothing more is done to it. It is cut to length, and it is packaged and shipped.

But then there are various types of finishing, which painting or anodizing in various types, including bright dip anodizing. And then there are also various types of fabrication, which could be cutting to length, bending, drilling holes in it, other types of processes to the extruded shape.

So from one of the spectrum, very simple shapes, mill finish, on up to very complex shapes, proprietary shapes, that are highly finished, highly fabricated, a lot of value added. So, very simple, to high value added.

CHAIRMAN OKUN: Okay. And I heard Mr. Crowdis discuss on the jewel finish and where the other types of products, or what that would mean for what you produce, and the value added. Can other producers give me other examples of something that to
them would be very similar on the continuum to the 
finished heat sink?

MS. JOHNSON: Commissioner Okun, I can 
appreciate not being in the extrusion industry how 
difficult this is to wrap your mind around because it 
is everything, but in our plant the continuum would 
run from, say, a simple floor covering trim, like a 
ceramic tile trim, or carpet metal, kind of the most 
basic product known to man.

And to where we produce locking systems 
after 9/11 that were put on all commercial cockpits. 
They were tiny little components that consisted of 
extrusions, machining, and then they were put 
together, and they were instantaneous locking systems.

And we would produce everything in between. 
Nothing on that table could not be produced by all 
four of us, with the exception of maybe that big heat 
sink, but it depends on the weight per foot.

So the continuum, the jewelry is an 
arbitrary tag put on metal by one segment of the 
industry. However, many segments use it. The classic 
truck, and the manufacturers trucks are the big 
annoying guys on the road that haul the trailers 
behind them, and you can see that they have a lot of 
decorative metal on the cab.
Often in the industry that is referred to as jewelry metal. It refers to the finish. It is usually buffed before it is bright dipped. All three of us do that along any kind of product that you can think of.

So the continuum can run from a very simple application to complex applications. The continuum can also run from small size to large size, depending on the size of your press. And then finishing operations, from anything from painting to anodizing, to bright dipping.

One last thing that I would like to say. There have been a lot of questions about kits. I think that most other extruders would agree with me that instead of using the term kits, we are really talking about semi-fabricated parts.

So parts rather than a big stick of metal, which you saw when you went to Duncan's plant on carts. Something is done to that secondarily. It is cut to a smaller cut to length. It has got some holes punched in it, or some highly intricate CNC machining.

These typically then go with a couple of semi-fabricated parts to create something downstream for an OEM. I think that kids are a little arbitrary. In our mind, we are really talking about semi-
fabricated parts.

CHAIRMAN OKUN: Okay. And then just sticking with you, Ms. Johnson, when you say the different things, the different extrusions that one would see around you, and if an OEM came to you and said that I want you to produce X, you could do it without adding machinery, adding a different production line? You can do all of those with what you have in your facility?

MS. JOHNSON: We could. Often though, or in the last few years, we have had to add highly automated processes to compete with China. I can think of a specific case where we were manufacturing six thousand items a day that were finished product that went on a door.

And we had just left the supplier meeting, and winning the Supplier of the Year Award, and then being told that they had several containers of this metal on the way from China. And when we talked to the customer, they said, well, what can we do. It was 50 percent cheaper than your price.

Well, we were bound and determined to keep that work, and so we cut our price by 25 percent, and went about building as automated a process as we could to take the extrusion, and put it in, and out
the other end would pop the flatted punch taped,
bright dipped product.

And we were determined to try and make money
because we didn't want to let that work go, and so we
don't always necessarily have the equipment necessary
for high volume application for a specific customer to
do it competitively with the Chinese, but we will add
it. But in general, yes, we have all the downstream
applications. We have presses and an anodizing line.

CHAIRMAN OKUN: Okay. I appreciate all
those comments. When you had talked about the volume
work, I know that in an earlier round I had asked if
there were times when you couldn't meet customer
requests because of large volume. And what about the
reverse, of small volume? Do you have minimum orders
under which you can't produce or wouldn't produce?

MS. JOHNSON: We would probably take the
smallest orders of anybody in this room, and we will
take any sized order that the customer wants; just
generally if press fed, and a setup fee, and it
depends on what kind of work that we are looking at to
come from this initial run.

CHAIRMAN OKUN: And how about other
producers?

MR. CROWDIS: This is Duncan Crowdis of

Heritage Reporting Corporation
(202) 628-4888
Bonnell. I think that certainly we take small orders. We may not take as small an order as Sue's company does because we are a larger business. And I think that is what you will find with 160 some extruders around North America.

There will be folks that specialize in that kind of thing. There are folks like us that probably are in the larger volume type applications. So I don't see that as an impediment whatsoever.

CHAIRMAN OKUN: I am just curious about your industry. If somebody came to you and said that we want to produce this, and this is our amount, and you say, well, we don't do that, do you know enough about the industry to be able to say, no, we can't do it, but that Company X can?

MR. CROWDIS: We may well do that, and of course it always comes down to price. We will do anything to make a profit, but if it can't be priced appropriately, and we know another extruder that does that type of thing, and it is not really of interest to us, we will make those kinds of recommendations.

And it is not just in size. There is many different extruders that specialize in certain things that are just better at it than we are. That is the nice thing about our industry.
CHAIRMAN OKUN: Okay. Any other comments from the other producers? If not, with that, I very much appreciate all those answers, and I will turn it over to Vice Chairman Williamson.

VICE CHAIRMAN WILLIAMSON: Thank you, Madam Chairman. Just a couple of quick questions. Is there any way to estimate the total size of the heat sink market, the market as you understand it?

MS. JOHNSON: You know, I have been thinking about that because there has been so many heat sink questions, and I think in the post-hearing brief that we need to go back and canvass the industry, and pull into the scope all those things that correctly could be characterized as heat sinks, because I think that it is not as narrow as it may seem, or as it has been presented by the particular Petitioner.

VICE CHAIRMAN WILLIAMSON: Thank you. I think for post-hearing that that would be helpful, and just tell us what definition that you are using, too.

MR. JONES: We will do that, Vice Chairman Williamson.

MS. JOHNSON: It dissipates heat.

VICE CHAIRMAN WILLIAMSON: Okay.

MS. JOHNSON: A heat seek trap, and it is a heat transfer device. It takes heat from something
that is getting hot, and gets rid of it.

VICE CHAIRMAN WILLIAMSON: And does nothing else. Okay. Thank you. Just one other question.
The shower door folks are saying that they are subject to a higher degree of engineering precision production to create water tight seals.

That they have to do that, and that it just sort of makes them unique. And I was wondering if there are any other types of aluminum extrusions that have to be used that way, and to have the same type of tolerances?

MR. BROWN: Lynn Brown from Hydro. You know, I think if we spoke to many of our customers, we would end up in a very similar discussion. I mentioned that we have an involvement in the solar energy area. Much of what we do is to provide framing for mirror assemblies, which are used in concentrated solar.

And very slight variations in precision of that framing can equal several degrees of lost optical efficiency, which basically says that you get fewer megawatts out of the plant that you had anticipated.

Those customers say that an extreme degree of tolerance across a piece of extrusion that could be 40 feet long is vital to their performance. Does that
deal with water tightness? No, but I think in almost all of our end markets that we have customers that are pushing us to degrees of precision which are essential to the effective operation of their products.

VICE CHAIRMAN WILLIAMSON: Thank you.

MS. JOHNSON: We make solar PV, photo voltaic frames, for a German solar power manufacturer, and we are cutting the tolerances to plus or minus one-thousandths for these frames that are going around the photo voltaic.

I don't think that the shower door industry has any kind of corner on precision.

VICE CHAIRMAN WILLIAMSON: Okay. Good.

MS. JOHNSON: Duncan or Jeff may want to comment.

VICE CHAIRMAN WILLIAMSON: What about with windows on big office buildings?

MR. CROWDIS: I can talk about our specialty, which is on the non-residential side, and a curtain wall system as an example, which is the framing on the large high-rise buildings that holds the glass systems.

They may provide us with a tolerance, but it has to fit, and you don't want a cap that sits over the exterior side of what we call a mullion, and that
is one of these vertical sections in a curtain wall that is loose.

Because if that comes off a building when it is 50 stories up, that is not a good thing, and so we have become very specialist at not only ensuring that the tolerances are right, because the customer gives us tolerance, but it has got to fit, and it has got to snap well, and it can't be too loose. So I would suggest that in that market that tolerances are absolutely critical.

VICE CHAIRMAN WILLIAMSON:  Okay.

I have no further questions and I want to thank the panel for their answers. Thank you.

CHAIRMAN OKUN:  Commissioner Lane?

COMMISSIONER LANE:  Thank you. Aluminum billets make up your largest manufacturing cost. Could you please describe for me what kind of energy you use, and what are the sources?

MR. CROWDIS:  Duncan Crowdis with Bonnell. We do cast our own billets ourself, so, you know, we certainly have that knowledge. We use natural gas, in general, to, you know, we pull in prime ingot from various smelting operations around. We've pulled in scrap, both our internal run around scrap, as well as external scrap that we can recycle. We pull it into a
furnace, and, you know, we put heat to it in the form of natural gas, melt it and then cast it and freeze it in that round, cylindrical billet, which is the feedstock in an extrusion process.

COMMISSIONER LANE: And do you just buy your natural gas on the open market?

MR. CROWDIS: That's correct.

COMMISSIONER LANE: Okay. Now, do the rest of you all use natural gas?

MR. BROWN: We use natural gas extensively. Lynn Brown from Hydro. Also, obviously we use some electrical power.

MR. HENDERSON: Sapa uses natural gas.

COMMISSIONER LANE: Okay. Thank you. Now, you described your contracts. Some are spot, some are long-term, some are short-term. Are your contracts fixed with regard to volume and price or both?

MR. BROWN: I'll be glad to address that. Lynn Brown from Hydro. Very few of our "contracts" are real contracts in terms of the take or pay definition of a contract. In most cases, our contracts with customers are an agreement as to how we're going to do business, the price level relative to metal. There may be target volumes but they generally have very little weight behind them. The
only exception to that is when we enter into what we
call a forward agreement where we are purchasing metal
forward so that we can assure that customer of a
guaranteed metal price. In that case, we're taking a
financial position in the metal market and it's
incumbent on that customer to take that volume at the
appropriate time.

COMMISSIONER LANE: And do you have many of
those contracts percentage-wise?

MR. BROWN: It varies with what's going on
in the metal market. Typically, it probably
represents no more than 20 percent of our total
activity.

COMMISSIONER LANE: And that would be on a
yearly basis?

MR. BROWN: In some cases those would extend
for more than a year, in some cases they would extend
for as little time as three to four months.

COMMISSIONER LANE: Okay. Mr. Crowdis, do
you want to comment on that question?

MR. CROWDIS: Almost exactly the same
answer. The only areas where we will enter into, just
as Mr. Brown described, fixed forward contracts are
with a customer that's building a large building and
the life cycle of that building, the production, is
going to take 18 months and he needs to have that
price fixed for 18 months. So it's virtually on a
project by project basis. It can go up to 18 months.
It typically is about a year. For us, you know, it
would represent anywhere from 20 -- now it's probably
about 15 percent of our business just because the
residential construction business is so poor. It
typically in strong years might be 30 percent, and I
would think that we are very high in the industry in
that area.

COMMISSIONER LANE: Okay. Thank you.

Anybody else want to comment?

(No response.)

COMMISSIONER LANE: Okay. Thank you. Could
you tell me what level of inventory of aluminum
billets you tend to have on hand on a regular basis.

MS. JOHNSON: It depends on the size of the
extrusion operation, but it's typically a couple of
months depending on how close they are.

MR. BROWN: Lynn Brown from Hydro. Our
situation would be quite different, in part because we
operate three of our own cast houses and supply the
majority of our own billet internally. We do purchase
some billet in specialty grades that we choose not to
cast, but as a result, we try to operate with
relatively little billet.

COMMISSIONER LANE: So you don't keep much inventory on hand at all?

MR. BROWN: We don't want to see money tied up in metal.

COMMISSIONER LANE: Okay. Mr. Crowdis?

MR. CROWDIS: Similar to Hydro Aluminum, we cast our own billet, and we would probably keep two weeks of billet on site, so very similar to what Mr. Brown described; however, we also have to keep raw materials on site to create that billet and we would hope to turn that inventory about 20 times. That would be billet and all the raw materials, prime and scrap, combined.

COMMISSIONER LANE: Mr. Henderson?

MR. HENDERSON: Yeah. I agree with Mr. Brown. If you've got more than 30 days of billet on hand, you've got some explaining to do. Our ambition would be closer to what Mr. Crowdis had said. It just ties the capital into the metal. The metal's available, we have a cast house, so we can get it when we need it.

COMMISSIONER LANE: Okay. Thank you. Ms. Woodings?

MS. WOODINGS: Commissioner Lane, I just
wanted to mention a point that was made earlier in the testimony. The largest part, or the largest number of extruders are actually more on the order of magnitude of Ms. Johnson's facility, and so for those producers, I can't speak to all of those producers, but her comments might be more indicative of what's happening in a larger number of producers.

MS. JOHNSON: Utah tends to be a little on the fringes of out there for a lot of the producers, and, in fact, the aluminum extrusion industry tends, it's very heavily concentrated on the east coast and it tends to diminish as you move westward, although Jeff did have some facilities in California. The producer that's selling us our prime extrusion -- and we only extrude with prime extrusion, we sell our scrap to Jeff's company -- holds that inventory in consignment for us.

COMMISSIONER LANE: Okay. Thank you. Producers, importers and purchasers have all stated that lower demand is based in part on the movement of lower value added extruders into higher value niches of the market. Can you explain to me what this means?

MR. HENDERSON: Would you repeat that one more time?

COMMISSIONER LANE: Okay. You all said that
lower demand is based in part on the movement of lower
value added extruders into higher value niches of the
market, and I just wondered what that meant. That was
on page 2-9 of the staff report. Well, maybe if I put
it this way. What is a lower value added extruder,
and what are higher value niches of the market?

MR. BROWN: Lynn Brown from Hydro. I can
answer that. It goes back a little bit to the
discussion we were having earlier about the continuum.
If we talk about that continuum, at one end, we might
produce a 20 foot long tube. A customer might buy
that and do very little to it. We don't have a lot of
value added in that. At the other end, we might take
an extrusion, we might cut it to length, we might bend
it, we might machine it, we might polish it and
deliver it to somebody for a treadmill assembly.
There we have a high value added because we're doing
many subsequent operations, creating more value for
our customer.

COMMISSIONER LANE: Okay. Thank you.

MS. JOHNSON: I think what you've seen is as
the OEM producers in the country have become more
conscious of their supply chain costs, whereas maybe
20 years ago all extruders did was extrude metal and
anodize it or bright dip it, I think that the supply
chains have shortened and they're depending more on
their raw material suppliers, that we are, to do more
value added to take steps out of the supply chain.

It's not uncommon that someone used to buy an
extrusion, they would bring it at house and send it
somewhere else to get it anodized and send it to a
third place to get it machined. Now they can get all
that done under one roof.

COMMISSIONER LANE: Okay. Thank you. I'm
going to hurry up this next question because my time
is running out, but aluminum prices dropped from
$3,200 per metric ton to $1,300 in about six months in
2008, so how did that affect your financials, and
then, of course, there was the increases in the
aluminum prices from 2007 to 2008, so how did all of
this volatility affect your financials?

MR. CROWDIS: Duncan Crowdis with Bonnell.
I can start. It actually did not affect our
financials. We do have a very neutral, complete pass-
through of metal. It certainly kept us awake at night
because the fixed forward prices that we had increased
our exposure significantly, and, you know, we do have
a take or pay kind of arrangement on these and we're
locked in a financial instrument with an institution
and we don't have any choice. So other than it kept
us awake at night, it didn't actually affect our
bottom line.

COMMISSIONER LANE: Okay. Does anybody else
have a different answer?

MR. BROWN: Lynn Brown from Hydro. Duncan
was obviously doing a better job of inventory
management than we were at the time because when your
metal prices crash that rapidly and demand evaporates
at the same time, you can be long on inventory and
then the price that you're able to charge to your
customer is less, and so you have an inventory hit, a
loss on your metal inventory. We experienced a little
bit of that when it was crashing. When it was going
up, we managed our inventories well, we didn't receive
much benefit.

COMMISSIONER LANE: Okay. Thank you. With
that, I have no further questions. I want to thank
this panel for all of their answers today. Thank you.

CHAIRMAN OKUN: Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Madam
Chairman. I regret, here I am going for the third
round, still on like product. I'll try to get this
wrapped up. When you defined the scope, you found a
dividing line between shower kits with glass doors and
shower kits without. Would you see that as a clear
dividing line in the way that we look for clear dividing lines?

MR. JONES: Yes, we think that's a clear dividing line that can guide your determination and be easily administered.

COMMISSIONER PEARSON: Okay, but doesn't that difference just reflect a slight difference in how the product is marketed? I mean, there's no change in the actual aluminum extrusions themselves, is there?

MR. JONES: There's a significant change in the product that's imported. As I said earlier, we'll take a look at this and analyze this from, you know, provide a more fulsome analysis of the like product issue on this, but in our view, that is a workable line between what is an aluminum extrusion and therefore subject to this case and part of the domestic like product, and what is a downstream finished product that is a product of another industry.

COMMISSIONER PEARSON: Okay. And so you would see it as different than a marketing situation where, hypothetically, someone is selling aluminum extrusions along with a bushel of potatoes and, you know, that as long as there's something besides the
aluminum, then it could be in or out of the scope. I mean, I'm confused on this, and I should explain. A lot of my confusion this morning is self-inflicted and you shouldn't think that it's your answers that are giving me difficulty. Part of the lack of preparation. Sorry, Mr. Jones. Did you have any thoughts on that?

MR. JONES: Well, we appreciate the questions, and, you know, this is, it's an important issue for the industry so we're happy to answer all of your questions. The task that we had in defining the scope was how can we include all of the various things that this industry does and exclude things that different industries do, and we've made an effort to do that. The way we've done it is to include aluminum extrusions that are finished, that are fabricated, that are imported in subassembly form, but we've excluded downstream products containing aluminum extrusions, such as a finished shower door or a window. We think that's a workable way to do it.

COMMISSIONER PEARSON: Okay.

MR. JONES: There may be other ways to do it, but that's the way that we did it here.

COMMISSIONER PEARSON: Okay, but to me it might seem to be a clearer dividing line if you had
gone a step upstream and made the line at the point
when anything gets packaged together with the
extrusions that's not an aluminum extrusion to put
together a kit. I mean, then I can see it a little
moreso than when you throw in the glass.

MR. JONES: Then, in our opinion,
Commissioner Pearson, you have a very easy
circumvention route. By just adding a few fasteners,
a few nonextrusion componentry to the kit, you have a
very easy work around that, as the witnesses today
have said, applies to products in the industry,
including shower doors of course, that's been raised
before you and we're discussing it today, but there
are a number of other products in the industry to
which that could be done. To us, that would make the
order far less effective, again, if we're fortunate to
get an order.

COMMISSIONER PEARSON: Do some of your
companies knock down shower door kits or just the
extrusions themselves?

MR. HENDERSON: In our case, you know, we
manufacture shower doors in Magnolia, Arkansas. At
one time we extruded the metal ourselves and we had to
shut down that operation to remain competitive, and we
currently offer shower doors to our shower door

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customers that are fully glazed with glass, if that's what they want, or in KD flat packs. We make the KD flat packs -- I call them flat packs, I think it, visually, it gives you an idea -- in our Magnolia operation, okay?

COMMISSIONER PEARSON: Okay. So KD, that's a knock down flat pack.

MR. HENDERSON: Knock down. That's right.

I'm sorry. Yes.

COMMISSIONER PEARSON: And so that's all of the components that it takes to put together the shower door and install it?

MR. HENDERSON: All of the components, minus the glass.

COMMISSIONER PEARSON: Minus the glass.

MR. HENDERSON: Right, because the glass is, I mean, it's a critical element. Earlier there were questions about are there other applications where -- well, you know, you see it in furniture, you see it, but you also see it sometimes in window products, patio door, door products, where they may be, components may be sent out and then glass is installed later. Glass is a distinguishing characteristic that is very easy to notice, and by installing the glass, you have a substantially different product that you're
looking at in terms of just visual, right? If somebody brings in a shower door, you'd say that's a shower door. If somebody brings in a KD kit, it's in a cardboard box about this long maybe or something and you really don't even know what's in there.

COMMISSIONER PEARSON: Okay. And does any other firm produce the KD kits?

MR. JONES: Commissioner Pearson, we will canvas others in the petitioning group and the committee to see if there are others. I suspect that there are, but I'm not going to assure you of that until I've had a chance to talk to some of those companies, but we will provide an answer for you in our posthearing brief.

COMMISSIONER PEARSON: Okay. And then now a question for Mr. Henderson, but then go along with that, if you learn more, in the posthearing brief. Have you faced competition from subject imports in these KD shower kits? I mean, are you dealing with those in the marketplace now?

MR. HENDERSON: Sure. I mean, well, I mean, not the way I believe the preliminary orders have come down. I still believe that they're not allowed in, right? A KD shower door kit?

COMMISSIONER PEARSON: Okay, but previously.
MR. HENDERSON: But historically, absolutely. We even looked at it as an option. Now, keep in mind, as a shower door business, if we choose to go to KD kits from China, I will probably have to let another few hundred people go in our business that are currently fabricating and making kits in Arkansas right now. It will cost us jobs to allow kits to be brought in. Those kits represent work here in terms of fabrication, and packaging and delivery.

COMMISSIONER PEARSON: Okay. Any other observations? Otherwise, I think I've about run out of questions, which my colleagues are very glad of that, so thank you so much for your patience, and I'll pass it back to the Chairman.

CHAIRMAN OKUN: Commissioner Aranoff? Do any of my colleagues have questions for the witnesses? (No response.)

CHAIRMAN OKUN: Does staff have questions for this panel?

MR. MCCLURE: Jim McClure, Office of Investigations. Staff has no questions for this panel. We thank you for your informed testimony.

CHAIRMAN OKUN: Do Respondents have questions for this panel? (No response.)
CHAIRMAN OKUN: Counsel indicates by shaking their head no, they don't have questions. Well then I think this would be an excellent place to take a lunch break before we hear from our second panel. I'll remind everyone that the room is not secure so please don't leave confidential information, and also, just a final thank you to all the witnesses on this panel for answering all our questions. We look forward to your posthearing submissions. We will take a break until 2:00. We will see you back in this room at 2:00.

This hearing stands in recess.

(Whereupon, at 1:00 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 2:00 p.m. this same day, Tuesday, March 29, 2011.)
AFTERNOON SESSION
(2:00 p.m.)

CHAIRMAN OKUN: Good afternoon. This hearing in the U.S. International Trade Commission will now resume. Mr. Secretary, my afternoon panel is seated. Have all the witnesses been sworn?

MR. BISHOP: Yes, Madam Chairman. Those in opposition to the imposition of the antidumping and countervailing duty orders have been seated; all witnesses have been sworn.

CHAIRMAN OKUN: You may proceed.

MR. MINTZER: Thank you, Madam Chairman. My name is Sydney Mintzer. I'm here from the law firm of Mayer Brown and here on behalf of Aavid Thermalloy. And we're here to discuss Commissioner's treatment of finished heat sinks as a separate like product. With me today are Norm Soucy, who is Vice President and Director of Global Manufacturing & Supply Chain at Aavid, as well as John Mitchell, who is General Counsel of Aavid. And before I hand off the reins to Norm to talk about all the factual issues at play, I just wanted to point out the new product on the table in front of you, including a finished heat sink produced by Aavid, as well as a knockdown shower door and a shower lineal. So with that, let me hand it
over to Norm.

MR. SOUCY: Good afternoon. My name is Norm Soucy. I am Vice President and Director of Global Manufacturing and Supply Chain at Aavid Thermalloy. In that capacity, I am responsible for managing the production and distribution of Aavid products around the world, including finished heat sinks. I've worked at Aavid for the past 16 years in various leadership positions within the company.

We manufactured finished heat sinks in Laconia, New Hampshire since 1964. A finished heat sink is a finished good that is installed in an electronic component, in order to cool it down through natural or forced convection methods. To better explain the design and manufacturing challenges we face, you must understand that semiconductors operate efficiently only in a narrow temperature band. If the semiconductor gets too hot, it will not operate at this point.

You will probably notice that your computer will eventually get hot. When it does, it is not operating efficiently and, ultimately, may fail. Now, an electronic products are getting smaller, but with more power and thus more heat. Our business is to remove that heat from expensive and
sophisticated electronic products. Our product, which
range from finished heat sinks, to even greater
sophisticated products that use liquids, fans, pipes,
fillers, et cetera, are all designed, tested, and
manufactured to cool electronic components at an
optimum cost per lot.

I can tell you without hesitation that Aavid
is not part of the aluminum extrusion industry and
finished heat sinks are nothing like aluminum
extrusions. Aavid is part of the electronics industry
and finished heat sinks are finished goods used in the
production of electronic equipment. Our customers
include IBM, Dell, GE, Alcatel Lucent, Oracle, and
Motorola, just to name a few.

Aavid's finished heat sinks do not compete
against any of the Petitioners, as aluminum extrusion
providers or any other U.S. extrusion producer. In
fact, several of the petitioning companies supplies to
Aavid heat sink blanks, which are these extruded
aluminum raw material input used to manufacture heat
sinks. The only finished heat sink manufacturing even
named in the Petition is Wakefield Solutions and
Wakefield is also a manufacture of aluminum
extrusions. Abbot was not named and neither were any
other finished heat sink manufacturers like Radian,
We were all left out for a reason. The U.S. extrusion industry does not consider finished heat sinks to be part of their industry. Our brief explains in detail why finished sinks and aluminum extrusions are separate like products. Without duplicating that discussion, I want to walk you through some basic facts that illustrate the differences in simple terms.

First, physical characteristics: there is one physical characteristic that dictates whether you have a finished heat sink and that is its thermal performance. Any finished heat sink must specify its thermal performance. Customers have to know that in order to determine whether the heat sink in question were properly dissipate the use. It is quite easy to demonstrate this.

In the packet you have been provided, at Attachment A, we have provided sample catalog sheets for several companies that produce finished heat sinks. On page one of Attachment A, you will notice in the middle of the page a graph. This graph is a representation of a finished heat sink thermal resistance capability. That particular page is from Wakefield. Pages three, four, and five are
representative samples of Aavid Thermalloy from our website. In the middle of those pages, you will see various graphs showing the overall thermal resistance of any particular product that we manufacture. Pages six and seven is a representative sample of Radian heat sinks; however, they do not show it in a graph form, but rather show it in a table form in the far right last three columns.

An electronics manufacturer cannot produce a finished heat sink without knowing those specifications. Extruded aluminum products are not specified for thermal performance and companies like Petitioners are not in the business of owning the equipment necessary to conduct such testing.

There are other important differences. For example, many finished heat sinks must meet flatness requirements that go well beyond a standard aluminum extrusion. Many finished heat sinks must be flat to within 1,000 of an inch per inch. Aluminum extrusion just specifies it between 4,000 and up to 14,000 of an inch per inch. A great example of this is when installing a door frame, window frame, or gutters in your house. Typically, the contractor will shim this product for it to fit. You cannot shim a heat sink, as you would these aluminum extrusion products. Also,
finished heat sinks are sold by the piece, while extruded aluminum is sold by the ton or pound. Thus, there are many differences between the products. How the thermal performance and its use in end products are the lynchpin that differentiate a finished heat sink from any other extrusion.

Second, interchangeability. Finished heat sinks are not interchangeable with any other product. Obviously, our customers would never buy a gutter or window frame to cool their electronic components. But even more concretely, our customers would never buy a heat sink blank or any other heat sink that is not specified for thermal performance. Finished heat sinks must be very precisely manufactured, in rigid thermal performance requirements. Those specifications go well beyond anything that is standard in the extruded aluminum market.

Third, channels of distributions. As I stated earlier, Aavid is in the electronics industry. Our channel of distribution is entirely different from extruded aluminum products. You can see this clearly when looking at who distributes finished heat sinks. Attachment B, pages eight and nine, are samplings of Aavid's authorized distributors for our finished heat sinks. As you can tell, these are all electronic
distributors. Page nine is a typical distributor for the aluminum extrusion industry. This is an example of Eastern Metal Supply. You can tell on this sheet that there are door frames, window frames, tubes, angles, et cetera, but nowhere on here will you see finished heat sinks. An electronics manufacturer -- excuse me -- there is, in short, a clear dividing line in the channel of distribution between aluminum extrusions and finished heat sinks.

Fourth, market perception. Regardless of what you may hear today or see in briefs, both extruded aluminum producers and finished heat sink producers clearly distinguish themselves in the market. Wakefield is a perfect example. Attachment C provides a printout of Wakefield's brochure. Wakefield clearly distinguish itself, its thermal business from its aluminum extrusion business. On page 13 of Attachment C, Wakefield lays out its business sector, which clearly separates aluminum extrusions from heat sinks, which is characterized under thermal management. Page 14 refers to Wakefield's thermal business, which includes heat sinks. On page 16, under the category of industrial applications, it identifies aluminum extrusions, such as bars, angles, and tubes.
Thermal Solutions, another U.S. producer of both finished heat sinks and heat sink blanks, represents them as completely separate businesses. Page 19 are the heat sinks portion of their website, which highlights the company's finished heat sink capacity. Pages 21 show the company's extrusion webpage, which sells heat sink blanks, which are indicated to be normally between four and eight feet long. Both Thermal Solutions and Wakefield, there is a clear dividing line between heat sink blanks or other extrusions on the one hand, and finished heat sinks on the other hand.

Finally, our customers do not even follow the aluminum extrusion market. They do not think of us as extruded aluminum suppliers. That's evidence of how our products are purchased. When our customers seek our products from distributors, they go to electronics distributors, not aluminum extrusion distributors. We are viewed as part of the electronics industry, not the extrusion industry.

Fifth, manufacturing processes. Attachment D provides pictures of the unique equipment required to test and sell finished heat sinks. We need wind tunnels, testing units, flow meters, and sophisticated computational fluid dynamic software to simulate heat
flow and air flow. You will see on page 22 of Attachment D a typical picture -- or a typical piece of equipment called a wind tunnel, which will simulate the overall air flow of the particular heat sink and helps get the overall thermal resistance at a given air flow. Pages 23 and 24 are various types of other testing equipment that will demonstrate the overall heat load to a particular heat sink that we can then simulate the overall thermal resistance on.

We, also, have highly-trained engineers, who are capable of managing the equipment and analyzing the test results. Similar capabilities exist at Wakefield, as well. Extrusion manufacturers simply have no need for this equipment or software. The key point is this, Aavid has not taken a lot of extrusions and simply finishing it into a finished extrusion. Heat sink blanks are, themselves, often fabricated, sometimes even cut to length. We take the extruded aluminum and transform it into something entirely different. Our machine and testing procedures transform the extrusion into a new and different product that requires a level of engineering and testing that goes well beyond anything in the extrusion industry.

Sixth, pricing. Prices for finished heat
sinks are significantly higher than extruded aluminum products, even heat sink blanks. Aavid heat sink blanks, which are purchased from unaffiliated U.S. suppliers, cost less than one-third the price of a U.S.-produced finished heat sinks. The post blank manufacturing processes accounts for the vast majority of the total cost of producing a finished heat sink. Thus, pricing is radically different.

The evidence on the record is really overwhelming and clear cut. For every single factor that the Commission would typically consider in its light product analysis, the facts show that finished heat sinks and extruded aluminum are very different products.

Finally, let me touch on the question of injury. Imports of finished heat sinks are not injuring the domestic heat sink industry. Aavid imports finished heat sinks from China and so does Wakefield. We are by far the two largest producers in the U.S. market. We manufacture finished heat sinks in China, ourselves. Our Chinese facility serves a global market, including the U.S. We import from the Chinese facilities, where there is demand for products produced there that we do not produce in the U.S. market.
One of the Petitioners even owns a company that produces some finished heat sinks and that company does not appear anywhere in the petition. Alexandria Extrusion wholly owns a company named M&M Metals. We know M&M Metals. M&M Metals is not listed in the petition as a petitioner or other U.S. producer. Presumably, if imported finished heat sinks were harming the U.S. industry, M&M Metals would have at least been mentioned in the petition and presumably would have appeared here today. We've included in Attachment E the press release issued by Alexandria Extrusion, noting its purchase of M&M Metals.

Finally, imports of finished heat sinks do not harm any of the Petitioners despite claims that they can or do produce them. The bottom line is that we do not compete against these companies. They are not recognized in our industry as suppliers of finished heat sinks. I'm happy to answer any questions you might have.

CHAIRMAN OKUN: Thank you.

MR. MINTZER: Thank you. That concludes the finished heat sink portion of this presentation. I'll hand it over to David.

MR. SPOONER: Thank you, Sid. Madam Chairman, Mr. Vice Chairman, members of the

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Commission, my name is David Spooner of the law firm of Squire, Sanders & Dempsey and, of course, I appear today on behalf of a group of shower door and shower inclusion manufacturers, who are affected by this order.

Before we launch into our witnesses, I'd like to briefly take care of two items. Madam Chairman, Congresswoman Jean Schmidt of Ohio mailed a statement this morning, conveyed that she had hoped to attend the hearing and asked to submit her statement for the record. We'd like to do so with your permission, Madam Chairman.

CHAIRMAN OKUN: Without objection, and we have copies of that statement available.

MR. SPOONER: Thank you. The second item, of course, is to briefly introduce our witnesses. Madam Chairman, we have two witnesses today. To my right, George Rohde, CEO of Basco Shower Enclosure of Mason, Ohio; and Bill Cobb, the CEO of Coastal Industries of Jacksonville, Florida. I should also note that we have Larry Langefels at the table, as well. Larry is the CFO of Basco and is well apprized of the issues in the case and has been active in the case and thought he would be a helpful witness for the Commission. And with that, I will turn it over to Mr.
Rhode of Basco.

MR. ROHDE: Good afternoon. I am George Rhode, President and Chief Executive Officer of Basco Manufacturing Company in Mason, Ohio. We and the other members of the Shower Door Manufacturing Alliance appreciate this opportunity to bring our industry and its concerns to the Commission's attention.

Our concerns are that our industry will be hollowed out, if not destroyed entirely by the antidumping and countervailing duty orders that may be issued in these investigations. To avoid this result, it will be necessary to find that the specialized aluminum extrusions our industry requires are products separate and distinct from all other extrusions involved in these investigations and that the few domestic producers who make them, are not injured or threatened with injury by Chinese imports of these extrusions. If those extrusions are not found to be a separate like product, a portion of our industry could be saved by recognition that shower enclosures knockdown units are a separate like product and that we, who produce them in the United States, are not injured or threatened with injury by reason of the accused imports.
Basco, which was founded by my father, Bill Rhode, has been manufacturing bath and shower enclosure products since 1955. I have worked at Basco since 1980 and have been president and CEO for nearly 25 years. The members of the Alliance are manufacturers of bath and shower enclosure products. We are not distributors or retailers. We are factories that produce these products for sale to glass distributors, plumbing wholesalers, and shower door installers, who either sell them at retail or install them for the customer. Members of the Alliance are family-owned companies that have manufactured shower door enclosure products who are depending on the company 30 to 60 years and sell into a domestic market for these products believed to account for approximately $500 million in sales per year.

Basco employs over 172 today at our Ohio plant. There are roughly 10 United States shower door enclosure producers like us, each of which employs from 100 to 500 workers. In addition, our industry supports countless and other jobs at the domestic firms that supply us with various necessary materials, parts and components. The recent economic recession and downturn in new home building and remodeling
reduced demand for bath and shower enclosure products
and has forced Basco to reduce its workforce by more
than 50 employees over the past couple of years. If
extraneous factors do not interfere, we anticipate our
business to recover as the economy recovers and we
hope much of this employment will be recovered with
it.

But this recovery in the survival of our
industry are threatened by the looming prospect of the
imposition of antidumping and countervailing duties on
specialized aluminum extrusion imports used by our
industry. These extrusions are distinguished from all
other aluminum extrusions by unique shapes, unique
finishes, tight tolerances, and the comparatively low
volumes in which particular lineals are purchased.

U.S. manufacturers generally have shown
little interest in manufacturing to our specification
in the less than truckload quantities of particular
lineals we purchase. That has forced us to rely
heavily on suppliers in China. If the specialized
highly engineered, jewelry grade finished extrusions
we need were to become unavailable from China, we
would be effectively precluded from continuing
manufacture in the United States. Our operations
would be uncompetitive with imports from China of
complete shower enclosure kits with glass. Those articles are excluded from the scope of the proceedings and are already manufactured in China.

A recognition that knockdown shower kits are a separate like product and that we, the domestic producers of those kits, are not injured or threatened with injury by imports of such products. We could then continue to produce the glass elements of the shower enclosures and other related items, which would be sold as shower enclosure kits with glass. But because it would save only part of our operations, this is not a preferred solution.

To help explain the threat to our industry, I will describe the products we produce and the nature of our operation. One product we make and sell is shower and bath enclosure units complete with glass. Usually, it consists of glass panels, the aluminum frames to enclose them, and all other components necessary for a functioning shower door or enclosure. The other components involved include door handles, knobs, rollers, guides, hinges, brackets, latches, mounts, hangars, anchors, fasteners, and vinyl seals, among many others. Petitioners have stated that these units that include glass are not covered by these investigations or any orders that may result from
Another product, which also accounts for a substantial part of our sales, is called a knockdown unit or KD. It contains all of the previously mentioned parts necessary for an installed shower door enclosure, except for the glass. If you would, please see the example on the table and Exhibits 1 through 7 in the packet of the BPI exhibits from our pre-hearing brief we have supplied the Commissioners for their convenience.

Installers often purchase the glass separately from the other parts of the shower door enclosure. There is a variety of types of glass that can be used in the shower enclosure application, including clear, tinted, mirrored, frosted, and obscured. The particular glass selected by an installer will then be custom cut to fit and assembled -- custom cut to fit the assembled KD unit. This is often done on a construction site after the purchase and delivery of the KD unit.

Aluminum extrusions call manuals are used to create the framing pieces in a KD unit or complete shower door enclosure. These include wall jambs, headers, tracks, and towel bars. The unfabricated aluminum extrusions used by the shower door industry
to produce these pieces are more advanced and sophisticated and designed and finished than the vast majority of aluminum extrusions. Shower door extrusions have unique, highly-engineered cross sections and must be manufactured to close tolerances, to assure tight fits. Shower door extrusions also require a unique jewelry-like finish that can withstand the human conditions of a shower environment. These finishes include bright dip anodized in silver or gold colors, satin, etched and/or anodized, oil rubbed bronze and brushed nickel or other specialized brushed patterns.

Shower door manufacturers do not extrude aluminum; rather, we purchase the necessary specialized extruded aluminum pieces from extruders. Prior to ordering the extrusions, the shower door manufacturer must first design the shower enclosure or KD unit. That design includes design of their aluminum components, including the dyes used to make the specialized cross sections needed. This requires significant technical expertise and engineering resources. Each cross section design is proprietary to an individual shower door manufacturer. The technical drawings of the dyes are then provided to the extruders to manufacture the extrusion dyes.
Due to the cost to us of the dyes, we must limit the number of vendors with whom we work. Moreover, extrusion vendors, themselves, have limited the number of vendors with whom we can work -- with whom we can work. Many vendors will not make dyes to our specifications due to the level of sophistication and limited volume involved. These specialized extrusions must then be specially finished, has to be fitted for the environmental conditions and cosmetic requirements of shower enclosures. This finishing will be described by my colleague, Bill Cobb.

Shower door manufacturers purchase or import the specially designed, specially finished, but as yet unfabricated extrusions that we require. Exhibits 8 through 10 in the packet will describe that. Then, we perform a series of fabrication operations on the purchased extrusions to transform them into shower enclosure components. The unfabricated extrusions or so-called lineals are first cut to length in miters, shown in Exhibits 11 through 15. We need a miter block to ensure that the length and angle of the cut is precise. If the length and angles of the miter and angle cuts are not within the required tolerance, the frame component will not properly fit together. Then holes are drilled or punched in the lineals for
assembling and installation, as shown in Exhibit 16 through 25. The lineals are also nice for assemblies and fit, shown in Exhibits 26 and 27.

Basco uses a sophisticated computer numerical control or CNC machine for drilling, punching, and knocking. This machine allows Basco to produce several hundred KD units in one day, as shown in Exhibit 28. The extruded aluminum lineals may also be bent to produce curved shower doors. That's in Exhibit 29 and 30.

After fabrication, the resulting frame components are then subject to rigorous quality control testing, using sophisticated measuring equipment. Some customers request custom colors or coatings that require additional finished of the extruded aluminum lineals and other metal pieces of the KD unit. Basco and some other shower door manufacturers provide these powder-coated operations internally. Others use third-party coaters.

In addition to fabricating and finishing the aluminum lineals, shower door manufacturers affix other components to the rail pieces. For example, our workers install hinge sleeves, manuals, vinyl sleeves, and double-sided tape to complete the manufacture of the rail pieces, as shown in Exhibits 32 through 35.
The finished final pieces are then wrapped and included with other hardware and components in the final KD units, shown in Exhibits 36 through 41. Therefore, basic generic aluminum extrusions, such as in examples pictured in the pre-hearing staff report and bath enclosure -- and bath and shower enclosure products are significantly different products manufactured by different producers and far different in their value. Before concluding my testimony, I would like to emphasize that I am here in an effort to save the U.S. industry and the jobs of the workers it employs. If orders are issued and do not address our concerns, that industry will be largely lost and we will become importers and sellers of Chinese-made shower enclosure kits with glass. In our view, this is neither desirable nor a necessary result. I am happy to answer any of your questions you may have. Thank you.

MR. SPOONER: Turn it over, Madam Chairman, to Bill Cobb, the CEO of Coastal.

MR. COBB: Good afternoon. My name is Bill Cobb and I am the founder and CEO of Coastal Industries, Inc., a manufacturer of bath and shower enclosures and a member of the Shower Door Manufacturers Alliance.
Coastal has been located in Jacksonville, Florida since its founding in 1972. We employ over 100 professionals in a state-of-the-art, 250,000 square foot manufacturing facility. Before the economic downturn, we employed over 250 employees. My testimony today will focus on two unique products of great importance to the shower door and enclosure industry: first, the knockdown or KD unit that Mr. Rohde described; and, second, shower door and enclosure extrusions made with high-quality, jewelry-grade finishes and that are highly engineered and custom made for specific and proprietary shower door and enclosure designs, or what we refer to in our pre-hearing brief as shower door extrusions. Each of these products is absolutely distinct from the typical aluminum extrusions that are produced and sold by the members of the aluminum extrusion industry that was represented by the Petitioners' panel this morning. Each of these products, therefore, should be found to be a separate like product, in your analysis in this investigation.

Also, when analyzed properly as separate like products, it is clear that the domestic industry producing KD units and shower door extrusions are not materially injured by the subject imports from China.
And they, also, are not threatened with such material injury. As you can see from the samples on the table in front of you, KDs are completely different from the raw aluminum extrusions made by the aluminum extrusion industry.

The KD, which is the product in front of you, is a complete shower enclosure assembly that contains both fabricated aluminum extrusions and other components needed to assemble a complete shower door enclosure. The single aluminum extrusion, again in front of you and actually in the back of the table, is also known as a lineal. It is what the aluminum extrusion manufacturer produces. It is an input used in making only one component of a KD.

KDs have completely different uses from standard aluminum extrusions. While an aluminum extrusion producer can produce shapes and sizes for use in a multitude of different downstream applications, KDs are used only for assembly into the specific shower door enclosure designed for which they were produced. There is simply no interchangeability between standard aluminum extrusions and these packaged assemblies that essentially are shower enclosures that have not yet been assembled.

Another factor that sets KDs apart from
aluminum extrusions is their completely separate channels of distribution. Aluminum extrusions are sold by aluminum extruders either to distributors or to end users, which for the most part use aluminum extrusions as inputs in manufacturing other products. There's a broad variety of end-use customers of aluminum extrusions. Shower door and enclosure manufactures are only one example. KDs, on the other hand, are sold by shower door and enclosure manufacturers directly to a very specific group of customers: bath and shower retailers and installers. These customers, of course, perceive KDs to be a completely different product from the lineals sold by aluminum extruders.

The production and equipment and processes used to make KDs also sets them apart from aluminum extrusions. Shower and bath enclosure manufacturers do not own or operate aluminum extrusion presses, nor do we use furnaces, metal dyes, or aging ovens, all of which constitutes primary operation of an aluminum extrusion producer. Instead, we purchase aluminum extrusions as an input and then fabricate them and incorporate them into other products.

Finally, the prices of KDs and aluminum extrusions are very different. The additional
fabrications performed by shower and bath enclosure manufacturers on the aluminum extrusions used in KDs constitutes a very large percentage of the value of the finished products we sell. The other components included in KDs also represent a significant portion of the final price of the KD to our customers.

When KDs are properly viewed as a separate like product for purposes of your injury analysis, it is clear that the domestic industry producing KDs, which is our industry, is not materially injured or threatened with material injury by reason of imported KDs. While our industry experienced a decline in sales of KDs over the past few years, we are now seeing improvements as demand increases along with the recovering economy. In our view, the declining sales of KDs was due entirely to the economic recession and drastic slowdown in construction and had nothing to do with subject imports.

The second separate like product for your injury analysis is the shower door extrusions we have discussed, which are highly engineered and specified extrusions with jewelry-grade finishes that our industry uses as an input for our shower and bath enclosures. These products are clearly distinguished from other aluminum extrusions in at least two
important ways.

First, these shower door extrusions require jewelry-grade finishes because of the unique cosmetic demands of shower and bath enclosure applications. Shower doors have evolved into a decorator item today and have become a focal point in the home. Because shower door extrusions are so highly visible to customers once they are installed in a shower or bath enclosure, the finish must be of the highest quality, entirely free of scratches or blemishes that might be deemed acceptable in aluminum extrusions used in other applications. The consistency of these finishes also is uniquely critical for shower door enclosures because the finished pieces must match other components with which they are assembled in a shower or bath enclosure. This often includes lineals, draw from inventories that were made in different production runs. Even slight differences in color, finish, or brush patterns can mean they are unusable together for cosmetic reasons. A relatively minor changes, therefore, can cause entire inventories to become obsolete.

The second very significant difference between shower door extrusions and other extrusions is that shower door extrusions are highly engineered
products that are custom made using proprietary dyes
to create unique shapes, to fit specific designs of a
given shower enclosure manufacturer. These shower
doors must be precisely engineered and
produced to strict tolerance levels, so that they will
fit together properly with other shapes and components
in that shower enclosure assembly. In many cases,
they are made with very thin walls in a relatively
small volumes that domestic extruders are either
unwilling or unable to supply.

As a result of these critical distinguishing
factors, shower door extrusions are in no way
interchangeable with the other extrusions produced by
aluminum extrusion suppliers. Once extruded into
unique shapes, using a proprietary dye, finished to a
high grade and then further fabricated, a shower door
extrusion is unusable for any application other than
the specific shower door design for which it was
produced.

These factors also result in different
channels of distribution. Because shower door
extrusions are highly engineered to meet a particular
customer specification, they generally are sold
directly by the aluminum extruder to that particular
customer, with no wholesaler or distributor involved.
They cannot be simply sold to a wholesaler like Standard Shapes.

Shower door extrusions also require unique manufacturing facilities and production processes. The jewelry-grade finishing essential to the manufacture of these products involves equipment and production processes not widely available among aluminum extrusion producers. External finishing operations are simply unacceptable for shower door extrusions because of the potential for scratches in the product during transport, prior to anything, and in many cases the domestic producers' internal finishing operations also do not sufficiently protect against unacceptable scratches and blemishes.

Most domestic aluminum extrusion mills simply do not have the equipment and employees needed to produce the highly-engineered shapes and jewelry-grade finishes required. Those claiming to be able to make them also have not wanted to do so because of the difficult specifications and small volumes needed. The high degree of engineering and jewelry-grade finishes involved also means the shower door extrusions are priced considerably higher than other aluminum extrusions. As with the KDs I discussed earlier, once these shower door extrusions are

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properly viewed as separate like products for purposes
of your injury analysis, it is clear that the domestic
industry producing shower door extrusions is not
materially injured or threatened with material injury
by the subject imports.

To the extent the domestic industry
producing shower door extrusions has experienced
decreases in sale and volume and pricing, such declines
have been caused by the dramatic economic recession,
which has drastically reduced demand for our shower
and bath enclosure products and, therefore, also for
the shower door extrusions we use to make them.
Beyond that, domestic producers of shower door
extrusions have only hurt themselves by either
decreasing to supply us with shower door extrusions or
by failing to meet the quality and service levels
needed, which, in our industry, is absolutely
critical.

For the reasons I described, the leading
high-quality requirements for surface, finish, and
dimension tolerances is the number one purchasing
factor we consider, instead of price and all other
considerations. Two of our major domestic extrusion
suppliers have informed us in recent years that they
simply are unable to meet our quality standards. So,
we were forced to turn to other sources, including foreign suppliers. In our experience, our foreign suppliers consistently produce high-quality extrusions with better color and texture. They help develop new finishes and product.

As an American producer of shower door and enclosures and a support of U.S. manufacturing, we have gone out of our way to support the domestic producers by continuing to purchase extrusions from them whenever possible, despite their inferior quality, more difficult product development, and inconsistent supply. Because of quality issues, we are forced to rely on foreign suppliers to provide us with consistently high-quality finished shower door extrusions. As a result, any injury the domestic industry is experiencing beyond that obviously caused by the recent economic recession is, in our view, self-inflicted and is totally unrelated to the allegedly unfair pricing of subject imports.

Thank you for your time. I would be happy to answer any questions you might have.

MR. SPOONER: With that, Madam Chairman, I will turn it over to Greg Mitchell of the law firm of Frost Brown Todd, here on behalf of Floturn.

CHAIRMAN OKUN: Thank you.
MR. MITCHELL: Good afternoon. Madam Chairman, Mr. Vice Chairman, members of the Commission, thank you for the opportunity to make a statement to the Commission in this proceeding today on behalf of Floturn, Inc. My name is Greg Mitchell. I'm a partner, in care of the International Trade Compliance Group of the mid-western law firm, Frost Brown Todd, LLC.

Floturn is an employee-owned Ohio corporation located in Cincinnati, that specializes in expert metal forming services. For many years, Floturn's principle business has been the production of organic odor receptor photo conductor substrates, which are the simple devices used in a printer and photocopier drums, which are sold to such OEM customers like Xerox and other well-known companies. Presently, Floturn is the only company remaining in the United States the produces such OPC substrates and fits the customers within the United States, South America, Europe, and Southeast Asia.

Floturn, like Aavid and the shower door industry, was not named in the petition as a U.S. importer, as a U.S. producer, a foreign producer of the subject merchandise. It was not sent questionnaires by the Commission or Commerce. There
is no information in the record, to our knowledge, regarding this product or the OPC industry.

Floturn is not an aluminum extruder, but a highly specialized manufacturer of OPC substrates, using a proprietary diamond turning process. An OPC substrate is made from a specialized high purity, high active aluminum OPC tube that is very distinct from the standard grade, custom grade extrusion, noted in the pre-hearing report. OPC tubes are not standard grade, custom grade aluminum extrusions, and could be produced at any extrusion facility in the United States. They're not purchased based on price. Because of the special nature of purity, alloy specifications, and dimensional requirements, OPC tubes require very distinct and proprietary manufacturing processes, including de-gassing and TKR filtration to five microns.

OPC tubes and photons, OPC substrates have experienced the physical characteristics and uses are not used by forming other aluminum extrusion products, are not interchangeable with other extruded products, are produced in distinct and specialized proprietary manufacturing processes that are only sold to and by Floturn, at prices that are substantially different from those of other aluminum extruded products. Due
to the unusually broad classification of the domestic
like product, Floturn fears that the Commission may
wrongfully find material injury or threat of material
injury to this industry of one. OPC tubes and
Floturn's OPC substrates are not part of the aluminum
extruded industry, are a separate industry and one in
which if this petition is permitted to stand, will
cause the industry to be materially injured, when no
injury is existing today.

Just as with the substantial questions
raised today about heat sinks and shower doors, on
behalf of Floturn and its owner employees, we ask that
the Commission carefully consider the sweeping and
broad definition of the domestic aluminum extrusion
industry that is being proposed. Thank you, very
much.

CHAIRMAN OKUN: Thank you. And with that --
Mr. MINTZER: I have nothing further, Madam
Chairman.

CHAIRMAN OKUN: Thank you, we will do so.
And before we turn to questions, I am going to take
this opportunity to thank all of the witnesses for
being here, and to answer our questions. I appreciate
you taking the time to be with us today. Just as a
reminder, if you could repeat your name when you
answer a question for the court reporter.

Commissioner Aranoff will start the questions this afternoon.

COMMISSIONER ARANOFF: Thank you, Madam Chairman, and welcome to all of the witnesses on this afternoon's panel. We appreciate you taking time away from your businesses to entertain our questions.

Let me start with a general question that I think will go to any of the three groups of producers, who are looking at separate like product issues. And that's this: suppose the Commission finds that we just can't, applying our criteria, find that each of these three or four -- I guess it's now four, types of products that you all have mentioned are separate like products. Would you suggest that we instead look at the question of whether the broader range of domestic products could be divided into two products, one being mill finished products and one being everything that's further processed? Would that be a useful way for us to be looking or maybe things that are mill finished - - we discussed this with the panel this morning -- products that have parts that aren't extrusions added to them? Is there a way to draw a line down the middle instead of carving out separate products? Mr. Mintzer?
MR. MINTZER: Thank you. Sydney Mintzer from Mayer Brown. Our position would be no. From our perspective, the record is pretty complete. We put information on the record regarding the respective test, regarding injury. The staff collected all the data that it believes it needed to make a determination on domestic like product. And drawing the distinction between mill finished and everything else would not get to the core issue, at least for our products.

COMMISSIONER ARANOFF: Okay.

MR. SPOONER: Commissioner Aranoff, we'll explore that issue in our post-hearing brief. If the Commission were to decide to make such a decision, that, of course, would take care of our concerns, but I think we need to explore in our brief whether or not the record is replete enough with evidence for the Commission to make such a finding. It's probably worth noting that -- frankly, I note this, simply that the facts -- I don't mean to opine on it, but that Canada, I believe when Canada issued its order found, may have distinguished between custom shapes and standard shapes and they made a very broad division between two types of extrusion products. But, again, we'll explore it in our post-hearing brief.
COMMISSIONER ARANOFF: Okay. There's a limit to how many ways we can slice and dice the data because we have -- do have data on some things and not on others. The other question I want to pose to you, and I posed it this morning to Petitioners was whether we ought to be applying semifinished product analysis here, because at least two of the products that we're talking about here, the knockdown units and the thermal sinks, heat sinks, are further processed products, which arguably would be better looked at under the semifinished product analysis. So, in your post-hearing brief, if you could take a look at that, that would helpful, because I think there's some information we may not have with respect to value added and things like that. I see nods. Thank you.

Mr. Soucy, this morning, there was a lot of discussion about how we really ought to define finished heat sink and what other -- the testing that's done, the thermal testing that's done is really part of the definition of the product as it's understood in the industry, that makes it in the industries that consume it. It was also suggested that your company serves only a small part of the market, for what Petitioners understand heat sinks to be. Can you respond to that at all?
MR. SOUCY: I can. Aavid has been in business since 1964. We are the U.S.'s largest producer of finished heat sinks, in our opinion. Our next largest competitor of the wide range of finished heat sinks producers is Wakefield Thermal Solutions. Those are the two largest companies in the United States that make that, provide a complete thermal solution to our customers. Complete thermal solutions means collaborating with the customer on the design of the particular product that's being made, manufacturing the overall product, and doing testing of that product and validating that the actual product meets the overall design and test.

We serve a wide range of markets, which uses a wide variety of product. The product you see in front of you, there on the table, which is a finished heat sink, has been validated by a customer, tested to make sure it meets the overall thermal resistance requirements. We want that with our customer. We purchase a heat sink blank from a domestic producer. We then -- went through and did the fabrication and overall testing of that product.

COMMISSIONER ARANOFF: Now, Ms. Johnson this morning mentioned that there are applications for heat sinks outside of computer electronics related
products; she mentioned transportation and lighting as two examples. Do you serve those markets?

MR. SOUCY: We serve all markets. We are in a wide variety of markets. Our overall business is not just segregated around any particular customer or one small segment of the overall market. Heat sinks, by definition -- finished heat sinks, by definition, remove heat, remove unwanted heat that nobody wants in their overall applications. Have it be in a transportation piece of equipment, have it be in a computer, or whatever type of application it is, our business, Aavid, is the leader in that industry. We work with our customers to make sure that the thermal solution that they're buying from us is going to work in their application across many different market segments.

COMMISSIONER ARANOFF: One of the things that I think we're struggling with, in terms of the definition of this product is that the testing which is one of the things that you've argued really distinguishes this product from what a domestic extrusion producer can supply, is not a manufacturing process, Petitioners referred to it as a quality control or it can be a service that can be out-sourced to an independent tester. It's not really part of the
manufacturing process so I think we're struggling to fit that in with the way that we look at like products.

MR. SOUCY: I would respectfully disagree with that. I believe it is part of our manufacturing process. You can go to anyone of our manufacturing facilities, anyone of our design labs and our design centers, you will see this equipment. We have spent hundreds upon hundreds of thousand of dollars on training our employees on how to analyze the data out of it and how to run the equipment. It is an integral part of our company.

COMMISSIONER ARANOFF: Ms. Johnson said that she had customers that purchased heat sinks, who don't ask for and don't need thermal testing. Do you have customers that don't ask for and don't need thermal testing?

MR. SOUCY: Our customers work with us in collaborating our new designs. The overall -- our customers view Aavid as a complete thermal solution. The products that are provided by anyone of the Petitioners, that they may classify as a heat sink, I don't know what the thermal performance of that is. If they're not testing it, then we're not quite sure what the overall thermal performance of that is. It
may or may not work. Presumably, somebody has done a design on that and the application of that work, which typically is what Aavid does, as a complete thermal solution with our customers.

You would typically buy -- an OEM would not go off and buy a heat sink without knowing if it's going to work. You think about -- a computer, for example, you would not go off and buy a heat sink for a computer without knowing the overall thermal resistance of a heat sink that you have to buy, to make sure that it works. You've got to know that beforehand. You're going to go through and work with a company like an Aavid or a company like Wakefield on developing that.

COMMISSIONER ARANOFF: Okay. I appreciate those answers. I'm getting close to the end of my time so I'm not going to start another question. I'll just wait until the next round. Thank you, Madame Chairman.

CHAIRMAN OKUN: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Madam Chairman, and I join my colleagues in thanking all of you for being here today and helping us with the issues in this case. I want to begin with a question that Mr. Jones raised in his testimony earlier today,
and it's more of a legal question, but perhaps it has some factual elements to it, as well. Does it make sense, in terms of our analysis of like product, to exclude the finished heat sinks, but to include the unfinished heat sinks within the product that would be subject to the duties?

MR. MINTZER: Aavid thinks it makes perfect sense because the two products, although it may have a similar sink, are completely different products and have completely different end uses. The products that were up there today earlier, those are not products that Aavid competes against. Those could be very well into the heat sinks. I mean, we have no idea. You can't look at it and know what it perhaps is. But, the heat sink blank is basically an extruded item, perhaps some fabrication, and sometimes it's cut to length. But, it doesn't undergo any of the testing. There's no certification of thermal performance. The kinds of things you saw earlier today in the catalogs, where a finished heat sink is one that's being marketed in full, that has to demonstrate whether it's thermal performance is in the graph you saw earlier today, a blank doesn't undergo that. It is truly, and we've argued it in our brief, that product is -- that product is part and parcel of an extruded aluminum
product. But a finished heat sink is something completely different.

COMMISSIONER PINKERT: Mr. Soucy, what proportion of the value of the finished heat sink is represented by the unfinished input?

MR. SOUCY: With regards to Aavid, I believe that's in the 30 to 35 percent range, the heat sink blank to the overall value of the finished heat sink.

COMMISSIONER PINKERT: And is it your testimony, Mr. Soucy, that the unfinished heat sink could be used to make various products, not just the finished heat sink product?

MR. SOUCY: If I understand you correctly, if you're asking can a heat sink blank be used to make something else --

COMMISSIONER PINKERT: Right.

MR. SOUCY: -- I'm not quite sure why you would use it to make anything else. I guess you could use it to make a door stop or something like that. But, it really has, you know, the -- there could be other uses for it potentially; but, we procure heat sink blanks for the use in making a finished heat sink.

MR. MINTZER: May I add a point? I think -- understandably we're getting caught up in what does
finished mean and the reality is, Petitioners might call what you saw earlier as finished heat sinks. We call that, what is now before you, as finished heat sinks. Initially, what are the specs of the product? It is ultimately, it's the specifications that dictate what market it's sold into, how it's sold, and how it's distributed, because Aavid's product is not distributed the way those other heat sinks might be distributed. It's distributed through electronics distributors. To our knowledge, the Petitioner companies don't participate in that channel at all. And price is completely different.

So, every factor that you look at, we've analyzed. You have to look at the specifications, because once there's a thermal test applied to that product and that's how it's sold, it's simply different.

COMMISSIONER PINKERT: Thank you. Now, Mr. Spooner, I understand that the data that would permit us to do an injury analysis for the separate domestic-like products that you propose is not in the record at this point; is that correct?

MR. SPOONER: Commissioner Pinkert, it's partially correct. We worked with the Commission staff during the comment period on draft
questionnaires to hone the definition of the shower extrusion. We worked with Commission staff on product number five in the questionnaires and we've worked hard to respond to the questionnaires. But, we'll continue to work with staff to get better data for the Commission and staff, if needed.

COMMISSIONER PINKERT: Thank you. Now, I have a similar question to the question I asked Mr. Soucy for your clients, Mr. Spooner, and that is what proportion of the value of the knockdown unit is represented by the value of the extrusions that go into it?

MR. SPOONER: With your permission, Commissioner Pinkert, that's something we've talked about, but maybe the CFO of Basco is in a better position to respond to that question.

MR. LANGEFELS: Larry Langefels, CFO of Basco. The answer to your question, it would depend on the product line that I would describe it to you; but, on average, similar to the other Respondents, it would probably be somewhere in the 40-50 percent range.

COMMISSIONER PINKERT: Okay. Well, this next question applies both to the finished heat sinks and to the shower door extrusions. In the preliminary
phase, we defined the domestic-like products somewhat broadly. And I wonder whether we included within it products that were specially designed for particular purposes and customers, other than the products that you're here today to argue for a separate domestic-like product status for. So, I'm wondering if we exclude your products from the domestic-like products, do we have other products that are still in there, that are specially designed for particular customers and particular purposes.

MR. MINTZER: Sydney Mintzer of Mayer Brown. From our perspective, you know, we weren't -- we didn't participate in the prelim, so what's included and what was accepted at that phase is completely foreign to us. If the scope is so broad that it includes other parties, presumably by now, perhaps they would have figured that out. It's unfortunate the way folks like Aavid and others perhaps found about this investigation. But if, from our perspective, we would have been here, we'd be able to comment on that if we were mentioned in the petition as a U.S. producer, foreign producer importer. And if other parties were here advocating on their products, they would certainly have that opportunity. But whether there's other products in the scope that may
be similarly situated, we can't speak to that issue.

COMMISSIONER PINKERT: Mr. Spooner?

MR. SPOONER: Thank you, Commissioner Pinkert. First of all, of course, our coalition didn't participate in the prelim either. But, I would also add to Mr. Mintzer's point, that it's inapposite, irrelevant to the Commission's analysis. We don't know whether we're the only four products that are subject to this problem or whether there are 100 others; but, we're the ones who are before the Commission and the Commission, of course, has a duty to address our concerns. And if the scope is written so broadly that there may be other similarly situated companies, that's an issue which the Petitioners have presented to the Commission, not something which the Respondents have a cause to be before you.

COMMISSIONER PINKERT: Thank you. One more question in this round for Mr. Mintzer. You suggest that the channel distribution for finished heat sinks is distinguished by the fact that you sell to electronic equipment manufacturers. And what I'm wondering is whether that is a channel of distribution or whether that's a customer type or end user type or some other sort of category.

MR. MINTZER: Well, we actually -- Sydney
Mintzer, Mayer Brown. We actually made a couple of
different points with respect to channels. We do sell
to OEMs, the Ciscos, the IBES, and so forth. But, we,
also, sell -- that's further evidence that we sell
through a unique channel. We identified specific
electronic distributors. And you can go on line to --
and we'll present this in our post-hearing brief --
you can go online and look at electronic distributors,
folks that only sell electronic components, and you
can go and see their list of suppliers. We're there.
Wakefield is there. None of the Petitioners are
there. They're just not there. Others --
semiconductor suppliers are there, but no one else.
There are no other aluminum extrusion suppliers. So,
we clearly sell to a completely different category of
customer, even distribution channel, as well as for
end users.

COMMISSIONER PINKERT: Thank you.

CHAIRMAN OKUN: Thank you, again. Let me
stay with heat sink. When you responded earlier about
the value added on finished heat sinks, in the range
of 30-35 percent, can you help me understand, is that
really just any -- those that you're saying that you
say tested? What I'm trying understand is -- the one
we have in front of us, the heat sink in front of us,
and we have the Petitioner's product, they have the
same -- they have all that. So, I'm trying to
understand where the value added is between -- that
you're describing, if you're able to talk about that
in open session.

MR. SOUCY: Yes. There's a few things with
that particular finished heat sink that is up in front
of you. One, the backside of it has been really
precisely machined as you can tell. Electronic
components and all those individual little pockets
that you see, this particular product is used in a
cellular application, okay. So, there's a whole bunch
of electronic components that are extremely precise.
The electronic components are very, very precise.
They'll fit into those components, then gets flipped
off and gets bolted into the overall application that
it's being used in. So that particular product has
gone through design validation, application
validation, and testing, to make sure that those
electronic components are going to work and perform
with the proper air flow flowing over the pins on the
backside.

CHAIRMAN OKUN: Okay. So, those are your
customer specifications?

MR. SOUCY: Correct.
CHAIRMAN OKUN: Okay.

MR. SOUCY: And we use a wide range of equipment to do that, from taking a heat sink blank, going through all the manufacturing processes to it; to, at the same time before we even got the heat sink blank, working with customers in a simulation environment, using computational fluid dynamic software, which costs a tremendous amount of money to simulate their environment; and then coming through the post-blank process, through manufacturing, which includes the fabrication, the finishing, and the overall validation of testing.

CHAIRMAN OKUN: Okay. I appreciate that and I'll look forward to the post-hearing brief on that, as well. Then, I'll direct this to counsel, it's a little bit unfair and I appreciate where your clients are, in terms of, I think realizing late in the game that they were impacted by the scope of this case. One of the points raised by Petitioners this morning is that in looking at Commission precedent and what you provided in your briefs, you couldn't cite to cases where the Commission knows the type of dividing lines that you're proposing. So, I wanted to give an opportunity for you to respond to that because, on the one hand, I've sat through a lot of these hearings, we
often have a steel product, let's say a steel product, where you have big fat steel products, not very refined, and then you have these highly alloyed, very, very tight specifications, what goes in are much different, cost a lot more to produce, and they're often in the same like product. So, help me a little bit. I know you proposed dividing lines of these things are clear, but is there anything else you would add that you could tell me today to help the Commission feel comfortable with the product of like-products you propose? And I'll start with you, Mr. Mintzer, and then go back to Mr. Spooner and Mr. Mitchell, if you wanted to add anything.

MR. MINTZER: Sure. Sydney Mintzer, Mayer Brown. Well, first off, it's always a factual exercise, so understanding the facts -- that facts that are here are the facts before us and we're not in the lumber case. We're not in other cases, where you have a broad continuum of products. With what you all have, as the Commission has stated previously on the issue, I think I'm going to defer to post-hearing brief because I think we want to give you a complete answer and I'm fairly certain I can't give you one off the cuff.

CHAIRMAN OKUN: Okay. Mr. Spooner?
MR. SPOONER: Just briefly, Madam Chairman, a similar answer, of course. As the Commission knows, these are case-by-case decisions and it's an issue, which we'll respond to further and examine further in our post-hearing brief. But, I probably should only briefly mention that my gut reaction this morning was that Petitioners had assumed, arguendo, at the risk of paraphrasing the other side, but I think I'm paraphrasing fairly, they assumed it was a continuum and argued to the Commission that we had not given the Commission to reason to distinguish these cases from external factors as refusing to find separate like products when there's a continuum. And I think it's fair to say that, frankly, both our clients and the heat sink folks will argue that there isn't a continuum here and that our cases sit fairly well and to existing separate like-product precedent.

CHAIRMAN OKUN: Okay. Mr. Mitchell, would you like to add anything?

MR. MITCHELL: I would concur with other counsel in that regard. And as I indicated in Floturn's statement the OPC product is totally different and outside -- we're aware of the scope of the industry as aluminum extrusion process. We would like to supplement that definition in our brief.
CHAIRMAN OKUN: Then let me ask you this, and I don't know. I'll start with Mr. Cobb because I think he was talking about the bright finishes in his statement. The witnesses this morning, including Ms. Johnson, I remember specifically talking about, and I think other witnesses as well, other producers as well saying that they have the capability to do the bright finishes, they do the bright finishes, but it's a matter of these processes, and so if the customer wants that, they can do that.

They don't lack machinery, processes or anything to do the types of finishes. The jewel, they described is not an industry term, this jewel-like finishes, but help me understand that because they cited to the very specific things that also require very bright finishes, not just the shower doors.

MR. COBB: Bill Cobb with Coastal Industries. My experience, and it goes back better than 50 years, is we look for consistency in our finishing, and it not only has to do with batch-to-batch finishing, but it has to do with shipment to shipment, and it goes further than that. It goes deeper than that. In some of these finishes, you have to have a brushing.

In brushing, you have the problem of the
depth of the brush, the width of the brush as well as the tint of the metal, and each one of these things lends itself to whether it's going to match or not match, but it's all consistency, and every single shipment has to be the same as the one before it.

CHAIRMAN OKUN: And do you think that's different than, and I should have looked specifically at my note, I have in mind now she was talking about the grills on trucks, so either you have bright shiny components that were aluminum extruded, they have finishes. Would that not require the same consistency that you're talking about?

MR. COBB: No. In a shower door, shower enclosure, the person that owns that shower door gets up, and he gets into his shower, and he's at eye level with that shower door, and he's six to eight inches away from it, and they're looking at it with a very, very high degree of criticism, where on a truck grill, it's a completely different animal. The demand for perfection in these finishes just is beyond a lot of people's comprehension.

CHAIRMAN OKUN: Along that same line, and I think stay with the shower door manufacturers on this. The producers had discussed other places where tolerances are also very, very specific. In other
words, if you're building the casing that goes on the outside of a commercial building, and you're fitting glass into that, you are also talking about very, very narrow tolerances. Do you think that's different for a shower door than it is for a commercial building?

MR. COBB: Yes, ma'am. We have many of sections which snap together, and we had one instance where we had like 800 units going to Indiana where the tolerance was off like an eighth of an inch, and it was from a domestic supplier, and that becomes a very, very large cost for us because as opposed to price, cost has to do with rejects of metal and field failures, and so it becomes very critical for us that once we ship material, we don't need field failures, and we've experienced that firsthand.

CHAIRMAN OKUN: So that's more of a quality issue as opposed to the product itself, do I understand you correctly? Then, then other words you're saying that the product that was produced failed, not the product was different?

MR. COBB: It's a quality issue as far as the angularity of that particular extrusion was concerned.

CHAIRMAN OKUN: Okay. May time's expired. I'll have a chance to come back. Thank you very much.
for those responses. Vice Chairman Williamson?

VICE CHAIRMAN WILLIAMSON: Thank you, Madam Chairman, and I do want to express my appreciation to the witnesses for coming this afternoon and giving your testimony. Mr. Soucy, one thing I wanted to get clear, if we take this heat sink right here, it's been designed, you've done all the tests, you've got certain certifications. Now, suppose you make 1,000 of those. Are you going to do all the same testing on each one of those, or is it once you're making it to the specifications, and you know that satisfies the customer, the next 100, you may test every 100 or every 500, but are you testing everyone for that?

MR. SOUCY: No, not for that particular one. No.

VICE CHAIRMAN WILLIAMSON: Okay. So why couldn't another company who can make the product to all those specifications hire somebody to run all the tests and be a separate service provider, what prevents them from competing in this market?

MR. SOUCY: When OEMs, such as a Dell or the Motorola or whatnot, when they're generating their products, they come to an Aavid for their complete thermal solution. They don't go to one of the Petitioners for a complete thermal solution. We
provide that complete thermal solution including the
design and the manufacturing. The testing is part of
the manufacturing and all the validation with the
customer. There are --

VICE CHAIRMAN WILLIAMSON: I understand
that, but my question is could another company set up
and say I'm going to be a service company, and I'm
going to run all the tests and give the product the
same certification that you do, could they participate
in the business? I'm not talking about there's
reputation and all that kind of stuff, but why can't
that happen?

MR. SOUCY: They would be setting up
basically a design facility or design house,
invalidation house, which is possible. That's a large
chunk of our business today.

VICE CHAIRMAN WILLIAMSON: Yes.

MR. SOUCY: It's a large chunk of
Wakefield's business today, and then they would be
going to various types of other manufacturers to
provide them with a heat sink blank in post validation
in manufacturing.

VICE CHAIRMAN WILLIAMSON: Yes, so whether
or not it's going to be cost-effective, whether or not
they compete with you is another matter, but I just
wanted to make sure I understood. The heat sink that
you're talking about is not one that you test every
one?

MR. SOUCY: Not that particular one, no.

VICE CHAIRMAN WILLIAMSON: Okay. Yes, and I
imagine there probably are some that are so
specialized that you may have to do that.

MR. SOUCY: Absolutely.

VICE CHAIRMAN WILLIAMSON: Yes, but I just
wanted to understand sort of what the role of the
manufacturer is and what kind of additional services
they may be providing. Okay.

MR. MINTZER: Commissioner Williamson?

VICE CHAIRMAN WILLIAMSON: Yes.

MR. MINTZER: I just wanted to add one. There's a difference between what's theoretically
possible and the way the market actually works, and at
least today, the market doesn't work as you've
hypothesized, so I think we have to deal with the way
the sort of the market is the way the market is, and
the way you've described the market, to my
understanding, isn't the way it actually functions,
which is why you only have the Aavids and the
Wakefields out there doing this kind of work for the
most part.
VICE CHAIRMAN WILLIAMSON: But somebody could innovate. Somebody could come up. I mean, there's nothing theoretically why it couldn't happen, and that's what I wanted to understand because we're not talking about the definition of a product as opposed to what the testing. Okay. Let me move on though. Okay. Mr. Mitchell, where do you obtain the input aluminum for your products? I'm sorry?

MR. MITCHELL: Yes. I'm sorry.

VICE CHAIRMAN WILLIAMSON: Okay. I was wondering where do you obtain the input? I guess what you're doing I take it is putting your produce OPC inside some kind of aluminum extrusion, and that's what you sell to your customers?

MR. MITCHELL: We. We full-term purchase the OPC tubes from only one supplier in the United States that's capable of producing the OPC tubes currently.

VICE CHAIRMAN WILLIAMSON: Okay. So do they get the tubes from the U.S.?

MR. MITCHELL: Yes, sir.

VICE CHAIRMAN WILLIAMSON: And if it's not proprietary, what's the value of the tube versus the value of the end product?

MR. MITCHELL: I'd like to supply that.
VICE CHAIRMAN WILLIAMSON: Sure. That's fine.

MR. MITCHELL: Thank you.

VICE CHAIRMAN WILLIAMSON: Now, are all of the extrusions, all of those products coming from the U.S., or are some coming from other countries, too?

MR. MITCHELL: Floturn was in the process of trying to arrive at a secondary source for its OPC tubes, and at the point and time of this proceeding, the initial test shipment was picked up by customs as being part of the scope. That's how Floturn was aware of this proceeding.

VICE CHAIRMAN WILLIAMSON: Okay. So the problem for you is if orders go into effect, then you're having those secondary sources are going to be --

MR. MITCHELL: There will be not a secondary source as well as no secondary source. Also, Floturn's product itself would be then subject to the order.

VICE CHAIRMAN WILLIAMSON: But I thought your product is complete here, or is it imported?

MR. MITCHELL: But it is just that. It's a photoreceptor drum that then goes into a printer.
VICE CHAIRMAN WILLIAMSON: And that's brought in from overseas?

MR. MITCHELL: It is not know, but if the order goes into effect, that probably would be the effect which is all printers would come in imported rather than produced here in the United States.

VICE CHAIRMAN WILLIAMSON: Okay. I see, so you would then be competing with someone who's bringing in the whole product in from overseas?

MR. MITCHELL: Yes, sir, which would be very unfortunate. That's why we said we're an industry of one, and Floturn's industry would be then injured where there is no injury currently. There's not a pricing issue with regard to price comparison because the OPC tubes are not purchased based on price. They're based on the proprietary nature of the OPC tube itself. It's proprietary. No one else in the United States can generate that OPC tube of which Floturn then uses to make the OPC substrates for the printing industry.

VICE CHAIRMAN WILLIAMSON: But doesn't it mean that if you were to continue to make that in the U.S., if is proprietary, nobody could, unless you license them, to ship it into the U.S.

MR. MITCHELL: Yes, sir. Unfortunately, the
proprietary, it's my understanding, is owned by one company.

VICE CHAIRMAN WILLIAMSON: Okay.

MR. MITCHELL: Which we have no control over.

VICE CHAIRMAN WILLIAMSON: Okay. Okay. Thank you. That's helpful for understanding the problems. Mr. Cobb, you've stated that two domestic companies have told you that they cannot supply you with the quality of products you need. Do you have any documentation on this that you could submit post-hearing?

MR. COBB: Yes, sir. We could provide that.

VICE CHAIRMAN WILLIAMSON: Okay. And also I was wondering to what extent is it that they can't provide the product, or is it that they can't provide it at the price that you want or need? The Petitioners this morning made this statement.

MR. COBB: Well, the question we ask is can you provide us with the material, and the answer was no.

VICE CHAIRMAN WILLIAMSON: Okay. So you're saying it's not a matter of price?

MR. COBB: And one was one of the Petitioners.
VICE CHAIRMAN WILLIAMSON: Okay.

MR. COBB: There was one that was not a Petitioner, but we can back that up, yes, sir.

VICE CHAIRMAN WILLIAMSON: Okay. And I think any documentation would be helpful for us to understand the issue.

MR. COBB: Yes, sir.

VICE CHAIRMAN WILLIAMSON: Also, Congressman Smith said in the statement provided says that most domestic suppliers have stopped production of the required extrusions as a result of onerous and heavy-handed EPA regulations, and I wondered if anyone could elaborate on that statement, the basis for that?

MR. RHODE: Mr. Vice Chairman, I can.

VICE CHAIRMAN WILLIAMSON: Sure. Okay.

MR. RHODE: I'm George Rhode with Basco. We have seen a decline in extruders producing bright-dip anodize over my 30-year career due to harsh EPA regulations that do not allow startups today for bright dip anodizing. I believe the only way you can bright dip is if you currently own a facility or you're grandfathered in, but you cannot start one today, and for our industry, there are very few choices of supply.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
My time has run out, but if there's anything post-
hearing you can submit, and I also invite the
Petitioners if they have some comments on this
problem, to submit it also. Thank you.

CHAIRMAN OKUN: Commissioner Lane?

COMMISSIONER LANE: Good afternoon and thank
you for being here. I have to preface my questions by
saying that at this point I am thoroughly confused,
and I think that you have probably answered all of
these questions, but because I'm so confused, I'm not
sure, so let's go back to the beginning. What
normally we would have thought of was one like
product, we are now up to four like products, or are
we only up to three? We have the Petitioners and
their like product, and then we have shower doors as a
proposed second like product and the heat sinks as a
third like product, and then, Mr. Cobb, over here, you
have a fourth like product?

MR. MITCHELL: Mr. Mitchell, ma'am.

COMMISSIONER LANE: I'm sorry.

MR. MITCHELL: That's okay. Organic
photoreceptor photoconductor substrates, ma'am.

COMMISSIONER LANE: Okay. All right. Now,
so of the aluminum extrusion part of your industries,
how much of that are you importing from China? Let's
start with Mr. Soucy? I can't really see that far.

MR. SOUCY: Mr. Soucy is correct from Aavid.

First of all, we don't import, very, very
infrequently, what we would call heat sink blanks,
which would be what the Petitioners would be providing
us as raw extrusion. We import finish heat sinks.

COMMISSIONER LANE: Okay. So how much of
your finished product do you import?

MR. SOUCY: Can I get back to you on that?

I've just got to go back and look at my notes.

COMMISSIONER LANE: Yes, that'll be fine.

MR. SOUCY: Thank you.

COMMISSIONER LANE: Mr. Mitchell?

MR. MITCHELL: Yes, ma'am. The OPC
substrates, there was one test shipment of
approximately a couple of containers. That was it
within the petition period. With respect to the
substrates themselves, Floturn has not imported any of
its substrates, to my knowledge.

COMMISSIONER LANE: That was before the
petition was filed, or after the petition?

MR. MITCHELL: Both before and after.

COMMISSIONER LANE: Okay. Thank you. What
about Basco?

MR. RHODE: Well, if we're talking about
finished product, we manufacture 100 percent of finished product in our Mason facility. If we're talking about lineals, we purchase about 60 percent of our lineals from China and about 40 percent domestic.

COMMISSIONER LANE: So if we found one like product, 60 percent of what you buy would be affected? I mean, the product that you buy, 60 percent of that would be affected by our finding one like product?

MR. RHODE: Sixty percent of the lineals that we buy that make up our product would be affected.

COMMISSIONER LANE: Right. Okay. Now, Mr. Cobb?

MR. COBB: We import no finished goods from China. At no time since we've been importing raw materials have ever imported in excess of 50 percent.

COMMISSIONER LANE: So the unfinished, you have done up to 50 percent?

MR. COBB: Up to 50, probably close to 50.

COMMISSIONER LANE: Okay. Thank you. That has been very helpful. Now, are any of you aware of any domestic producers that have shuttered or shut down completely that one time produced heat sinks?

MR. SOUCY: Norm Soucy from Aavid. Not that I'm aware of.
COMMISSIONER LANE: Now, from 2007 to the present time, have your imports changed in quantity or in characteristics?

MR. SOUCY: Yes, they have in terms of quantity. We can provide some more details on that in our post-brief as it's more confidential information.

COMMISSIONER LANE: Okay. Thank you. Mr. Mitchell?

MR. MITCHELL: And I would like to supply that information in the brief.

COMMISSIONER LANE: Okay. Mr. Cobb?

MR. COBB: I would like to do the same, please, ma'am.

COMMISSIONER LANE: Okay. Mr. Rhode? You can be different. You can tell me right now if you'd like.

MR. RHODE: I believe our quantities have reduced based on economic conditions in the marketplace. The characteristics of the product have not changed.

COMMISSIONER LANE: Okay. So quantities have reduced, but has the percentage reduced?

MR. RHODE: The percentage of?

COMMISSIONER LANE: Of your total?

MR. RHODE: I think that remains the same I
believe.

COMMISSIONER LANE: Okay. Okay. Thank you. All right. Now I'm unconfused, and so I thank you for that. The Petitioners talk about standard shapes that are generally made from dyes that every producer has in stock such that the shape is not unique and not proprietary to the customer, and if one were to modify a standard shape slightly in response to a customer request, that extrusion arguably would become a custom shape even though it was virtually indistinguishable from a standard shape. Do you believe this statement applies to the aluminum extrusions used in KD kits, shower door extrusions, and/or heat sinks versus standard shapes?

MR. SPOONER: If I could just very quickly kick it off, Madam Commissioner, because of course this is a question better answered by industry I think, but I think our short response to that would be that KDs are far more than slight modifications to standard extrusions.

COMMISSIONER LANE: Okay. Mr. Rhode?

MR. RHODE: I would say that the extrusions that we work with are highly customized shapes and very specific to a product line that we might produce. For example, this bar shape that has a curve on it at
the table, that's very specific, and we actually took
that shape to our domestic extruder and asked him to
make that for us, and he declined. We did find our
suppliers in China willing to make that, and it's a
very important product for us today?

COMMISSIONER LANE: Why did the person
decline?

MR. RHODE: It was too sophisticated for
their equipment to put that bend in that piece. They
weren't able to do that.

COMMISSIONER LANE: Okay. Thank you. Mr.
Cobb, do you have anything you'd like to add?

MR. COBB: I would say that our business is
much like Mr. Rhode's, and all of our shapes are
unique and proprietary shapes, and we use no standard
shapes.

COMMISSIONER LANE: Mr. Mitchell, is this
question applicable to your industry?

MR. MITCHELL: Ma'am, OPC substrates and OPC
tubes would bear no resemblance to that question.

COMMISSIONER LANE: Okay. Thank you.

MR. LANGEFELS: Ms. Lane, may I add one
thing to Mr. Rhode's and Mr. Cobb's responses?

CHAIRMAN OKUN: Yes. Please turn on your
microphone.
MR. LANGEFELS: I'm sorry. Larry Langefels with Basco. I wanted to add one thing to Mr. Cobb's and Mr. Rhode's comments, and that is that if you used Basco's extrusions with Coastal's extrusions, they would not match. No matter how hard you tried, you could not match it. That is the uniqueness and the sophistication between the models.

MR. RHODE: And that is a comment statement from shower door manufacturer to shower door manufacturer. We are all unique and different in the products that we provide, and that is created by the unique shapes in our designs.

COMMISSIONER LANE: Okay. Mr. Soucy, I've a real quick question. I need to know how many heat sinks you have actually imported from all sources and that should include characteristics and quantities, and I'm interested in knowing how much further fabrication that you have to do to each imported piece and who supplied you before you imported from China?

MR. SOUCY: Let me answer the last question first.

COMMISSIONER LANE: Okay.

MR. SOUCY: Norm Soucy from Aavid. I believe the question was who is our supply from China?

COMMISSIONER LANE: Yes.
MR. SOUCY: Our supply from China is our Aavid Thermalloys China factories that we have in China.

COMMISSIONER LANE: Okay.

MR. SOUCY: The other information I believe is business confidential information that we can supply in the brief.

COMMISSIONER LANE: Okay. So you've always gotten your product from China and never from another country?

MR. SOUCY: In the last few years, yes.


CHAIRMAN OKUN: Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Madam Chairman. I also am pleased to welcome this panel. It gets to be a long day, and I appreciate you hanging in there. Mr. Soucy, let me just ask to clarify one thing that you had said earlier in response to another question that had to do with the percentage of value added. You get a blank, and then you do lots of finishing steps to it and then sell it. What percentage of the value added is done in your finishing process? What percentage of the final price, the final value is added by your process.
MR. SOUCY: By our operations?

COMMISSIONER PEARSON: Yes.

MR. SOUCY: I believe 100 percent of it if I understand your question correctly.

COMMISSIONER PEARSON: No, then I asked the question poorly, but this has been one of those days. Let me ask it the other way. Look at the sales price for your product. How much of that price is made up by the blanks that you had to buy?

MR. SOUCY: Okay. I believe that's in the 30 to 35 percent range.

COMMISSIONER PEARSON: Okay. So the value that you're adding then is kind of two-thirds of the total value of the finished product? Okay. So the large bulk of value of your finished product is something that you are adding in your operation?

MR. SOUCY: Yes. I'm sorry for confusing your question.

COMMISSIONER PEARSON: Okay. You take the raw blank and add value on top of it. Okay. Like I say, it's getting to be late. Mr. Mintzer, this is probably for your because Mr. Soucy won't have seen the data in Table E-1. Okay. Do those data accurately reflect what you understand to be the finished heat sink industry?
MR. MINTZER: There are two issues. In terms of does it reflect for the most part -- I'm thinking only to be careful about what I say because so much of that is proprietary. The answer is yes. The only caveat I have is that the unit of measure was reported for Commission purposes in short tons, but the industry actually sells products in pieces, and so because of that conversion, sometimes there are idiosyncrasies as a result of that, but as a general matter, the quantity and values reflect the industry.

COMMISSIONER PEARSON: Okay. Thank you, and do you know does that table basically just include heat sinks that are manufactured for the electronics industry, or does it also include some other types of heat sinks?

MR. MINTZER: I'm Sydney Mintzer, Mayer Brown. Just to clarify because I don't have the table numbers in my head, are we speaking of the trade data or the financial data?

COMMISSIONER PEARSON: We are talking about --

MR. MINTZER: Because there's a different answer.

COMMISSIONER PEARSON: Right. This is again Table E-1, Finished Heat Sinks, U.S. Producers Summary
Data, and that's the table heading. I don't think that's business confidential, so I think --

MR. MINTZER: No. The trade data in there, the quantity and value data reflects finished heat sinks.

COMMISSIONER PEARSON: Finished for the electronics industry or for some other purposes as well?

MR. MINTZER: For the electronics industry to my knowledge, meaning all of our heat sinks are reflected in there.

COMMISSIONER PEARSON: Okay. Let me just clarify. Mr. Soucy, does Aavid manufacture heat sinks for anything besides the electronics industry?

MR. SOUCY: I think I need to provide a little bit of a clarity on that answer because a heat sink is used to cool down electronic components, so by definition, any heat sink is used in the electronics industry.

COMMISSIONER PEARSON: So you would manufacturer a heat sink for like say a manifold cover for an internal combustion engine that might have fins to radiate heat. You don't do that?

MR. SOUCY: Which would be called a heat exchanger, and we do not manufacture heat exchangers,
like as you would have a heat exchanger in your car, for example. Okay. That's not the business that we're in.

COMMISSIONER PEARSON: Okay.

MR. SOUCY: Anything that basically electronic components on it, which can be in a wide range of industries from computer servers, transportation, solar, medical, military, aerospace, all have some form of electronic components that need to be cooled down. Heat sinks cool down those electronic components.

COMMISSIONER PEARSON: Okay. And when the Petitioners talk about heat sinks, do you believe they also are talking about something that cools down an electronic component, or is their definition somehow broader?

MR. SOUCY: Based upon the product that was put on the table this morning, and not knowing the end use of that product and what its overall thermal performance requirements were, I cannot really comment beyond that.

COMMISSIONER PEARSON: Well, that's fair enough. Mr. Jones, for purposes of the post-hearing, could you please add whatever clarity you can for that to find out whether your coalition counts as heat
sinks something that has a non-electronic use?

MR. JONES: We will do so, Commissioner Pearson.

COMMISSIONER PEARSON: Thank you very much, and I apologize for not asking that earlier. Shifting to pricing product No. 7, which has this specification listed, and we could talk about it here because it's public, it does not mention thermal testing as one of the criteria of that product, so help me understand. Shall we consider that a finished heat sink or a partially fabricated heat sink or what is that?

MR. MINTZER: Product 7 is a finished heat sink, and it's subject to thermal testing.

COMMISSIONER PEARSON: Okay. So it would have been thermally tested even though those specific words did not appear in the product description?

MR. MINTZER: That's correct.

COMMISSIONER PEARSON: Okay. Thank you for that clarification. Okay. Now, the Petitioners have given us the guidance that some portion of the heat sinks that they manufacture are not thermally tested. Based on the way the Commission has drawn dividing lines, is it possible that thermal testing itself could be a dividing line within the universe of heat sinks?
MR. MINTZER: Well, I'll pass it to Norm, but absolutely that's our view, that the defining product characteristic is the fact that the product undergoes thermal testing.

MR. SOUCY: Norm Soucy from Aavid. We pride ourselves on the fact that we provide thermal solutions that we know work. If we didn't provide a thermal solution that didn't work, we wouldn't have been in business for almost 50 years by now, so having a thermal test as the dividing line just makes common sense to us in the industry. Remember, there's only a couple of people in the United States that are truly in the complete thermal solutions industry, Aavid and Wakefield, so having that thermal test, which is what we do, it's part of who we are, makes complete sense.

COMMISSIONER PEARSON: Okay. And I know you're tempted then to take the next step and say it's a clear a dividing line even though it's adding a service largely to the product, it's as clear a dividing line as taking a piece of glass and putting it with a shower kit, but I don't know that I want to get into that right now.

MR. MINTZER: May I just add one point in terms of the service?

COMMISSIONER PEARSON: Please.
MR. MINTZER: It's a product spec, so in order to sell the product into the industry that we sell it to, it has to be specked, and that spec is what appears on the product literature. Therefore, the product can't be sold as a thermally tested finished heat sink unless it has that specification, so you're not distinguishing based on whether it's a service or not. You're distinguishing based on the fact that there are certain specs required for finished heat sinks that are not required for anything else.

COMMISSIONER PEARSON: That it would be certified as meeting customer requirements once it has that step? Okay. Well, I think echoing what Commissioner Aranoff and perhaps others have said, help us to understand based on our past practice and how we have looked at these issues how that dividing line would be similar to something we've done before, if possible. Madam Chairman, my time is nearly expired. I think I better quit while I'm ahead here. Thank you.

CHAIRMAN OKUN: Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Madam Chairman. In response to questions from my colleagues, a number of you testified that a domestic
producer had declined to make something for you because they couldn't meet your tolerances or for some other reason, so for each witness who testified to that effect or who's had that experience, could you please tell me how many domestic producers did you ask to make something for you before you turned to a Chinese supplier because the domestic industry has told us there's more than 100 domestic producers out there?

MR. RHODE: George Rhode at Basco. We always think our industry is very unique and different than everybody else, and I still believe that, and in this case, it is as well. First of all, for us to use multiple sources of supply, either domestic or foreign, does not make sense for us because of the cost of the dyes that we have to produce. We have over 100 different shapes, so each one of those shapes requires a dye. Dye costs could range for all of our shapes anywhere from $100,000 to 250,000 depending on how sophisticated the shapes may be, so we really rely on developing a partnership.

For Basco, it's one domestic supplier. We try to pick the best one for more than one reason because for us to spread our volume around to others, we won't get those price breaks from the domestic

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supplier if we use multiple sources, so our supplier
yes, they do not supply us everything we want. As far
as design goes, they do not produce design. As far as
thin-walled extrusions for more competitively-priced
products, they do not produce that for us. They have
refused to do that for us.

This shape that I mentioned earlier, they
also would not do that. For us to take just that one
product and shift it to another domestic supplier is
going to be very difficult for us. We have to give
substantial business along with that, and we find it
challenging.

COMMISSIONER ARANOFF: Okay. I'm a little
confused by that answer because you testified in
response to a question from Commissioner Lane that you
have some percentage of your lineals I guess that
you're buying domestically and some percentage that
you're buying from a Chinese supplier, so you're
already splitting your business.

MR. RHODE: That's correct.

COMMISSIONER ARANOFF: So what you're
telling me is two suppliers okay, but I can't afford
to make a dye to give to a third supplier, is that
what you're saying?

MR. RHODE: But it goes towards the answer
we have to find the right vendors that are going to supply us the products we need, and that's not true for our vendor here in the United States. We can't get all the products we need from them. They have refused to make them.

COMMISSIONER ARANOFF: Okay. Well, let me try turning to -- is that Mr. Langefels there?

MR. LANGEFELS: Yes. Larry Langefels with Basco. I can add to that, ma'am. When you have two different suppliers, we have to have multiple sources. It's just good business practice in case one supplier fails for whatever reason. The investment that Mr. Rhode's talking about is cost-prohibitive to do it through multiple vendors in our case.

Also when you referenced a 100 different suppliers, that may be true in the broad sense of aluminum suppliers, but not true with those that offer the bright dip anodizing capacity, so that is a much more limited number that's available in the United States. It's probably a handful or maybe a little more than that.

COMMISSIONER ARANOFF: Okay. Okay. That's helpful. Let me turn to Mr. Cobb.

MR. COBB: Well, I would echo exactly what George Rhode has said and Larry Langefels. In fact, I
was getting ready to raise my hand with the answer he just provided as far as the number of aluminum producers in the U.S. There's only a very, very limited supply of people that do bright dip, and so that kind of limits all of our options.

COMMISSIONER ARANOFF: Okay. Okay. Let me turn to Mr. Soucy.

MR. SOUCY: Good afternoon. Norm Soucy from Aavid. Two comments on this. First of all, the instance where we had one of the Petitioners actually refused to make the product to our specification based upon the overall dimensional requirements that were one it was one of the Petitioners. However, for our domestic manufacturing where we procure heat sink blanks from suppliers in the United States, virtually 99 percent of that, if not close to 100 percent, is procured from domestic extruders for our manufacturing in Laconia, New Hampshire.

We import very, very little, maybe one or two shapes which we had specific issues related to the overall dimensional issues that were not able to be met where we'll input those heat sink blanks from a foreign source.

COMMISSIONER ARANOFF: Okay. Mr. Mitchell, do you have anything to add on this subject?
MR. MITCHELL: No, Ma'am, I would have to inquire.

COMMISSIONER ARANOFF: Okay. Then let me follow up on that first question by asking each of you, that my understanding is not every domestic producer might be qualified to make what you want.

And I understand that, and I understand that many of you prefer to have more than one supplier, but not too many because of the dye cost issues. So I have followed you that far. So my next question to you is in each of your cases how did you find your Chinese supplier?

Because in some instances, we find that companies basically go out on a global search for an overseas supplier that can meet their specifications, and in other cases, this supplier comes to you and goes, hey, did you know about us. We can make your product. Would you like to try us out.

So do either of these stories fit your situation? Mr. Rohde, do you want to start?

MR. ROHDE: Yes. Our supplier came to us because the gentleman who sold for that foreign supplier came out of the domestic industry here in the United States. So we learned of them through his participation in their business.
COMMISSIONER ARANOFF: Okay. Mr. Cobb.

MR. COBB: In our case, we contacted a consultant that had vast knowledge of the Chinese aluminum industry, and made trips to China, and had interviews with the folks over there.

COMMISSIONER ARANOFF: Okay. And now Mr. Soucy. You said that you only import very few blanks, and so I don't know if you even want to answer this question, but you are welcome to.

MR. SOUCY: We've been manufacturing in China for 13 or 14 years now. So we know who they are, and we have an established relationship.

COMMISSIONER ARANOFF: Okay. Thank you very much. Mr. Spooner, my understanding from the Staff is that we have not yet received a questionnaire response from one of the SDMA member companies, and in addition, that there are deficiencies in the data that were provided by some of the other member companies that staff has inquired about.

So I just wanted to ask you for the record whether you are going to be able to supply Staff with the missing questionnaire, and resolve the data deficiencies in a timely manner?

MR. SPOONER: You bet. As with any coalition, some of the company members are more
energetic than others, but on the whole, we have
worked very hard, and with the laggard, we will -- how
do I put this in a legal way, we will put them in a
headlock and get an answer out of them for you.
And we will work with Staff to correct any
misunderstandings, or to correct anything that needs
to be clarified or corrected.

COMMISSIONER ARANOFF: We appreciate that.
I mean, we are sympathetic to the fact that this issue
came up late for your clients, but on the other hand,
it does not do us any good to find a separate like
product if we don't have the data to break out. Okay.
Thank you very much, and thank you, Madam Chairman.

CHAIRMAN OKUN: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam
Chairman. I just have a few follow-up questions. Mr.
Rohde, you testified that some of the domestic vendors
will not provide all the services that you need in
connection with the purchase, and I am wondering
doesn't that come down to price?
In other words, doesn't it come down to
whether included in some base that you would get the
services that you want?

MR. ROHDE: George Rohde of Basco. I wold
have to say that is not the case for us. It comes
down to quality and consistency that we receive from our vendors. I have been in this business for quite a long time, but up until five years ago, in my whole career, we used one domestic aluminum extruder.

For years, we fought quality issues, and we were not sure if it was the condition of the industry, or it was the condition of our supplier, or we could find better quality. But we stayed with this supplier for many, many years.

And it wasn't until we took our business to China that we learned the great difference between what we were receiving domestically in quality, and what we received in China. It was a much higher grade of quality, and more consistent finish.

The tolerances were exact. They did not let the dyes wear, where the tolerance got too thick. It was just a much better overall consistency in keeping their promise to us as a supplier.

MR. SPOONER: Commissioner Pinkert, if I could quickly -- and because I think it would be helpful, but I have heard these guys talk about how they track reject rates between Chinese suppliers and domestic suppliers.

And I think that we will have to back it up with documentary evidence, but it might be helpful if
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they could convey the relative reject rates.

MR. ROHDE: Yes, there is a significant
difference in the reject rate that we receive. From
China, it was under one percent, and in our domestic
supplier, it was four to five times that amount.

So again we try to support our domestic
suppliers. We always have. We do give them business,
and we want to give them business. However, the
quality issues continue to force us to look elsewhere.

MR. LANGEFELS: Larry Langefels with Basco.

Mr. Pinkert, I would like to add one other thing there
to Mr. Rohde's comments, and it was in the
Petitioners' comments where they mentioned how they
can do very high volumes.

They have a machine that they can punch and
put eight pieces of aluminum across and punch eight
holes in all at once. So they want to build off of
high volume. We can't purchase in those volume type
quantities.

And they are inflexible with those
quantities. They require us to order an entire
druckload of certain product, versus we can sit there
and have separate smaller quantities with our other
suppliers.

But additionally we also had with our

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domestic supplier, we wanted to compete in the market
with the big box retailers, which have very thin wall
type shower extrusions for their shower doors.

It is a much cheaper door, and they were
unwilling to work with us to come up with that thin
wall extrusion, versus we were able to go outside the
United States and find that answer.

COMMISSIONER PINKERT: Mr. Rohde, perhaps I
misunderstood your testimony earlier, but I thought
that you had said that the vendors, the U.S. vendors
that you were talking about, refused to provide
certain services in connection with the transaction.

That would be apart from the quality issues
that you have talked about, but that they simply
wouldn't provide certain services. Is that correct?

MR. ROHDE: Engineering is a good example of
that. When we look to design new products, we get a
lot of assistance from our suppliers in China with
that design. They pretty much leave that up to us.
The domestic suppliers pretty much leave that up to us
to figure out.

COMMISSIONER PINKERT: Again, is that a
matter of price, or is that a matter that they are
simply not capable of providing the service?

MR. ROHDE: They are not capable of
providing that service.

COMMISSIONER PINKERT: Are there any other services that would fall into that same category?

MR. ROHDE: And I will add that that relates to our supplier, but in talking to other members in the SDMA, I believe that is fairly true across the board.

COMMISSIONER PINKERT: And again any other services that you would put in that same category?

MR. ROHDE: Yes, when we have tweaked products, or we need improved innovation, I just know that we get a lot more help outside of the United States.

COMMISSIONER PINKERT: Thank you. Now, Mr. Mitchell, I just want to make sure that I understand your testimony, and I am certainly not trying to put words in your mouth. So, please correct me, but are you saying that the OPC tubes that you are now getting from the subject country used to be available domestically to filter?

MR. MITCHELL: Greg Mitchell, Frost, Brown, Todd. There is one supplier in the U.S. that can manufacturer the OPC tubes. Floturn was trying to locate a second source because there were no other manufacturers capable, or that could produce this
specialized OPC tube.

And they were in the process of their first test shipment when the petition hit to learn about the petition.

COMMISSIONER PINKERT: I see. So, then currently is there a mix of domestic and foreign sourcing of the OPC tubes, or did the petition shut off that foreign supply?

MR. MITCHELL: The foreign supply was to be a secondary source as others have testified, so that in the event that the U.S. source was no longer capable of producing that product, or for whatever reason shut down the facility, that they would not go out of business, and this longstanding company would have to close its doors.

It was a secondary source, and as part of that, they were looking to expand in the Asian marketplace because of their OEM customers expanding for export to make sure that that was available. It was not in reaction to this petition.

COMMISSIONER PINKERT: Thank you. Turning to a broader issue, and perhaps each of the lawyers might wish to comment on this. Is the potential for circumvention an appropriate consideration when we define the domestic like product or products in this
MR. MINTZER: Sydney Mintzer of Mayer Brown.

This is certainly something that we are happy to address in our post-hearing brief, but the question of circumvention, as it applies to our product, is relatively easy to address.

It is very expensive and difficult to circumvent and produce finished heat sinks. The only way you produce a finished heat sink is if you can invest in your product. So that would require a significant amount of capital investment.

You can't just alter a shape, make a small change, and come on in outside of the order. It just does not work that way. So from our perspective, we don't think that circumvention is appropriate, but we also don't necessarily think -- we don't see how that would apply to our product.

MR. SPOONER: I will try to be quick, Commissioner Pinkert. Of course, we will address further in our post-hearing brief, but I would argue no. And I don't mean to sound unsympathetic to circumvention concerns.

We would not countenance a circumvention, but the Petitioners, in an attempt to address concerns of circumvention have made the scope headspinningly
broad, covering not only extrusions, but a variety of
finishings and fabrications.

That is there right at the Commerce
Department perhaps, but when they do that, it puts a
separate like product issues squarely at the
Commission's doorstep.

MR. MITCHELL: I would concur with other
counsel with that answer and would respond
accordingly.

COMMISSIONER PINKERT: Thank you. Thank
you, Madam Chairman.

CHAIRMAN OKUN: Thank you. Mr. Mitchell,
when you were discussing looking for a second source
for the OPC tubes could you tell us today, unless it
is confidential, is there a price difference between
those that you are purchasing domestically and those
that you attempted to purchase as a trial purchase?

MR. MITCHELL: I am capable of answering
that. I don't know whether it is proprietary to the
client, and so I would ask to submit it post-hearing.

CHAIRMAN OKUN: Okay. I appreciate that.

And then, Mr. Rohde, if you are the right one to
discuss it, in terms of some of the pricing questions
that we were talking with the Petitioners about, about
how prices are set, and how important the conversion
price is as they look at their business, can you talk
about that in terms of -- you have purchased both
domestically and you have imported, and what is the
difference in the pricing structure that are
articulated in that way?

MR. ROHDE: If you don't mind, I will ask
Larry to speak to that topic.

CHAIRMAN OKUN: All right. We will hear
from the CFO.

MR. LANGEFELS: Larry Langefels with Basco.
To answer your question, for us it is a blended rate.
It is an industry practice and we follow that industry
practice. We set price lists up, and within those
price lists that price is set for usually a period of
time, at least a year, and in most circumstances
longer than a year.

And in rare occasions there might be some
special pricing in some type of large job or something
along that sort, but that would be set. So as the
pricing of -- for instance, the LME goes up and down,
our profits are volatile in that manner also.

CHAIRMAN OKUN: Okay. And so that applies
both with respect to the product that you are
receiving, purchasing domestically, and not that you
are importing?
MR. LANGEFELS: Yes, Ma'am.

CHAIRMAN OKUN: Okay. If that hasn't been submitted, or if you could submit that for post-hearing to help us understand what that looks like, that would be helpful.

MR. LANGEFELS: Would that be the price list, Ma'am?

CHAIRMAN OKUN: Yes.

MR. LANGEFELS: Okay.

CHAIRMAN OKUN: And then I think sticking with you, and I am not sure, Mr. Spooner, but if I start with you, but in listening to this last exchange of questions with the association, in some ways I feel like it is a little bit of a more discussion of, yes, we would like the separate like product, but what we are really mad about is we couldn't buy the product we wanted at the quality we wanted.

And that is certainly an argument that we would hear in a case, and again we are a little hamstrung here because you are in the case late. But those are very specific allegations, and I don't know if they relate to the period of the investigation.

So for post-hearing, with whatever specificity you can give to those particular allegations that have been raised today -- and I know
that there is some of it in the report, and I know it is there. But again if you are asking the Commission to consider that as a causation issue, I would think that we would need to develop the record.

And I am not sure if that is what you are trying to do, because it has been very specific to like products. Maybe you can answer that first. Are you really just talking about that you want the separate like product, or are you also if the Commission did not find a separate like product for the two different products that are being argued for your client, are you making a causation argument with respect to the Petitioners' ability to supply the product?

MR. SPOONER: We will address it in our post-hearing brief, but it is something that we should flush out more.

CHAIRMAN OKUN: Okay. I appreciate that. And I think, Mr. Soucy, that you have clarified some of the information about the value added, and I think that some of that information for purposes of our analysis will be helpful.

I think with that that I don't have further questions for this panel, but I appreciate all those responses. Vice Chairman Williamson.
VICE CHAIRMAN WILLIAMSON: Thank you, Madam Chairman. Just a couple of questions. Regarding the related party provisions, either now or in post-hearing, could you please respond to the Petitioner's assertion that certain firms should be excluded from the industry because of their significant import activities.

MR. SPOONER: We will do that in post-hearing.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

Mr. Soucy, in response to an earlier question from Commissioner Aranoff, you said that you sell into all segments of the heat sink market, and not just electronics.

But I was wondering is that what you meant, that you sell as long as it is electronics, and an electronic thing that you are cooling? It might be in transportation, and it could be --

MR. SOUCY: Mr. Williamson, I apologize if I confused anybody on the panel, but our heat sinks are used to cool down electronic devices that are used in a wide variety of industries, across a wide market segment, including transportation, military, aerospace, medical, PC server, et cetera.

VICE CHAIRMAN WILLIAMSON: Okay. So, I
don't know whether you can give us a percentage of
your sales that are to, let's say, the electronic
industry. I guess that would be the Dells and all of
that.

MR. SOUCY: Yes, and I think in our post-
hearing brief that we can probably give lots of more
market segment information for you.

VICE CHAIRMAN WILLIAMSON: Okay.

MR. SOUCY: Because the rest of that is
really confidential to our business.

VICE CHAIRMAN WILLIAMSON: Sure. No, I
would appreciate that. And I guess that you had made
a point that the Petitioners really did not sell to
the electronic industry, and so my question was going
to be to what extent -- and this is a question of
market segmentation.

In other words, if they made a heat sink,
and it met the specs, and maybe they might have to use
a different brand name because the electronic industry
is used to dealing with certain brands, but is it
really separate industries, or is it just the way that
the manufacturers segment their product, or segment
their markets really?

MR. SOUCY: Well, we don't really view
Petitioners as competitors in our industry. We don't
see them. We don't come across them in our day-to-day lives. And I have been in the business for almost 16 years, directly in the business for 16 years, and we do not come across them when dealing with our OEMs, and dealing with our electronic distributors. It is not something that is part of the norm.

VICE CHAIRMAN WILLIAMSON: Okay. But that is to say that their product could not be sold to it if they were just trying to compete in that market?

MR. SOUCY: If they want to compete in the market, they would have to do other things than just go off and sell a product that may look like a heat sink.

VICE CHAIRMAN WILLIAMSON: Yes. I realize you have a market. For example, I guess if you wanted to, you could actually contract with them to make a product that you tested, and sold under your name, having done all the verifications and testing to make sure that you could stand behind it. That is not out of the question I assume?

MR. SOUCY: There is many business venture possibilities, but for one of the Petitioners in the room this morning, we actually source close to 50 percent of our product that we use in our New Hampshire facility from them, okay?
If we were worried about competing with them in that market, I don't think we as a business -- and I would be in a lot of trouble in my job -- we would be going out and sourcing close to 50 percent of our overall heat sink blanks from them.

VICE CHAIRMAN WILLIAMSON: Okay. So as long as they stay in blanks, you are okay with it.

MR. SOUCY: For our business, yes.

VICE CHAIRMAN WILLIAMSON: Okay. I just wanted to get that clarification, and actually with that, I want to thank all of the witnesses for their testimony today. Thank you.

CHAIRMAN OKUN: Commissioner Lane.

COMMISSIONER LANE: Mr. Soucy, I want to go back to you to make sure that I understood what you had said earlier in response to a question. How much further work or fabrication is done on the product that you bring in from China once you got it over here?

MR. SOUCY: Excuse me, Norm Soucy from Aavid. The product that we bring in from China falls into two categories. One category is probably 99 percent of the product that we bring in from China, in which nothing is done to it over here.

The other is a very, very small proportion,
and we can validate those percentages in post-hearing. We will bring into our Laconia, New Hampshire facility, and we will go through and do all of the fabrication, finishing, and testing work, and then shipping to our customer.

We employ in our Laconia, New Hampshire facility, directly close to 100 people in our Laconia facility, and when we expand that to include our Conn facility and our other facilities around the world, and our design labs that do a lot of the validations, and our design centers throughout or spread throughout the United States, we have close to 200 people employed in the United States that do this specific type of work.

COMMISSIONER LANE: Okay. So, 99 percent of the product that you bring in from China doesn't require any further work once you get it into the United States?

MR. SOUCY: It is very close to those numbers. We will validate those numbers in post-brief.

COMMISSIONER LANE: And one percent of that requires further fabrication at the New Hampshire facility?

MR. SOUCY: Correct.
COMMISSIONER LANE: And so what do you do --
what does that fabrication consist of?

MR. SOUCY: It consists of taking a heat
sink blank that has been cut to length, which is
provided, and we come through and we do machining. We
do C&C machining, and we do -- well, that particular
product in front of you is a good example of what
would be done to it.

It has been machined completely on the back
side to hold very precise tolerances, and very precise
finishes, that you do not get out of a normal
extrusion. In a normal extrusion, you would get right
around a four thousandth of an inch per inch flatness,
which is basically the industry standard.

For electronic components that get mounted
on that, that is not acceptable. So we would come
through and we would do a bunch of post -- we do a lot
of machining to that to get it down to right around a
one-thousandth of an inch per inch flatness
requirement.

We put all those holes in, and all those
pockets. We will put the finishing on. It could be
black iodized, and it could be gold chromated. It
could be black iodized and then come in with extra
machining put on so that the back surfaces are free
and clear of any surface finish. We then do final
testing and shipping out the door to our customer.

COMMISSIONER LANE: The 100 employees that
you have at your New Hampshire facility, do all 100 of
those employees work on just the one percent of the
product that you bring in from China?

MR. SOUCY: Oh, no. They work on -- the
majority of their work is done on the product that we
procure, heat sink blanks from domestic producers,
such as the Petitioners here today.

COMMISSIONER LANE: Okay. Thank you. Is it
true that if glass were included with the rest of the
knockdown unit at the time of importation the kits
would clearly be outside the scope of this
investigation?

MR. SOUCY: Yes, Commissioner Lane, it is
clear that if a kit contained glass that it would be
outside the scope.

COMMISSIONER LANE: If that is the case what
makes it commercially undesirable to include the
glass?

MR. SOUCY: Well, for one thing, Madam
Commissioner, for our clients, they produce in the
United States what is on the table here, the kits with
and without glass. They can, if the order goes into
place, import kits with glass, but it would mean laying off all of their employees.

Indeed, it is essentially our argument that the distinction of kits with glass being out and kits without glass being in, is an arbitrary distinction, and that a more logical place to draw the line would be the kits that are on the table before you.

MR. SPOONER: If I could quickly add, Commissioner Lane, indeed a company named Elomax, owned by the Petitioner Sapa, is an importer of shower doors with glass. So in our view that is -- and because glass is just one step beyond KDs, it is our view that that is fairly strong evidence that imports of KDs would not be injurious, and are not injurious to the domestic industry.

COMMISSIONER LANE: Okay. Thank you. I have no further questions, and thank you for your answers today.

CHAIRMAN OKUN: Commissioner Pearson.

COMMISSIONER PEARSON: Thank you, Madam Chairman. Mr. Greg Mitchell, you stated that you learned about this investigation -- Floturn?

MR. MITCHELL: Floturn, yes.

COMMISSIONER PEARSON: Thank you. Floturn learned about this investigation when a shipment was
held by Customs. Can you clarify? Did that shipment eventually enter the United States after Customs determined that the product was not within the scope, or was it determined to be within the scope?

MR. MITCHELL: Customs at that time determined that it was within the scope.

COMMISSIONER PEARSON: Okay. And the product entered the United States after paying the duties in place at that time?

MR. MITCHELL: I couldn't say with certainty. There was great discussion as to whether we were sending it back, or whether it came on in. I don't know the answer.

COMMISSIONER PEARSON: All right. Had there been ongoing discussions with Commerce to clarify that, or do you think that Commerce made the correct scope decision, or did they blow it?

MR. MITCHELL: We requested a scope exclusion, and we participated in Commerce, and so we are hopeful today that we may get a favorable ruling, but we are here.

COMMISSIONER PEARSON: Okay. No, I think I understand now more thoroughly for shower doors. You may have answered this before, but for the sake of making sure that I understand it. In a typical
knockdown kit, what percentage of the components are aluminum? Aluminum extrusions, I guess we should clarify.

MR. ROHDE: George Rohde at Basco. That varies dramatically in a KD. Years ago, there was a lot of aluminum in a KD, but trends today in our industry, which moved towards more frameless shower doors, we see less and less aluminum in the product. That's more of a trend issue.

So it could range from I think 20 percent -- Larry might be able to help me here, but 20 percent to 50 percent of the cost of the KD is the aluminum.

COMMISSIONER PEARSON: Okay. So that would be 20 to 50 percent by value, basically.

MR. ROHDE: Yeah.

COMMISSIONER PEARSON: Okay.

MR. LANGEFELS: Yes, Larry Langefels, also with Basco. I had stated earlier for you the 50 percent. I think George is -- we have different product lines. Some are frameless. I was thinking of what we could call a pure KD, if you will. Some have less metal than others. But the difference there in the price when we say 40 to 50 percent is the value added, such as the bending, the cutting, the mitering, all the different things that we do to that metal to
make it the proper fit.

MR. ROHDE: If I could also add, please, on the trends, this has been a very difficult reality for the extrusion industry because of the change in trends. First of all, there are products that have very little aluminum today and that are very popular. They're thick glass, all glass kind of shower doors, and you see those more and more today.

So there is dramatically less aluminum being used in shower doors overall.

COMMISSIONER PEARSON: Okay. And would that be true both for shower door kits manufactured in the United States and those that might be imported from China?

MR. ROHDE: It would be the same.

COMMISSIONER PEARSON: Okay. So no real differences in the product to take advantage of cost, lower costs in China for some component.

MR. ROHDE: No, sir.

COMMISSIONER PEARSON: Okay. Thank you.

Mr. Cobb.

MR. COBB: I might also add, Commissioner Pearson, that there are a lot of components in these KD kits, in addition to the aluminum, such as your proprietary vinyl extrusions that go along with it,
all your fasteners, a lot of injection molded parts, depending on the type of kit that is used. There is just a whole mix of different things that go into making up one of these.

COMMISSIONER PEARSON: Yes. Actually, I can see a number of the components there. And I think on a good day, if I was patient, and there were instructions, I probably could put one together.

MR. COBB: You probably could.

COMMISSIONER PEARSON: But I might leave that to people more qualified then. I think my last question goes back to heat sinks. And I'm concerned more than in any investigation I can remember recently that Petitioners and Respondents somehow seem to be talking past each other in terms of what is a heat sink. And I'm still late in the afternoon uncertain as to why that's the case.

Mr. Soucy, do you have thoughts on that?

MR. SOUCY: I can try and simplify it as much as I possibly can. Petitioners are in the business of making aluminum extrusions. Aavid is in the business of making thermal heat sinks. And that's basically the difference, if I -- it's a completely different market.

COMMISSIONER PEARSON: Okay. But to the
beset of your knowledge, do they have customers other
than Aavid and Wakefield that buy their heat sink
blanks? I mean, are you two firms the universe of
purchasers for the domestic industry's heat sink
blanks?

MR. SOUCY: No. There are some small mom
and pop type shops out there that would provide heat
sink blanks, you know, some very small companies,
okay? But for the most part, Aavid and Wakefield make
up the majority of the U.S. domestic production.

COMMISSIONER PEARSON: Okay. And perhaps
the more sophisticated part of the U.S. industry, or
is not a correct characterization?

MR. SOUCY: I would think that's a fairly
fair term. It's a pretty fair term to say. When
customers think of a thermal solution, they don't
think of an aluminum extrusion provider. With all due
respect to the aluminum extrusion industry, they think
of a thermal solutions provider, Aavid, Wakefield.

Those are who they think of.

COMMISSIONER PEARSON: Are there some
electronic components that are fundamentally easier to
build a heat sink for, something perhaps like LED
lights that I understand don't generate a whole lot of
heat?

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MR. SOUCY: If you go to attachment A, page 6, which is an extract from Radeon, which provides all the thermal resistance data, et cetera, on a particular -- any particular heat sink. You know, that would be what we'd call a pin gray or a BGA type solution that's cooling down a motherboard chipset of some sort, okay, with some type of thermal interface attachment method associated with it, okay?

That requires a relatively simple aluminum extrusion. And I draw to that product because the picture is pretty clear, okay? And the machining that's required to it actually requires a set of saw blades that's a stack. Not just one saw blade, basically a gang or a stack of saw blades spread out evenly between the fin so you can basically create a crosscut across the fin, which actually increases the overall across the fin to increase -- to improve the overall thermal performance of the heat sink cooling down the chip. And it requires some simple anodizing, okay?

But it has a thermal resistance associated with it. It has been thermally tested. We do that. Radeon does that. Wakefield does that. I'm sure there are other small mom and pop type shops that will do that as well.
COMMISSIONER PEARSON: Okay. And, Mr. Jones, perhaps I could prevail on you once again, could you address this issue in the posthearing? Why is it that Petitioners seem to have such a different view of the heat sink business than do Wakefield and Aavid? Do you know, for instance -- perhaps you could provide a list of customers who buy heat sink blanks or finished heat sinks, if there are some produced, from your members, because then we might have a clearer idea of whether there are other players out there who frankly we've missed so far, and haven't -- aren't able to adequately take into account.

MR. JONES: We would be happy some additional information, Commissioner Pearson.

COMMISSIONER PEARSON: Thank you. With that, I think I'm done. So let me express my appreciation to all of you. It has been a really interesting, if somewhat confusing, day. And I know return to the Chairman.

CHAIRMAN OKUN: Commissioner Aranoff.

COMMISSIONER ARANOFF: Thank you, Madame Chairman. Commissioner Pearson actually just asked the question that I was going to ask, but I want to add a little bit to fill it out, which is for posthearing from the domestic industry, if you could
identify who the producers are or any other domestic producers you know of who are heat sink producers, some details about what the products are that they're making and what the end users are to which they're being sold, and who are the customers, either end users or distributors to whom they're being sold, that would be really helpful in helping us to sort out this like product issue.

MR. JONES: We'll provide that information, Commissioner Aranoff.

COMMISSIONER ARANOFF: Thank you very much. And then also for posthearing briefing for the current panel. In a number of instances, you've specified that there were reasons of quality which led you to resort to Chinese suppliers, specifically indicating that domestic producers were unable or uninterested in meeting certain product specifications that you had. We also have a domestic industry opine this morning that they're capable of making anything that you could want.

This is a not infrequent occurrence in these kind of cases, where we have a he said/she said, and one side says it's price, and one side says it's quality. And so what I'd ask you to do is to please develop for the record on this point posthearing. If
you have e-mails, correspondence, recollections in affidavit form of the exact conversations that were going on about these products when you discussed the specifications, prices, volumes, whatever was discussed, that would be really, really helpful in helping us to assess exactly what was going on and to buttress your claim that they were quality issues that the domestic industry just couldn't satisfy. Okay. I see nodding from counsel, so I'll assume that we are going to get answers on that.

One last question, and that's for Mr. Soucy. The Petitioners have testified this morning, testified to a fairly complicated -- maybe it's not that complicated -- mechanism they have for passing on aluminum input costs using a price index. How do you account for aluminum costs in your pricing?

MR. SOUCY: When we generate a cost through our particular customers, when we obtain the cost of the heat sink, we understand what that cost of metal is at that point in time, and that cost is usually to our customers, okay? Our sale price is based upon a price that is good for a X period of time. So any major fluctuations in the price of LME or Midwest metal market, or whatever market that we're referencing off of is either going to help us or hurt...
us in our overall bottom line results because our
pricing for our customers don't fluctuate that often.

COMMISSIONER ARANOFF: And you're able to do
that because it's a risk that you're undertaking?

MR. SOUCY: It's a business risk that we
undertake because we sell by the piece. Our business
is selling a finished component, a finished heat sink
by the piece. The overall material component of that
or the heat sink blank component of that is not 70 or
80 percent of our overall cost. It's a significantly
lower proportion of that.

So our risk is somewhat not as great as it
would be in the Petitioner's risk.

COMMISSIONER ARANOFF: Okay, okay. That
actually makes a lot of sense. Thank you very much
for that answer. And with that, I know we've all
given you quite a lot of homework to do. I appreciate
all your answers, and all the information that I hope
you're going to provide with your posthearing brief.
Thank you, Madame Chairman.

CHAIRMAN OKUN: If there other questions
from Commissioners? Does staff have questions for
this panel?

MR. McCLURE: James McClure, Office of
Investigations. Madame Chairman, staff has no
questions for this panel.

CHAIRMAN OKUN: Do Petitioners have
questions for this panel?

MR. JONES: No questions, Madame Chairman.

CHAIRMAN OKUN: Well, before we turn to our
closing statements, let me take this opportunity to
again thank all of the witnesses for appearing. We
will look forward to your posthearing submissions, and
a very helpful afternoon. And we can let this panel
take seats in the back, and I will review the time
remaining.

Petitioners have four minutes left from
their direct presentation and five minutes for
closing; for a total of nine minutes. Respondents
have 11 minutes left from the direct presentation,
plus 5 closing, with a total of 16 minutes. If there
is no objection, we would proceed with combining those
times and having counsel do closing and rebuttal at
the same time.

MR. JONES: No objection, Madame Chairman.

CHAIRMAN OKUN: Okay. So we'll give this
panel a moment to settle back in, and we'll bring up
Mr. Jones.

(Pause)

CHAIRMAN OKUN: All right. Let's turn to

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our closing. Mr. Jones.

MR. JONES: Thank you, Madame Chairman.

Steve Jones from King and Spalding on behalf of the Petitioners. Obviously, much of the hearing today was focused on like product arguments. It's worth noting at the outset that the key components of our case, volume effects, price effects, adverse impact, causation, are unopposed.

It's not because this is a small or unimportant industry or market. The total sales value in the market is $4 to 5 billion. It's one of the larger cases the Commission has ever done. It's certainly a lot more larger than non-steel cases. And the value of imports from China is about $600 million, which makes it one of the largest cases ever filed against imports from China.

One must infer that the absence of opposition is due to the strength of the case, both factually and legally. The data collected by the staff show clearly that the industry is materially injured by imports of aluminum extrusions from China. As usual, you've asked very good questions, and we have a few things to follow up on. But I expect the bulk of our posthearing brief will focus on the like product issues.
Fortunately, you will need to address those issues because I'm told that the Department of Commerce ruled today that finished heat sinks, shower door knockdown units, jewelry grade, and the other product, the OPC tubes, are all covered by the scope here. There are no scope exclusions. So the Commission, fortunately for us and perhaps unfortunately for you, must decide whether these products are part of the domestic like product.

Nothing presented in the briefs or today at the hearing should cause you to define more than one like product coached onto its scope. It's important to keep in mind that the starting point for the domestic like product analysis is the scope. The statute reads, "Domestic like product means a product which is like, or in the absence of like, most similar in characteristics and uses with the articles subject to an investigation."

It's very, very for the Commission to define a like product to include products that are outside the scope of the investigation, and the grounds to do so are not present here.

Now, Mr. Mintzer and Mr. Spooner, on behalf of the opponents of the petition said that this is not a continuum case. And they're just simply wrong about
that. This is a classic continuum case. There is no
distinction that has been cited that would not also
apply -- no distinction as to their products that
they're claiming are separate like products that would
not also apply to many, many other products within the
continuum. And to us, that is the definition of a
continuum.

Now, with regard to heat sinks, production
of finished heat sinks and other extruded products, we
submit, are exactly the same. The work begins with a
customer in designing the product. Once the product
is designed and the tooling is made, the process to
produce the profile is exactly the same, same
equipment, same temperature, same pressures, same
process control.

The subsequent processes after extrusion,
stretching, sawing, aging, exactly the same for heat
sinks as other types of extrusions. The value-added
processes, the fabrication, the finishing, exactly the
same. Cutting, drilling, milling for flatness,
chemical finishing. There are no distinctions there.

The products are priced the same. There was
some testimony today that aluminum extruders priced by
the pound -- many extruders, including several who
tested today, a large portion of their business,
the products are priced by the piece, just like heat 
sinks are.

The distinguishing feature that they're 
hanging their hat on is product testing. And we 
submit that this is an arbitrary and unworkable 
standard for a like product definition. Mr. Mintzer 
said that he -- he was asked, well, what products that 
the Petitioners put up on the table were finished heat 
sinks, and he said, well, you can't look at it and 
know whether it's a finished heat sink or not. And we 
submit that that presents a problem for administration 
of an order.

If you had one product and an identical 
product to the -- visually identical. One is tested, 
and one is not. One is part of one domestic like 
product, and the other is part of separate like 
product. That makes absolutely no sense.

Finished heat sinks are no different than 
any other value-added extruded product. They run on 
the same equipment. They're sold through the same 
channels of distribution by the same sales people. 
They're priced in the same manner.

With regard to shower enclosures, 
Commissioner Pinkert, the staff did not collect 
operational financial data for shower door extrusions,
and the shower door manufacturers lines did not make
that request. They did request pricing products, and
the Commission did -- the staff did collect pricing
information for certain shower door products. But the
staff did not collect and was not asked to collect
data which would enable the Commission to make an
injury determination with respect to the purported
shower door knockdown unit extrusion industry. So
that information is simply not on the record.

We heard a lot from the shower door
producers about how special their products are. The
words special and unique came up many, many times,
specially designed, specially finished, unique. And
we also heard a lot about quality. And I would simply
submit that quality is a huge red herring in this
case. It's certainly contrary to the information in
the staff report, where most purchasers out there
found imported and domestic production to be
comparable in quality, if they didn't find U.S.
production to be of higher quality.

And in fact, certain shower door companies
have increased their purchases of shower door
extrusions from domestic suppliers in recent months.
And the fact is that they can and do buy from domestic
producers. They just don't want to. They want to
source a much lower priced product from China.

In like finished heat sinks, the shower door folks attempt to define extrusions as simply the aluminum that comes out of the press, and they ignore all of the various value-added that extruders perform to create a market solution. The 20 to 50 percent value added that was provided in response to a question from Commissioner Pearson, that's clearly aluminum alone, it must be, without any of the finishing and fabrication and other value-added services that the extruders provide to the shower door purchasers.

In fact, everything that they say they need, the domestic industry does. And if they say that they can't get it, it's because they can't get it at the price that they want it at. They can't get it at the China price. Fabricating a shower door extrusion is and can be done by many domestic aluminum extruders. It is not as complex as many other fabricated products that the industry produces.

Finally, with respect to the impact of this case, there was a claim made by the shower door purchasers. They claimed that they desired to be here because they want to save U.S. jobs. Well, if that's the case, they should be supporting the petition.
They did not. If they want to import knockdown units, then they have become merely designers and resellers. They are no longer manufacturing anything, and those jobs will have gone to China, as Mr. Henderson testified they would if knockdown units are a separate like product.

No. They simply want to maintain access to cheap, dumped and subsidized imports from China.

CHAIRMAN OKUN: Mr. Jones, you red light has come on.

MR. JONES: Thank you. On which they have become increasingly dependent. Thank you for your indulgence and your attention today.

CHAIRMAN OKUN: Thank you.

MR. JONES: We appreciate it. Thank you.

MR. MINTZER: This is Sidney Mintzer from Mayer Brown. And I'm going to give a few rebuttal comments before my colleague provides some closing remarks.

Mr. Jones just mentioned that you can't administer an order when you have two products that look alike. And I just want to quote -- and this is from our brief -- the Commission's decision in automotive replacement glass. "Where automotive replacement glass and OEM windshields have the same
basic physical characteristics and end uses. The

differences between them, principally their conformity
with vehicle manufacturers' proprietary
specifications, are subtle. Nevertheless, those
distinctions do have significant implications for
other factors pertinent to the domestic like product
analysis."

So the notion that you can have two products
that on the surface happen to look alike, if they have
very different specifications and different end uses,
certainly there can be separate domestic like
products. The same thing occurred in brake rotors,
where you had OEM brake rotors and replacement part
brake rotors. The brake rotors looked the same, but
the same issue applied.

And that relates to another issue that has
come up in the concept of continuum. And I think
that's a bit of a red herring because we're not
comparing ourselves to gutters and windows, or the
median product that's coming in. We're comparing
ourselves at the end of the day to heat sink blanks.
If this case were only about heat sink blanks, the
same arguments would apply. Heat sink blanks are a
completely different product from a finished heat
sink. When you look at pricing, Mr. Jones says that's
not true. You have the data. The data makes it quite
apparent. When it comes to customer perception,
pricing, the added value, you simply can't compare
heat sink blanks to finished heat sinks.

Just one or two additional points I'd like
to make. There has been briefing and testimony that
the data on finished heat sinks collected by the
Commission staff are to narrow and don't reflect
market reality. Well, back in December, when we made
that argument in the light of day, there was no
response. No one complained. That was the time to
make those arguments. I mean, it's a little late in
the day to be arguing that the Commission staff should
have done something different when the arguments were
raised three months ago.

In addition, where is M&M Metals? You have
a Petitioner that owns as a subsidiary a company that
produces -- that is known to produce finished heat
sinks. Where are they? Why aren't they here? Why
weren't they listed in the petition? We've heard
nothing about that today. We raised it in testimony,
nothing in rebuttal. Why?

It's curious. If this case is about
finished heat sinks, then we should have been listed.
We're one of the biggest, if not the biggest. If this
case was about finished heat sinks, M&M Metals would
have been there, too, but they weren't. Why? There
is no logical answer for why they weren't included.
It's not like they were lost somewhere. A Petitioner
owns this company since 2008. Where are they?
And finally -- and this is something
mentioned earlier on the threat of circumvention. As
I indicated earlier, there is no threat of
circumvention when it comes to finished heat sinks.
They're not tweakable. That's not a legal term, but I
think you understand what I mean. You can't simply
alter the product in small ways and have it come in
and compete with the domestic product. You can't.
It's either -- if finished heat sinks come in, they're
going to compete with finished heat sinks produced in
the U.S., but they're not going to compete with heat
sink blanks. That's not what they would do.
So with that, I'd like to turn it over to my
colleague for closing comments.

MR. SPOONER: Thanks. Madame Chairman, Mr.
Vice Chairman, Members of the Commission, thank you
for providing all of us with the opportunity to
testify today. The scope of this investigation is
remarkably broad, covering not only extrusions, but to
steal a term from the petition scope, a variety of
finished and fabricated products, making no effort to
differentiate between significant and fabrication and
minor operations.

Such a sweeping scope inevitably presents
the Commission with separate like product issues, and
three producers of such separate like products are
here today, of course.

Despite what Petitioners may claim, that KD
is not an extrusion. Shower enclosure manufacturers
make a unique separate like product, KDs, and in doing
so utilize a unique aluminum extrusion input. KDs are
clearly made in different facilities than Petitioners,
by different people, are sold in different channels
with different customer expectations. Highly
engineered shower door extrusions, with jewelry grade
finish 2 are manufactured in dedicated facilities
using specialized dyes and finishing operations, and
are sold in different channels of distribution with
different customer expectations that are reflected in
their dramatically higher average unit values from
other aluminum extrusion products.

There is scant evidence that imports of
shower door extrusions, let alone KDs, have injured or
threaten to injure Petitioners. Indeed, Petitioners
cite Canada's order as an example of injury to bolster
the injury case. And in that vein -- I can't resist--
it's worth noting that Canada has decided to exclude
shower extrusions from its order.

It's also important to note -- and forgive
me for reinforcing the point we made during our
testimony that Petitioner Sapa, a company owned by
Petitioner Sapa, is a large importer of shower doors
with glass.

The members of the Coalition of Shower
Manufacturers that testified today are not mere
distributors or importers. They're family-owned
factories fighting to maintain, to save, U.S.
manufacturing jobs. And I have to choose my words
carefully, but I hope it's clear, despite Petitioner's
closing statement, that they don't -- well, I don't
want to characterize it unfairly. That all they care
about is cheaper access to Chinese inputs. I hope
it's clear from our submissions and the testimony
today that that's not true.

The companies have only asked for a KD
exclusion, in addition to an exclusion for the lineals
themselves because a KD exclusion would permit them to
save at least some jobs, instead of having to move
them all to China.

We look forward to continuing to work with
the Commission and staff to provide whatever additional evidence the Commission may need to further support what we hope is a clearly justifiably separate like product finding.

Thank you again very much for the opportunity to testify today.

CHAIRMAN OKUN: Thank you. Posthearing briefs, statements responsive to questions, requests of the Commission, and corrections of the transcript must be filed by April 6th, 2011. Closing of the record and final release of data to the parties is April 21st, 2011, and final comments are due April 25th, 2011.

With no other business to come before the Commission, this hearing is adjourned.

(Whereupon, at 5:02 p.m., the hearing in the above-entitled matter was adjourned.)
CERTIFICATION OF TRANSCRIPTION

TITLE: Aluminum Intrusions from China

INVESTIGATION NOS.: 701-TA-475 and 731-TA-1177 (Final)

HEARING DATE: March 29, 2011

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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: March 29, 2011

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