

APPEARANCES: (Cont'd.)

Staff:

BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
EDWARD PETRONZIO, INVESTIGATOR
KARL TSUJI, INTERNATIONAL TRADE ANALYST
CLARK WORKMAN, ECONOMIST
CHARLES YOST, ACCOUNTANT/AUDITOR
MICHAEL HALDENSTEIN, ATTORNEY
JAMES McCLURE, SUPERVISORY INVESTIGATOR

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

On behalf of Norris Cylinder Company:

JERRY VAN AUKEN, President, Norris Cylinder
Company
MIKE CAMP, General Manager, Huntsville Factory,
Norris Cylinder Company
WAYNE L. POWERS, Director of Industrial Products,
Worthington Cylinders
WILLIAM P. ROBERTS, III, President, Roberts
Oxygen Company
JOHN McGUIRE, President, American Gas & Cylinder,
Inc.
DANIEL W. KLETT, Principal, Capital Trade, Inc.

EDWARD M. LEBOW, Esquire
NORA WHITEHEAD, Esquire
Haynes & Boone, LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

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

On behalf of Beijing Tianhai Industry Co. Ltd. and
America Fortune Company:

BILL ZHENG, President and CEO, America Fortune
Company
OLIVER LI, Chairman, America Fortune Company
RICHARD ROTTMANN, Manager, Technical Products,
ThyssenKrupp Steel Services
STEVE IFFLAND, Executive Vice President, Sales &
Marketing, Western International Gas & Cylinder,
Inc.
JAMES DOUGAN, Economist, Economic Consulting
Services, Inc.

NED H. MARSHAK, Esquire
MAX F. SCHUTZMAN, Esquire
Grinfeld, Desiderio, Lebowitz, Silverman &
Klestadt, LLP
Washington, D.C.

On behalf of Cyl-Tec, Inc.:

JAMES M. BENNETT, President, Cyl-Tec, Inc.

JOHN M. GURLEY, Esquire
MARK P. LUNN, Esquire
Arent Fox, LLP
Washington, D.C.

*** CONFIDENTIAL SESSION: PAGES 230-314 ***

I N D E X

	PAGE
OPENING STATEMENT OF EDWARD M. LEBOW, ESQUIRE, HAYNES & BOONE, LLP	8
OPENING STATEMENT OF MAX F. SCHUTZMAN, ESQUIRE, GRUNFELD, DESIDERIO, LEBOWITZ, SILVERMAN & KLESTADT	13
OPENING STATEMENT OF MARK P. LUNN, ESQUIRE, ARENT FOX, LLP	15
TESTIMONY OF EDWARD M. LEBOW, ESQUIRE, HAYNES & BOONE, LLP	17
TESTIMONY OF JERRY VAN AUKEN, PRESIDENT, NORRIS CYLINDER COMPANY	19
TESTIMONY OF MIKE CAMP, GENERAL MANAGER, HUNTSVILLE FACTORY, NORRIS CYLINDER COMPANY	21
TESTIMONY OF WAYNE L. POWERS, DIRECTOR OF INDUSTRIAL PRODUCTS, WORTHINGTON CYLINDERS	37
TESTIMONY OF WILLIAM P. ROBERTS, III, PRESIDENT, ROBERTS OXYGEN COMPANY	40
TESTIMONY OF JOHN MCGUIRE, PRESIDENT, AMERICAN GAS & CYLINDER, INC.	45
TESTIMONY OF DANIEL W. KLETT, PRINCIPAL, CAPITAL TRADE, INC.	48
TESTIMONY OF BILL ZHENG, PRESIDENT AND CEO, AMERICA FORTUNE COMPANY	135
TESTIMONY OF RICHARD ROTTMANN, MANAGER, TECHNICAL PRODUCTS, THYSSENKRUPP STEEL SERVICES	146
TESTIMONY OF STEVE IFFLAND, EXECUTIVE VICE PRESIDENT, SALES & MARKETING, WESTERN INTERNATIONAL GAS & CYLINDER, INC.	140

I N D E X

	PAGE
TESTIMONY OF JAMES DOUGAN, ECONOMIST, ECONOMIC CONSULTING SERVICES, INC.	173
TESTIMONY OF MAX F. SCHUTZMAN, ESQUIRE, GRUNFELD, DESIDERIO, LEBOWITZ, SILVERMAN & KLESTADT	134
TESTIMONY OF JAMES M. BENNETT, PRESIDENT, CYL-TEC, INC.	152
CLOSING STATEMENT OF EDWARD M. LEBOW, ESQUIRE, HAYNES & BOONE, LLP	315
CLOSING STATEMENT OF MAX F. SCHUTZMAN, ESQUIRE, GRUNFELD, DESIDERIO, LEBOWITZ, SILVERMAN & KLESTADT, LLP	317

1 will resume with the public rebuttal and closing
2 remarks.

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

9 All witnesses must be sworn in by the
10 Secretary before presenting testimony. I understand
11 that parties are aware of the time allocations. Any
12 questions regarding the time allocations should be
13 directed to the Secretary.

14 Speakers are reminded not to refer in their
15 remarks or answers to questions with business
16 proprietary information. Please speak clearly into
17 the microphones and state your name for the record and
18 for the benefit of the court reporter.

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

23 For those who practice here you know that we
24 usually start promptly at 9:30. This morning we were
25 honoring one of our Senior Executive Staff who will be

1 retiring after 37 years, David Beck, in public service
2 so they served Dunkin' Donuts, which caused us to be a
3 little late and for me to forget where my script is.

4 So anyway, with that, Mr. Secretary, are
5 there any preliminary matters?

6 MR. BISHOP: No, Madam Chairman.

7 CHAIRMAN OKUN: Very well. Let's begin with
8 opening remarks.

9 MR. BISHOP: Opening remarks on behalf of
10 Petitioner will be by Edward M. Lebow, Haynes & Boone.

11 CHAIRMAN OKUN: Good morning, Mr. Lebow.

12 MR. LEBOW: Good morning, Madam Chairman and
13 members of the Commission. My name is Ed Lebow, and I
14 am here with Nora Whitehead from the law firm of
15 Haynes & Boone and Dan Klett of Capital Trade to
16 represent the U.S. high pressure steel cylinder
17 industry.

18 That industry is much reduced since 2008
19 when there were two domestic producers, Norris
20 Cylinder Company and Taylor Wharton Cylinders. Now
21 there's just Norris. The Taylor Wharton Harrisburg
22 plant was shuttered in 2010 and that same year, after
23 entering bankruptcy and selling its Huntsville plant
24 to Norris, Taylor Wharton exited the industry.

25 The domestic industry share of the market

1 has been reduced since 2008. The domestic industry's
2 ability to price its product so as to recover its cost
3 has been reduced since 2008. The domestic industry's
4 profits in percentage terms and, most important, in
5 total dollars has been reduced since 2008. Meanwhile,
6 there has been a very significant influx of imports
7 from China.

8 Each and every one of the pricing products
9 examined by the Commission has been found to be
10 underpricing the domestic product in each and every
11 quarter examined. The margins of underselling are
12 commercially significant, some as high as 37 percent.
13 All this has happened in the context of the steepest
14 recession experienced by the U.S. economy in decades.

15 A year ago when the Commission conducted its
16 preliminary investigation, the three year period of
17 investigation began with 2008, so the huge falloff in
18 the domestic market was apparent and Norris Cylinder's
19 improvements, such as they were, were clearly to
20 levels well below the peak of 2008. Norris pointed
21 out that its recovery in 2010 was particularly anemic,
22 largely because of the increased imports from China,
23 as well as inventory overhang in the hands of
24 distributors of Chinese products.

25 Now for the final phase of the

1 investigations a year later, and Respondents would
2 have you look at the industry as if it sprang into
3 existence in 2009 when the overall economy was at its
4 nadir. They point to an upper trend in domestic
5 industry performance that coincides with the surge in
6 imports and argue no injury, no causation.

7 However, given the huge falloff in the
8 market and the industry between 2008 and 2009, it
9 would have been impossible for Norris even to have
10 remained in business without its performance having
11 improved somewhat since 2009. Looking as the Tariff
12 Act directs at the business cycle and applicable
13 conditions of competition, the domestic industry is
14 now smaller and less profitable than it was in 2008.
15 Chinese import market share continues to increase.

16 Moreover, much of the modest upswing
17 experienced by the domestic industry has taken place
18 as a result of the filing of its antidumping and
19 countervailing duty petition. We've attached in our
20 brief as Exhibit 6 a month-by-month listing by
21 customer of increased orders by customer to
22 demonstrate that point.

23 We've also provided data showing that the
24 smaller sizes, where the Chinese imports have been
25 most voluminous, Norris has had little profit, and in

1 the larger sizes where there has been some change in
2 customer behavior and thus profitability since the
3 filing of the petitions, without an affirmative
4 determination the new customers would quickly
5 disappear.

6 What's more, we have presented evidence of
7 increased imports in competition from China in the
8 larger sizes. Thus, in addition to current material
9 injury there also exists a strong threat for more
10 injury.

11 On threat, let's take a quick look at the
12 eight statutory factors. Does China encourage
13 exportation of merchandise through countervailable
14 subsidies? Yes. This product is mostly steel, and
15 there have been very substantial subsidies identified
16 in the steel provided to Respondents. Do the Chinese
17 producers have significant excess capacity to
18 substantially increase production for the U.S. market?
19 Notwithstanding BTIC's protest to the contrary, as
20 demonstrated in our brief the answer to that question
21 is again yes.

22 Has there been a significant rate of
23 increase of the volume and market penetration of
24 Chinese imports? Yes. Very definitely yes. Are
25 Chinese imports entering at prices that are likely to

1 have a significant depressing or suppressing effect on
2 domestic prices and are likely to increase demand
3 further for imports? Yes and yes. Are there
4 inventories of imported products that threaten the
5 domestic industry with additional injury? Yes.

6 Is there a potential for product shifting?
7 Yes. Respondents make several other types of
8 cylinders. Are subject imports hindering the
9 development of production efforts of the domestic
10 industry? Yes again. The mothballed forge purchased
11 by Norris from Taylor Wharton speaks to this point.
12 And finally, are there other demonstrable adverse
13 trends? Yes. In particular, the accelerating move by
14 the Chinese producers into the larger sizes.

15 In sum, the record shows both material
16 injury and threat of additional injury to the domestic
17 industry. Please don't give the Chinese industry a
18 free pass because it surged into the U.S. market at
19 the same time as the U.S. economy was recovering from
20 a steep recession.

21 Please don't abandon the one remaining U.S.
22 producer of the small, but important, industrial
23 product to deal unassisted with significantly
24 subsidized and dumped Chinese exports. Thank you.

25 CHAIRMAN OKUN: Thank you.

1 MR. BISHOP: Opening remarks on behalf of
2 Respondents will be by Max F. Schutzman, Grunfeld,
3 Desiderio, Lebowitz, Silverman & Klestadt, and Mark P.
4 Lunn, Arent Fox.

5 CHAIRMAN OKUN: Good morning. Your
6 microphone?

7 MR. SCHUTZMAN: Good morning, Commissioners.
8 Good morning, staff. Again, my name is Max F.
9 Schutzman of the law firm of Grunfeld Desiderio. I'm
10 here today with my colleague, Ned Marshak, and Jim
11 Dougan of Economic Consulting Services on behalf of
12 Beijing Tianhai Industry Co. Ltd., which I will refer
13 to as BTIC, and its U.S. affiliate, America Fortune.

14 My introductory comments relate to the
15 statutory criteria necessary for the Commission to
16 reach an affirmative determination. First, a domestic
17 industry must be experienced in material injury or the
18 threat thereof. The fact that a company may be losing
19 market share does not mean it is materially injured.
20 The fact that a company is not realizing monopoly
21 profits does not mean it is materially injured. When
22 a company is prospering, it is not materially injured.

23 Second, the antidumping and CVD laws are
24 intended to provide present relief to a domestic
25 industry. They are not intended to punish foreign

1 exporters for having contributed to any injury which
2 the industry may have suffered in the past.

3 If a domestic industry is not experiencing
4 current material injury and is not threatened with
5 material injury in the imminent future, the Commission
6 must reach a negative determination. In the instant
7 case, the Commission should focus on data for 2011, a
8 contemporaneous period in which probative, reliable
9 data is available.

10 Finally, on the issue of causation, an
11 affirmative determination requires that there be a
12 real causal link between unfairly traded imports and
13 material injury. To evaluate causation, the
14 Commission normally looks for correlations between
15 trends. For example, a decline in domestic industry
16 performance in the face of increasing imports
17 contributes to material injury.

18 The converse is also true, however. For
19 example, in Liquid Sulfur Dioxide From Canada the
20 Commission reached a negative determination "due to
21 the widespread lack of correlation between subject
22 import volume and profitability and pricing trends."
23 The Commission reasoned that "at the end of the period
24 examined prices increased significantly."
25 Profitability strengthened, productivity increased and

1 the simultaneous increase in subject imports had no
2 significant effect on these improvements in the
3 financial condition of the domestic industry.

4 We ask the Commission to undertake a similar
5 analysis in this investigation. Thank you.

6 CHAIRMAN OKUN: Thank you.

7 MR. LUNN: Good morning. My name is Mark
8 Lunn with the law firm of Arent Fox, and I represent
9 Cyl-Tec, a U.S. distributor of subject merchandise in
10 this investigation.

11 The testimony you will hear today from
12 Cyl-Tec will provide you with an update on the U.S.
13 high pressure cylinder market. Since the end of the
14 recession, we believe that all major players in the
15 high pressure cylinder industry are doing increasingly
16 well. We think that is true for Norris, BTIC and
17 ourselves.

18 2011 was a relatively good year for the
19 industry as a whole, especially when compared to 2009
20 and 2010, the period that the Commission will be
21 considering. If Norris is facing challenges it is
22 because of issues unrelated to Chinese imports ranging
23 from increased use of aluminum cylinders to their
24 purchase of antiquated assets from Taylor Wharton.
25 They cannot come before the Commission today and

1 complain about Chinese imports when the real harm is
2 because they decided to purchase an antiquated,
3 mothballed forge.

4 Mr. Bennett in his testimony will discuss
5 and explain for the Commission the similarities
6 between DOT and ISO cylinders. Norris has
7 deliberately and purposely excluded ISO cylinders from
8 this investigation. ISO cylinders have continued to
9 gain acceptance in the U.S. market. We think Norris
10 has painted a very inaccurate picture of that segment
11 of the market. ISO 9809-1 cylinders compete directly
12 with DOT cylinders.

13 Moreover, whether the Commission decides
14 that aluminum and steel cylinders comprise one market
15 or not, aluminum cylinders are in fact a real factor
16 at competition in the market, primarily for small
17 cylinders where Norris has said it is having
18 particular problems. Again, injury cannot be assigned
19 to Chinese imports when the real issue is that more
20 and more purchasers are buying aluminum small
21 cylinders.

22 Lastly, you will hear today from Cyl-Tec why
23 it believes it has had some success in the U.S.
24 market. We believe that those reasons are factors
25 unrelated to price, including the breadth of the

1 product line that it offers to its customers.

2 Put simply, the facts in this case do not
3 support a finding of material injury or threat of
4 material injury. Thank you very much.

5 CHAIRMAN OKUN: Thank you.

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

10 Madam Chairman, all witnesses have been
11 sworn.

12 (Witnesses sworn.)

13 CHAIRMAN OKUN: Thank you.

14 (Pause.)

15 CHAIRMAN OKUN: It looks like your panel is
16 seated and is ready to go.

17 MR. LEBOW: Good morning again, Madam
18 Chairman, members of the Commission, members of the
19 staff. I'd like to introduce our witnesses to you
20 this morning. To my immediate right is Jerry Van
21 Auken. Jerry is the President of Norris Cylinder
22 Company. He's been with Norris for five and a half
23 years and over 16 years in the cylinder business.

24 To Jerry's right is Mike Camp. Mike is the
25 General Manager of the Huntsville plant, so he can

1 speak specifically to what is going on in Huntsville
2 and to production processes. Mike has been with the
3 company or with the plant for 36 years working his way
4 up after college from Quality Control Department to
5 being the Plant Manager.

6 We know that in § 701 and 731 investigations
7 it's important for the Commission to consider the
8 impact of nonsubject imports in the market, so we have
9 asked to join our panel today Wayne Powers, who is the
10 Director of Industrial Operations for Worthington
11 Cylinders. Worthington Cylinders is a Canadian
12 manufacturer and, along with the Chinese, one of the
13 other two major players in the U.S. market, and can
14 talk both about the impact of Chinese cylinders on
15 Worthington and the competition in the market
16 involving Norris, Worthington and others.

17 We also have John McGuire. John is the
18 President of American Gas and Cylinder in Mobile.
19 He's a customer who can talk about this industry from
20 the customer's perspective. He's got a particularly
21 interesting aspect of the market because not only does
22 he buy, but he also exports to Central and South
23 America, so he competes with BTIC in other markets.

24 And we also have William, but everybody
25 calls him Bob, Bob Roberts, here who is the President

1 of Roberts Oxygen Company, which is a local company
2 selling industrial gases. You may have seen their
3 trucks on the road recently.

4 We'll begin with Jerry. In our show-and-
5 tell portion of the proceedings, Jerry, why don't you
6 start off and describe what is meant by a high
7 pressure steel cylinder?

8 MR. VAN AUKEN: Sure. Good morning, Madam
9 Chairman, Commissioners. Can you hear me?

10 CHAIRMAN OKUN: Yes. You can bring it a
11 little closer.

12 MR. VAN AUKEN: Okay. We'd like to first
13 off by just starting to explain what a high pressure
14 cylinder is. We did bring a small sample of what
15 these cylinders look like. This happens to be what we
16 call a 20 cubic foot cylinder, and you can see it has
17 a valve and a continuous piece of steel. We have a
18 cutaway of that same cylinder so you can see what it
19 looks like on the inside.

20 I think the things to note here is that it
21 is all steel. It's a chrome moly steel. Mike Camp
22 will get into how these are manufactured and
23 processed, but the short story is that they're done
24 under pressure. They're either forged or drawn into a
25 seamless, and that's another key word in this whole

1 thing. They're not welded and there's no weld of any
2 kind, and they're holding fairly high pressures of
3 gases. The gases can be inert gases such as helium or
4 argon, or they can be reactive gases like oxygen,
5 methane and hydrogen.

6 These are used in many different kinds of
7 applications, either for the industrial marketplace,
8 let's say for gas cutting or welding. In addition,
9 they can be used in areas like the fire suppressant
10 market to put out fires, so they might contain, for
11 example, CO₂. They're also used in the mining
12 industry. This is an area where miners will drag
13 along a rescue chamber behind them in the mine so that
14 if there's an issue in the mine they have a portable
15 environment to go into.

16 Most of these again are portable. There's a
17 differentiation here between what we call bulk gases
18 that are cryogenic. The best way I can explain that
19 would be if you were by a hospital or a large
20 manufacturing organization they would have a very
21 large container out in the back that would have bulk
22 storage or cryogenic storage of a lot of gas.

23 That's not what we're talking about here.
24 These are cylinders that are portable that can go to
25 remote locations that you might have seen in a stake

1 bed truck driving down the highway with cylinders in
2 it. So that's what we're talking about and what we're
3 making here.

4 The volumes we call water capacity can be
5 anywhere say from four cubic feet up to in excess of
6 400 cubic feet in water capacity, and again I
7 mentioned the pressures are between 1,800 pounds per
8 square inch all the way up to say 6,000 pounds per
9 square inch, so there's many different applications
10 and many demands as to what size cylinder is used and
11 of course what pressures are used with the particular
12 gases that are involved.

13 At this point I'd like to have Mike kind of
14 explain in a little more detail just how these
15 cylinders get made. Mike?

16 MR. CAMP: Good morning. There are two
17 principal ways to manufacture a high pressure
18 cylinder, from billet where a slug of steel is heated
19 over 2,000 degrees and carried through a press
20 operation where the steel is forged into a cup, which
21 is then extruded through additional moves to the
22 desired diameter, to the wall thickness and to length
23 of the product that you want, and that is the base
24 area of the cylinder that you see here.

25 The other method is from tube where a length

1 of tube is cut to size and one end is preheated then
2 to again over 2,000 degrees Fahrenheit and carried
3 through a hot spinning operation to form the bottom of
4 the base. The open end is spun closed, and in doing
5 so the bottom is sealed through a super heating, an
6 inversion of the bottom through what is called a bump
7 back process to form the base.

8 Huntsville has moved almost fully to
9 utilizing the billet shell, and this is supplied out
10 of our Longview forge. This allows Norris the
11 opportunity to take advantage of the synergies of our
12 plant and eliminate the purchase of high cost tube
13 steel.

14 But regardless of the method for producing
15 the shell, whether by billet or tube, you have an open
16 end ready for the top, which is the portion you see
17 here, to be formed. This is accomplished by
18 preheating the open end again to in excess of 2,000
19 degrees and carrying the part through a hot spinning
20 operation to form the neck, and so you have your
21 shoulder area and then the actual necking, which you
22 see at this point.

23 I think we have a handout that was provided
24 with some photographs. If you would please refer to
25 page 3 and then page 4? On page 3 you'll see examples

1 of the process for the tube. At the top left it shows
2 the tube that has been cut to length and is ready to
3 go into the process. At the top right it shows the
4 preheated open end of that material. At the bottom
5 left we show the shell at the start of the spinning
6 process. At the bottom right is the part after the
7 spinning has been completed.

8 On page 4 are similar images, but for the
9 billet process. So at the top left you would see the
10 bullet slug as it's being preheated. To the top right
11 it would show a forged cup. The bottom right would
12 show a shell through the extrusion to get to the
13 diameter, to the wall thickness and the length
14 desired, and then the bottom left is showing the top
15 spinning process.

16 Following the spinning operation, the
17 cylinders will go through a heat treat, quench and
18 temper to uniformly set the mechanical properties of
19 the steel. One cylinder from each lot of 200 or less
20 is destructively tested to check and validate that the
21 steel properties are to the requirements of the
22 Department of Transportation Spec. 3AAA, which is
23 covered in the C.F.R. 49.

24 These properties are important for the
25 safety of the product. All manufacturers have a DOT

1 approved third party inspector who witnesses and
2 performs the required testing and reporting. All DOT
3 3AAA cylinders, regardless of the manufacturer's
4 location, must have DOT recognized third party
5 agencies at their facility.

6 Next the cylinders are machined at the top
7 and the inlet threads are cut. It may be hard to see
8 that from here, but there's actually a threading
9 operation in the neck which will support the insertion
10 of the valve, which you can see Jerry is pointing
11 there. At that point they are ready for a hydrostatic
12 test, and 100 percent of the cylinders are subject to
13 a hydrostatic test at five-thirds the design service
14 pressure. For example, a cylinder that has a 2,015
15 psi service would be proof pressure tested at 3,360
16 psi.

17 Once the hydro test is complete and the
18 results approved by the third party inspector, the
19 cylinders are marked according to DOT required
20 stamping and customer preferred stamping. These marks
21 will be permanently stamped into the cylinder's
22 shoulder.

23 The required marks include the DOT spec, in
24 this case a 3AAA, followed by the service pressure,
25 the date of manufacture, the unique serial number that

1 ties to the test results of that individual cylinder,
2 a manufacturer's symbol or number, which is assigned
3 by DOT, and this is a mark that is required by all
4 manufacturers and is registered with DOT as the
5 authorization to produce the DOT spec cylinder.

6 There can also be customer desired markings
7 of their business name or symbol, reference numbers or
8 other defining marks as they would choose. The
9 cylinders are then furnished to customers' specific
10 requirements for a valve based on the intended gas
11 service, a valve protection cap or collar and chosen
12 color.

13 Safety is critical and a priority for high
14 pressure cylinders. It's understandable, considering
15 the pressure range which is 1,800 psi up to 6,000 psi,
16 that high pressure cylinders must meet stringent tests
17 and be controlled through a well defined process.

18 Norris is committed to continuous
19 improvement of our processes. We operate within a
20 full range of quality and process control to ensure
21 the integrity of each cylinder produced. In
22 Huntsville we utilize automation and robotics,
23 connecting manufacturing work cells and conveyORIZED
24 material handling, as well as computer program
25 threading centers and computer aided hydro equipment

1 and a high volume, environmental friendly paint
2 process.

3 The testing and the certification
4 requirements are the same for all manufacturers. That
5 includes the Chinese manufacturers. Once qualified,
6 cylinders are all similar and interchangeable in the
7 marketplace.

8 MR. LEBOW: Thanks, Mike. Jerry, why don't
9 you go forward and lay out an overview of the
10 worldwide high pressure steel cylinder industry.

11 MR. VAN AUKEN: Yes. These cylinders, the
12 high pressure cylinders, of course are used all over
13 the world for many of the same applications we have
14 here in the domestic market. The need for portable
15 gases is obviously driven by a lot of industries,
16 including, for example, the construction industry.

17 There are other manufacturers of these
18 besides the aforementioned Chinese producers. There
19 are producers of the cylinders in Canada, India,
20 Italy, the Czech Republic and Austria, just to name a
21 few. Norris Cylinder is now the only manufacturer of
22 these steel cylinders left in the industry.

23 Our previous competitor, Taylor Wharton, in
24 2010 filed bankruptcy in both its Huntsville and its
25 Harrisburg operations. Harrisburg, Pennsylvania, was

1 the high pressure, large high pressure manufacturing
2 plant. That plant was completely closed. There was
3 equipment that we were able to acquire through the
4 bankruptcy at very distressed pricing that we have put
5 into mothballs and storage at this point for future
6 years we hope.

7 In addition to that, of course, we bought
8 the Huntsville operation, which is making the small
9 and intermediate high pressure cylinders. These
10 cylinders were previous to 2010 being purchased or I
11 should say bought and resold from a company called
12 Worthington Cylinders, who is here today.

13 We'll speak later about the relationship,
14 but fundamentally this relationship was one of us
15 buying their small high pressures, which were made in
16 Tilbury, Canada, in order for us to have a complete
17 product line for our customers. That's a very
18 important ingredient in the industry that we're in. A
19 customer doesn't want to make multiple choices on
20 buying the same kind of cylinders just because of
21 size.

22 Having said that, they were also buying our
23 large high pressure cylinders out of Longview, Texas,
24 and they were selling those cylinders into the same
25 market. In addition to that, we shared in acetylene

1 manufacturing, which is not in scope here, but worth
2 mentioning, which is still going on today.

3 When we acquired the Huntsville operation
4 the relationship between buying and reselling each
5 other's cylinders of course ended. We are
6 competitors, but we still consider Worthington a very
7 fair and straightforward competitor when it comes to
8 quality and price.

9 The synergies involved in getting the
10 Huntsville operation certainly were involving
11 utilization of our own forging capacity in Longview,
12 Texas, and, as Mike mentioned earlier, we converted
13 their manufacturing process over from a tube
14 manufacturing process, spinning both ends of the
15 product, into utilizing the forging capability in
16 Longview and finishing those operations in Huntsville
17 to become more cost effective in the market.

18 We still have a lot of foreign exports that
19 we do to other countries. We face that same pricing
20 issue in a lot of other foreign countries. As a
21 matter of fact, it's very, very stiff pricing that we
22 see internationally when we do our exports of
23 cylinders into the international marketplace,
24 including BTIC.

25 MR. LEBOW: Jerry, would you speak to the

1 customers, please, in the United States and worldwide?

2 MR. VAN AUKEN: We break the category of
3 customers into three different groups. The first
4 group would be the large gas companies, the gas
5 suppliers. These are the ones again that are going to
6 put gases into the bulk storage or into the portable
7 gases.

8 You may recognize some of the names as
9 Airgas, Air Liquide, all the airs of the world,
10 Praxair, Matheson. These are all the largest
11 suppliers. There's another tier of smaller suppliers
12 underneath them, and they're buying the products and
13 of course have a lot of strength in their purchasing
14 power as it relates to the sizes of their business.

15 Then there's another group of buyers that we
16 call buying groups, and buying groups are essentially
17 the small, we affectionately say mom and pop
18 operations that get into a consortium, and these
19 consortiums then go out and have bids for products
20 such as cylinders or welding helmets or wire, gloves,
21 anything that's used in the industry.

22 And these will be bids that are placed and
23 then the buying group itself then in the past has
24 called out a preferred supplier, who would in fact be
25 told by the membership please buy through this member

1 because he has the best pricing or the best rebates on
2 the back end or the best terms in the industry. But
3 then there would be approved suppliers that would also
4 be part of that, and certainly like there's a group
5 called the AIWD, which we used to share that business
6 that we lost in 2010 to Cyl-Tec as a result of
7 pricing.

8 Other groups like the IWDC and the BIG
9 Group, for example, used to have preferred status and
10 recently now have changed their approach to just
11 having approved suppliers, which of course opens up
12 the market for just a pricing issue, so every order
13 and every bid is basically that order being priced at
14 the time of order in order to get the order, so it has
15 become more price sensitive, if you will.

16 And a third type of customers are OEM,
17 original equipment manufacturers. These are generally
18 in the fire suppressant market, in the breathing air
19 market, in the mining industries where they take our
20 cylinders -- hopefully our cylinders -- and put them
21 into their equipment, and then of course that
22 equipment is then shipped into another country or into
23 the domestic marketplace for use like the fire
24 suppressant systems I mentioned earlier.

25 So these three markets of course we can all

1 compete in, including the Chinese, and obviously
2 they've all become I think much more price oriented
3 and price sensitive based on the disparity that we see
4 in the market on the price.

5 MR. LEBOW: With that background, Jerry,
6 would you talk about the trends in the last several
7 years?

8 MR. VAN AUKEN: I again would go back to
9 2008. I think most of us remember that the market,
10 the general economy, I think was doing rather well,
11 and certainly that was no exception in the industrial
12 marketplace. We saw a lot of the gas and welding
13 distributors doing well.

14 We also saw supply as it relates to steel
15 prices going up. There was a bit of inflation on the
16 cost of steel and other commodities, if you will. But
17 also during that period of time we started seeing the
18 Chinese coming into our market, a very tight market,
19 with low prices.

20 Then we all of course or I certainly
21 remember October of 2008 because that crash was rather
22 significant to our industry. I had been in the
23 industry a long time, and I've never seen anything
24 like it. It certainly may have not been the
25 Depression, but it was I think a lot more than a

1 recession in our industry.

2 Virtually orders stopped overnight. I mean,
3 it was a dramatic drop. The phones stopped ringing,
4 and a lot of people were scrambling to figure out what
5 to do with inventories and to adjust to the new norm,
6 and no one knew what that new norm was for most of
7 2009. So I think we spent a lot of time, and so did
8 many other people, adjusting their inventories. That
9 includes our customers. We also went through a number
10 or a series of layoffs and shift cutbacks in order to
11 adjust to this new situation.

12 Although the import volumes were down in
13 2009, we still felt that there was a significant
14 inventory overhang, especially from the Chinese, in
15 our market and so during this period of time we saw
16 the Chinese prices even more aggressive than they were
17 in the prior year.

18 In 2010, there certainly was a small
19 recovery. I think that's established that there was
20 an increase. For Norris Cylinder, this is mostly
21 international business, not really in the domestic
22 side at all. We've had very modest changes there, and
23 we also saw the imports from the Chinese coming into
24 our market, especially in the latter half of 2010,
25 rather substantial, especially in the small size

1 cylinders. It was just about this time also that BTI
2 streamlined its distribution by acquiring 100 percent
3 ownership of America Fortune.

4 Norris has seen an increased demand in 2011.
5 That's been stated. Import levels continue to be
6 high. Norris did not really benefit from that
7 increased growth that was going on, and we still had
8 plenty of capacity to address it. We just were not
9 getting that share.

10 2011 has been marked most significantly by
11 of course the antidumping and countervailing duty
12 filing that we did last year. We noticed of course an
13 impact in the market when we did do that. There's
14 been some abatement in the pricing pressure so we have
15 been able to adjust to kind of cover for the steel
16 increases that we were seeing during this period of
17 time.

18 In addition, we saw a number of larger,
19 bigger companies coming to Norris Cylinder asking what
20 this countervailing duty and antidumping case was all
21 about, and certainly when we had the suspension of
22 liquidation we saw a shift to Norris Cylinder as a
23 result of that announcement.

24 For the Huntsville factory, however, this
25 pricing pressure still is there, and the Huntsville

1 facility is really still starving to get volume into
2 that production environment. In our business, volume
3 is a very important issue. It's a very fixed overhead
4 kind of a situation that volume kind of rectifies, and
5 if the volume goes down it's very hard to recover
6 those fixed costs.

7 For the Longview facility, we're making the
8 larger sizes. We're nowhere near where we were in
9 2008. I have plenty of capacity available to put to
10 play, and I have a forge that we haven't begun to
11 implement yet because we just don't see the volume
12 play at this time.

13 What's more, until the suspension of
14 liquidation hit in the fall of 2011, Norris had been
15 seeing more price pressure on the larger sizes from
16 BTIC from several accounts, and we have seen BTIC
17 moving or upsizing into those larger sizes as time
18 goes on. So it started on the small sizes and is
19 migrating towards those large sizes as we speak.

20 MR. LEBOW: So what have you been doing to
21 push back against the increased imports from China and
22 the underpricing?

23 MR. VAN AUKEN: I might point out just
24 before I get into that that also during this period of
25 time Cyl-Tec during the suspension of liquidation did

1 raise its prices in the marketplace to more of a norm
2 of where we were seeing Norris Cylinder and the
3 pricing to the market.

4 What have we been doing? First of all, I
5 think customer after customer comes to Norris and says
6 can you meet this price, and it's become more of a
7 price driven kind of a product discussion. Where we
8 can we try to get that business usually at very low
9 margins, more often we see ourself losing those orders
10 to the Chinese.

11 There's been a consolidation in this
12 industry, which makes again the timing of this very
13 important. Price is still becoming a driving issue in
14 our product market. As the market is coming back in
15 2011, we still feel we are not anywhere near the share
16 that we had in 2008. Again, and I'm being a little
17 bit repetitive, but again it started on the small
18 sizes and it's now migrating through the larger sizes
19 as we go on.

20 Norris' industry has got, as I mentioned
21 before, high fixed cost. Until we filed these trade
22 cases we had to do a lot of things internally to cut
23 our costs and cut back on our manufacturing capacity
24 in order to match up with what we were seeing as a new
25 share, if you will, of the market based on what was

1 happening with BTIC.

2 Norris makes every effort to do what it can
3 to manage its steel prices and steel prices for
4 cylinder. As you can see, this is all steel. You
5 know, it represents 40 to 50 percent of the cost of
6 the manufacturing, so steel becomes a huge and
7 important ingredient in how we can come to market. We
8 buy from U.S. markets, as well as foreign markets, in
9 order to try to get the price of steel where we feel
10 it ought to be.

11 The Chinese are not standing still. They're
12 very aggressive in other markets like the fire
13 suppressant market, the gas and welding, the majors,
14 and they're even doing direct selling and pushing in
15 that area. So we see the increase, that our share is
16 shrinking and not growing, and we're pressed very hard
17 to try to move day-to-day in our sales efforts.

18 Last, but not least, again I just want to
19 repeat we're in lower sales levels, lower income,
20 lower unit volumes than we were seeing in 2008. We
21 have not recovered. We have plenty of capacity to
22 bring to the market. There's a lot of price
23 competition. We're in a weaker position with all the
24 buying groups based on changes in the buying groups,
25 as well as price disparity that we see on what we can

1 offer, and there's significant price disparity, well
2 in excess of 30 percent, that we just can't match up
3 against.

4 MR. LEBOW: Thank you, Jerry. We're going
5 to turn now to have some brief comments from Wayne
6 Powers of Worthington.

7 MR. POWERS: Good morning, Madam Chairman
8 and members of the Commission. My name is Wayne
9 Powers. I am Director of Industrial Products with
10 Worthington Cylinders. I've been in the cylinders
11 business for nine years, and I've been employed by
12 Worthington since 2003.

13 Although Worthington Industries is an
14 American company headquartered in Columbus, Ohio,
15 Worthington Cylinders is not a domestic producer of
16 high pressure cylinders. As you know, we produce
17 small and medium sized high pressure cylinders at our
18 facility in Tilbury, Ontario, and large high pressure
19 steel cylinders at our subsidiary in Austria.

20 Thus, we are not part of the U.S. domestic
21 industry for the purposes of the Commission's injury
22 analysis. Nevertheless, like Norris and until
23 recently Taylor Wharton, we have been long-time
24 competitors in the U.S. market for high pressure steel
25 cylinders. We are thus well placed to provide the

1 Commission with another viewpoint of what has been
2 going on within our business for the past several
3 years.

4 Until the Chinese entered the market,
5 Worthington, Norris and Taylor Wharton had been
6 aggressively competing, but fairly. Worthington would
7 win business at one gas company, and one of our
8 competitors would win at another gas company. The
9 same was true for the buying groups.

10 This all changed in the early part of the
11 decade as imports from China entered the market at
12 substantially lower prices than we were able to offer.
13 In recent years this trend has only accelerated. For
14 example, a typical application in welding calls for a
15 20 cubic foot high pressure cylinder filled with
16 oxygen to be used in tandem with a 10 cubic foot
17 acetylene cylinder in a set called a tote.

18 I can think of at least three major
19 customers, each of which bought approximately 20,000
20 totes annually that have moved to the Chinese during
21 the past few years, as recently as 2010. The sole
22 reason was price. BTIC, which has huge capacity,
23 undersold us in many cases by as much as 30 percent.

24 The impact on Worthington has been
25 substantial. Our management has to answer to

1 shareholders. We do not have access to subsidized
2 steel, and I have to tell you that until Norris filed
3 the trade remedy complaints last spring we were giving
4 serious consideration to exiting this business. As it
5 is, we have curtailed capacity at the front end of our
6 Tilbury facility in a cost reduction effort.

7 I understand that BTIC has argued to you
8 that the problems suffered by Norris were due mostly
9 to the recession or to them buying Taylor Wharton and
10 that with the recession being over everything is now
11 fine. That is not the case. It is only since the
12 filing of the antidumping and countervailing duty
13 petitions that we have seen some moderation in BTIC's
14 aggressive pricing. In fact, once the cash deposit
15 requirements hit in late October prices went up most
16 noticeably.

17 I think it is not unreasonable to expect
18 pricing pressure to ratchet up once again if there is a
19 negative determination in this case and those cash
20 deposits are eliminated. Mr. Lebow has also told me
21 that in these cases the Commission is required to
22 examine whether penalty duties would be redounded
23 principally to the benefit of third country producers
24 such as Worthington rather than the domestic producer,
25 Norris.

1 Of course Worthington would benefit if the
2 Chinese were forced to price fairly. We are, as I
3 have said, a part of the North American industry.
4 With our cross-border movement costs, we are I suspect
5 equally or more vulnerable than Norris to Chinese
6 underpricing. However, I know from my years of
7 experience in the business that Norris will also
8 benefit significantly from fair pricing and some
9 semblance of market equilibrium.

10 In the past, we did not have all of the
11 market, nor did Norris, nor did Taylor Wharton. It is
12 too late for Taylor Wharton, but not for Norris or for
13 Worthington. We look forward to giving Norris and the
14 Chinese suppliers plenty of good competition in the
15 years to come, and we expect the same from them.

16 However, if the Commission does not put a
17 stop to predatory Chinese pricing neither Worthington
18 nor Norris will be around to compete in the future.
19 Thank you for listening. I'll be happy to respond to
20 your questions.

21 MR. LEBOW: Mr. Roberts?

22 MR. ROBERTS: Good morning, Madam Chairman
23 and members of the Commission. My name is William P.
24 Roberts, III. I am President of Roberts Oxygen
25 Company headquartered in Rockville, Maryland, where

1 I've worked full-time since May 1, 1973.

2 Previously I also worked there summers while
3 in college from 1966 when the company was founded to
4 1969. My academic training includes a Bachelor's
5 degree in Accounting and an MBA in Finance and
6 Management, both from the University of Texas at
7 Austin.

8 Roberts Oxygen, as the name suggests, is a
9 family business my father started in 1966. The name
10 is somewhat misleading since we sell all types of
11 compressed gases. In addition to oxygen, other common
12 gases we sell are nitrogen, argon, helium, CO₂,
13 acetylene, hydrogen and mixtures.

14 We supply these industrial, medical and
15 specialty grade gases to a wide variety of industries
16 in the mid Atlantic region from Philadelphia and South
17 Jersey down to Charleston, South Carolina. You may
18 have seen our trucks on the roads in the D.C. area
19 loaded with high pressure cylinders painted many
20 colors. We use these cylinders to contain the gases
21 we sell to our customers.

22 We own the larger sizes of cylinders
23 generally from 140 cubic foot capacity and up and
24 receive a rental fee from the customers for their use.
25 We sell, rather than rent, the smaller size cylinders

1 to customers, often in head-to-head competition with
2 bigger companies that can purchase cylinders directly
3 from China.

4 Our customers are in the welding and steel
5 fabrication, construction, manufacturing, health,
6 medical, safety, scientific research, food, beverage,
7 art and other industries, and our customers run the
8 gamut from individuals, companies, nonprofit
9 organizations to the federal, state and local
10 governments.

11 To serve all our customers and their
12 numerous uses, we purchase the full range of high
13 pressure cylinder sizes. Since its founding, our
14 business grew steadily and hit its high point in 2008
15 and, like many others, we had reduced sales in 2009.
16 Our sales were flat in 2010, and it was not until 2011
17 we saw somewhat of a rebound, but not back to the 2008
18 level. And while 2012 has started off with moderate
19 gains, we aren't sure how long that will last.

20 With these market conditions, we have been
21 particularly careful about the price we are able to
22 pay for everything, including high pressure steel
23 cylinders. Thus, we had to pay attention when one of
24 the cylinder vendors, Cyl-Tec, was offering steel
25 cylinders at prices well below those offered by our

1 domestic producer, Norris Cylinder Company. In fact,
2 we did place some significant orders for Chinese
3 cylinders due to their lower price.

4 In addition to our own direct bottom line
5 pressures, we were also forced toward the low-priced
6 Chinese cylinders because our competitors are buying
7 from the Chinese. There are two different impacts on
8 Roberts Oxygen Company. As I said, large cylinders
9 are generally considered company assets and only
10 rented by Roberts and competitors like Airgas and
11 Praxair to their customers.

12 Accordingly, for the larger sizes Roberts
13 Oxygen Company has been able to temporarily absorb a
14 higher capital cost of new purchases when buying from
15 Norris compared to the lower cost large Chinese
16 cylinders. This is because Roberts Oxygen Company has
17 over 200,000 cylinders, and for a couple of years the
18 higher cost of 2,000 to 3,000 new cylinders from
19 Norris changes our capital structure by a very small
20 percent. However, that cannot continue indefinitely
21 as the higher cost accumulates.

22 However, for the smaller sizes where we sell
23 the cylinder as well as the gas to our customers, we
24 cannot compete if our cylinder costs are significantly
25 higher than those of our competitors. Roberts cannot

1 hold its own in the resale cylinder marketplace
2 against big companies such as Airgas and Praxair or
3 even smaller companies if our competitors are buying
4 Chinese cylinders significantly below our cost to buy
5 them from Norris.

6 Thus, the effect of low-cost, small resale
7 cylinders is significant and immediate, and we had to
8 start buying Chinese cylinders to remain competitive.

9 Even for larger cylinders we cannot pay comparatively
10 higher prices for very long. For both small and large
11 size cylinders, imports from China are DOT certified,
12 and the large majority of our customers don't care if
13 the cylinder is U.S. or Chinese when they lease or
14 purchase from us.

15 Let me be perfectly clear. I believe that
16 competition is good and I believe that it must be
17 fair. Norris, our domestic supplier, shouldn't have
18 to compete against imports where the steel is provided
19 at subsidized prices by the Chinese Government, and we
20 shouldn't be faced with choosing between buying
21 products made with that subsidized steel and losing
22 our own business to companies that are not attentive
23 to the conditions that affect their inputs.

24 As a U.S. business owner, I think that it is
25 vital that this company maintains a domestic

1 manufacturing base. It provides a short supply chain,
2 one or two day delivery by truck rather than overseas
3 shipping by boat, generally good paying jobs, provides
4 a base for developing new products, innovation and
5 intellectual knowledge and national security. I
6 believe it is important that the United States retain
7 at least one domestic producer of this basic
8 industrial product.

9 The U.S. needs to keep Norris viable as the
10 sole manufacturer of large high pressure cylinders. I
11 don't want to rely on a producer half a world away,
12 and I shouldn't have to if my local supplier is
13 allowed to compete on a fair basis.

14 I appreciate you taking the time to listen
15 to my testimony, and I am happy to answer any
16 questions you may have.

17 MR. LEBOW: Thank you. Mr. McGuire?

18 MR. MCGUIRE: Good morning, Madam Chairman
19 and members of the Commission. My name is John
20 McGuire. I'm owner and President of American Gas &
21 Cylinder. We're located near Mobile, Alabama.

22 I've been in the steel cylinder business for
23 over 25 years working along the way with companies
24 such as North American Cylinders, U.S. Cylinders,
25 Worthington Cylinders, Airgas, Inc., and for the last

1 15 years or so at American Gas & Cylinder, which I
2 started in 1996.

3 Our business at American Gas & Cylinder is
4 focused on high pressure and acetylene cylinder
5 exports from the United States to Central America,
6 South America, the Caribbean Basin and not in the U.S.
7 market per se. However, Norris asked and I have
8 agreed to testify today because my purchase is made
9 inside the United States, and I have some perspective
10 on pricing practices of the various players in the
11 cylinder market.

12 The bottom line is simple. Chinese prices
13 have made it very difficult for American Gas &
14 Cylinder to continue supplying U.S. made cylinders to
15 gas distributors in Central and South America and the
16 Caribbean Basin. One of my U.S. suppliers, Taylor
17 Wharton Company, is no longer in business. From what
18 I understand, the other, Norris Cylinder, has been
19 facing some stiff price competition from Chinese
20 product.

21 When our customers buy on price alone, we go
22 to the Chinese manufacturer's distribution site in the
23 USA to stay competitive. Norris simply cannot match
24 the low prices that our distributors are being offered
25 from the Chinese. So in those cases, I chose to buy

1 from Cyl-Tec, keep my business going and keep our
2 distributors purchasing through our wholesale company.

3 In my opinion, the Chinese quality is no
4 better than that of Norris. The delivery times of
5 each company are sometimes better, sometimes worse,
6 depending on the current business cycle. If my
7 experience is any guide, price is the focal point of
8 which Cyl-Tec sells the BTIC cylinder.

9 This is not to say that Norris' prices are
10 unreasonable. Over the years I've found them to be
11 competitive with other domestic producers when they
12 existed and with other imports, be they from
13 Worthington in Canada, Italy or Austria.

14 The Chinese producer, BTIC, has really come
15 in with prices that none of the others that I've run
16 across can compete with. If I want to keep my
17 customer base, it's come to the point I have to buy
18 the lowest priced product available to me, which is
19 the BTIC cylinder.

20 My reason for pointing this out is that I
21 feel we need to keep at least one domestic
22 manufacturer in business. I do not want to have to
23 rely solely on one supplier which supplies so many
24 different markets around the world. This would leave
25 me, as well as other distributors we supply, at risk

1 in the event the Chinese producers' business plans
2 change.

3 I get the impression that some Chinese
4 businesses are operating under a different agenda than
5 the U.S. companies. They seem to be trying to move
6 more steel out of China. The more steel intensive the
7 product, the better. I can state with confidence that
8 given the aggressive underpricing I see from BTIC I
9 have no doubt that without an affirmative
10 determination by this Commission I and others like me
11 will be compelled to buy Chinese products to remain
12 competitive in our markets.

13 Thank you for the opportunity to appear
14 before you this morning. I'll be pleased to respond
15 to any questions at the appropriate time.

16 MR. LEBOW: Thank you, Mr. McGuire. Our
17 final witness will be Dan Klett from Capital Trade
18 with a short statement.

19 MR. KLETT: Good morning. My name is Daniel
20 Klett. I'm an economist with Capital Trade testifying
21 on behalf of Petitioner. There are two issues I want
22 to address. First, the calculation of subject import
23 U.S. shipments and inventories. Second, controlling
24 for the effects of the recession on the U.S. industry.

25 In 2010, U.S. importer America Fortune --

1 CHAIRMAN OKUN: Mr. Klett, I think your mic
2 went off.

3 MR. KLETT: Yes. I've got it. In 2010,
4 U.S. importer America Fortune became a wholly owned
5 subsidiary of Chinese producer BTIC. One result of a
6 foreign producer having an ownership position in a
7 U.S. importer is that the financial risk of ADCVD
8 duties is effectively on the foreign producer.

9 It is likely for this reason, for example,
10 that in August 2011 Thyssen switched from being the
11 direct importer to purchasing BTIC produced cylinder
12 from BTIC owned America Fortune based on publicly
13 available ships' manifest information. The data are
14 confidential, but the switches occurred in 2011 with
15 other direct importers as well.

16 The implication for the Commission's
17 calculations is that the U.S. shipments of subject
18 imports in 2011 to compete with Norris may be
19 overstated because a larger volume of U.S. import
20 shipments reflect shipments by America Fortune to
21 distributors that compete with Norris.

22 This change also has the effect of
23 understating subject import inventory held in the
24 United States by distributors that compete with Norris
25 because as purchasers rather than direct importers

1 these companies' import inventories are not reported
2 in Table VII-5 of the prehearing report. We estimated
3 how this change in the distribution of subject imports
4 has affected U.S. shipments of imports and subject
5 import inventories and market shares in Exhibit 2 and
6 3 of our prehearing brief.

7 In its preliminary determination, the
8 Commission stated that it wanted to more fully analyze
9 the effects of the recession on the U.S. industry at
10 page 22 of its opinion. There is no doubt that the
11 recession had a significant effect on Norris' high
12 pressure steel cylinder operations.

13 Because U.S. apparent consumption decreased
14 only from 2008 to 2009 and increased during the POI
15 from 2009 to 2011, including 2008 data is necessary to
16 evaluate the effects of the recession. However, we
17 also evaluated the effect on Norris of the upturn in
18 U.S. apparent consumption from 2009 to 2011 and the
19 effect of changes in subject import market shares over
20 this period as well.

21 A description of the analysis and results is
22 included in Exhibit 5 of our prehearing brief. To
23 summarize, a proforma financial analysis of Norris'
24 financial condition for high pressure steel cylinders
25 estimated the volume and price effects of subject

1 import competition from 2008 to 2010.

2 The volume effects are based on applying
3 2008 market shares to 2010 brand consumption. The
4 price effects are those of two alternative price
5 declines, \$10 per unit or \$20 per unit, which are
6 supported by wider selling margins. U.S. producers'
7 volume reductions associated with an increase in --
8 market share result in lower sales revenue as well as
9 higher unit fixed costs and consequently lower gross
10 and operating profits.

11 The analysis shows the competition from
12 subject imports accounted for about a third of the
13 decline in Norris's sales volume and revenue from 2008
14 to 2010, and about a half of the decline in gross and
15 operating profits. Competition from subject imports
16 is a material factor affecting the U.S. industry in
17 addition to the effects of the recession.

18 A related analysis looks at 2009 to 2011.
19 The analysis is similar to what I just described but
20 looks at two different volume effect scenarios. One,
21 keeping import market share at 2009 levels and
22 applying that to 2011 to apparent consumption, and the
23 other assuming that if the AD and CV margins are high,
24 that that will exclude China from the market. The
25 same price effect assumptions are used.

1 The estimated effects are confidential but
2 an important general finding is that although U.S.
3 apparent consumption did increase significantly from
4 2009 to 2011 Norris's sales volume, revenue, and
5 profits attained in 2011 were still significantly
6 below 2008 levels. An important reason for this is
7 China continued to maintain a significant presence in
8 the U.S. market in 2011 and to undersell by
9 significant margins. Thank you.

10 MR. LEBOW: Thank you, Madam Chairman. That
11 concludes our direct testimony.

12 CHAIRMAN OKUN: Thank you. Before we begin
13 our questions this morning let me take this
14 opportunity to thank all of you for being here.
15 Particularly appreciate the businesses who are here to
16 share your time and your experience and helping us to
17 better understand your industry, and we will start our
18 questions this morning with Vice Chairman Williamson.

19 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
20 Chairman.

21 I want to thank the industry representatives
22 for coming today and taking time away from your
23 business to present this testimony today. Let me
24 start off by trying to get a better understanding of
25 the demand for high pressure cylinders in the U.S.

1 market.

2 According to the Commission staff report
3 demand is -- you say can be divided into major end use
4 markets such as construction, medical supply, beverage
5 and specialty gases you say. I was wondering -- this
6 is for any of the members of the panel. If there are
7 different perspectives it would be helpful. I was
8 wondering, first, can you discuss each of these
9 different market segments with respect to how much of
10 the total market does this segment account for? How
11 has demand changed in this segment during the 2009-
12 2011 period? And which segments require large
13 cylinders and which require small cylinders?

14 MR. VAN AUKEN: I will attempt to try to
15 answer that question.

16 VICE CHAIRMAN WILLIAMSON: Okay.

17 MR. VAN AUKEN: Pull that a little closer.

18 Try to answer your question. The industrial
19 market, basically the construction, gas and welding
20 industry, is a primary focus for Norris and it
21 occupies most of our marketing efforts if you will
22 with our industrial gas cylinder. Some of the other
23 markets that you mentioned, such as the beverage
24 industry, the medical industry, we participate very
25 little in those markets, and those markets really move

1 towards a different kind of cylinder, aluminum
2 cylinders --

3 VICE CHAIRMAN WILLIAMSON: Okay.

4 MR. VAN AUKEN: -- in their applications.

5 VICE CHAIRMAN WILLIAMSON: Mr. Roberts can
6 probably come in on that later.

7 MR. VAN AUKEN: He absolutely could.

8 VICE CHAIRMAN WILLIAMSON: Thank you.

9 MR. VAN AUKEN: So maybe, Bob, you ought to
10 jump in.

11 VICE CHAIRMAN WILLIAMSON: I'm sorry. Are
12 you finished on the -- okay.

13 MR. ROBERTS: Yes, in the CO₂ beverage
14 industry that's gone quite a bit in the fast-food
15 industry from cylinders to a liquid cylinder that
16 contains four to six hundred pounds as opposed to a
17 500 pound cylinder, so that's moved away from steel
18 cylinders.

19 The industries that have been affected, I
20 think, most during the recession are construction-
21 related, manufacturing-related customers. They took a
22 very significant drop, 30 to 60 or 70 percent during
23 2009 and some have rebounded since then. The
24 industries that were not affected quite as much during
25 that period of time would be the medical industry,

1 it's been fairly stable. The research and development
2 industry has been relatively stable. Anything related
3 to manufacturing was very hard hit, you know,
4 automobile manufacturing and customers in that market
5 segment.

6 I think the food industry probably made it
7 through fairly well, but as far as I would say all
8 segments, all industry segments can use both small and
9 large high pressure cylinders. It may just depend on
10 the size of the company. Certainly the larger use
11 that they have they will use the larger cylinders. If
12 there is a need for portability, such as the plumbing
13 and heating, HVAC guys that have to carry stuff to the
14 job, they will be going to the small cylinders because
15 of the lighter weight and portability.

16 MR. VAN AUKEN: Mr. Williamson, I would like
17 to add. On the OEM segment, that's another market
18 area that was significantly affected by the recession,
19 and certainly like the fire suppressant market, for
20 example, has been under a lot of distress as well, and
21 these are cylinders that are going into that
22 particular market.

23 VICE CHAIRMAN WILLIAMSON: Okay. Good. Can
24 we get some idea of the share of the market that these
25 different segments are taking you say maybe before the

1 recession and now, if there has been a significant
2 change?

3 MR. VAN AUKEN: I don't know if I could size
4 up the percentages. I mean, there are so many other
5 types of cylinders that are involved in the industries
6 that you speak of that it would be hard for me to put
7 my arms around the exact size, or if you will, a
8 percentage. I will say that as it relates to the
9 markets that Norris Cylinder participates in, that
10 fully 95 percent of what we do is in the -- with the
11 major gas companies and the gas producers along with
12 the --

13 VICE CHAIRMAN WILLIAMSON: When you say gas
14 companies and gas producers --

15 MR. VAN AUKEN: Yes.

16 VICE CHAIRMAN WILLIAMSON: -- all the
17 oxygen --

18 MR. VAN AUKEN: Yes.

19 VICE CHAIRMAN WILLIAMSON: -- hydrogen.

20 MR. VAN AUKEN: These would be the Airgases
21 and Praxairs of the world who are supplying the gases
22 to the industry that we're talking about, and so they
23 are affected by this as well. So if the manufacturing
24 industry or the gas and welding industry, construction
25 industry are down, they will have a direct effect on

1 the Praxairs and their products of the world who are
2 providing those gases because they will not need
3 portable cylinders to address the market.

4 MR. ROBERTS: I would also add it certainly
5 -- we are a local or regional gas company.

6 VICE CHAIRMAN WILLIAMSON: Yes.

7 MR. ROBERTS: And we buy our gas from air
8 products and manufacturers and then repackage it into
9 the smaller cylinders. For us a lot of times I equate
10 compressed gases to scotch tape. That it's amazing how
11 many people use some, some use a lot, some use a
12 little. So, in our particular geographic footprint
13 there is no one industry that I would say has a
14 significant -- that represents a significant part of
15 the user base that uses the compressed gas cylinders.
16 I would say it's fairly well spread out between all
17 the ones that I mentioned earlier, between
18 construction, welding, steel fabrication, medical
19 research, and just kind of on and on and on. It's
20 really kind of amazing how many industries use a lot
21 and it's not one -- in our footprint not one industry
22 dominated.

23 VICE CHAIRMAN WILLIAMSON: Okay. I'm
24 beginning to get the picture. Good.

25 So in terms of the, shall we say, the

1 subject import competition it's going to be where
2 you're selling a lot of smaller cylinders, to the
3 group you are selling them to to that segment of the
4 companies, so you can have a large purchase of these -
5 - have purchasers buying some small and some large
6 where you're getting more intense competition than in
7 the smaller sizes first?

8 MR. ROBERTS: Yes, that's true. In my
9 testimony I mentioned that it really started on the
10 smaller sizes back towards 2008 and prior to that, and
11 slowly has migrated into the larger sizes, so we see
12 that happening over time and certainly as recent as
13 2011. Now the prices on the larger cylinders being
14 priced well under what we can offer to the market.

15 VICE CHAIRMAN WILLIAMSON: Okay.

16 MR. ROBERTS: And most of the people that
17 are buying these cylinders, again, there are certain
18 customers who are going to buy small ones and certain
19 ones that are going to buy larger ones based on the
20 kind of need that they have, but the people that are
21 buying those cylinder the larger gas companies or the
22 smaller gas companies or the small welding
23 distributors are going to try to buy those cylinders
24 albeit from one supplier or try to as well as try to
25 get the best price.

1 VICE CHAIRMAN WILLIAMSON: Okay, thank you.

2 Mr. Powers, anything you want to add to this
3 discussion.

4 MR. POWERS: I certainly can confirm, sir,
5 that the competitive pressures in terms of pricing as
6 pertains to Worthington we are focused initially on
7 the small high pressure cylinders. This dates back in
8 excess of 15 years. It was where the initial
9 competitive pressures began. That moved into the
10 medium high pressure sizes which are the primary
11 products at our facility at Tilbury, Ontario, produce.
12 That then crossed lines albeit not part of this
13 particular review, but it also was similar effects on
14 the acetylene business which we product those
15 cylinders as well. And then in recent years it
16 migrated into the large steel high pressure cylinders
17 that we are here talking about in large portion now.

18 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
19 Are we seeing that the beverage sector segment has
20 almost completely gone to aluminum now?

21 MR. VAN AUKEN: It would be our position
22 that we don't provide really much of anything as far
23 as cylinders are concerned into the beverage industry.

24 VICE CHAIRMAN WILLIAMSON: Okay. Mr.
25 Roberts, how about you?

1 MR. ROBERTS: Yes. I would say there is,
2 again in the beverage CO₂ industry if it's a larger
3 user, which would be typically a fast-food restaurant,
4 McDonald's, Burger Kings, they don't even use high
5 pressure cylinders. They use the liquid cylinders that
6 are placed inside the facility, and we have a truck
7 that comes and refills the cylinders there.

8 In some of the smaller places, smaller bars,
9 smaller restaurants would continue to use the high
10 pressure cylinders and for them it could either be
11 steel cylinders. We certainly have a lot of steel
12 cylinders that are certainly still CO₂ use, and there
13 are, particularly for the smaller 20-pound cylinders
14 then aluminum has been popular for many years because
15 of the reduced weight and it's easier to carry
16 aluminum cylinder with 20 pounds rather than a steel
17 cylinder with 20 pounds of product in it.

18 So, both products are still used in limited
19 quantities in the industry. Again, depending on the
20 volume of the particular end user.

21 VICE CHAIRMAN WILLIAMSON: Good. Okay,
22 thank you. My time has expired.

23 CHAIRMAN OKUN: Commissioner Pearson.

24 COMMISSIONER PEARSON: Thank you, Madam
25 Chairman.

1 Welcome to all of you. It has been a
2 challenging business environment for many U.S.
3 businesses over the past several years and I'm glad
4 that you're here and in business and we hope looking
5 towards better times in the future. I'm going to
6 follow up on the Vice Chairman's question regarding
7 apparent consumption.

8 Mr. Klett, you have made reference to 2008
9 as being a useful reference here, and we have, of
10 course, a comparative -- we can make a comparison
11 there because we have the apparent consumption figure
12 that was compiled in the preliminary phase of the
13 investigation, and I assume you have put that on the
14 record. I don't have it in front of me so I don't
15 know exactly what that figure was, but we have that on
16 the record somewhere?

17 MR. KLETT: Commissioner Pearson, yes, that
18 is on the record from your preliminary staff report
19 and it's in our prehearing brief as well.

20 COMMISSIONER PEARSON: Okay. It doesn't
21 surprise me. I assumed that it would be.

22 The question that I have is, was 2008 kind
23 of a high water mark for the industry? I'm reluctant
24 to use that as a benchmark if -- you know, with the
25 economy being so hot prior to the crash, it's possible

1 to envision that that was sort of a peak in demand
2 rather than a normal time in demand. Is anyone able
3 to comment on that?

4 I mean, what would it look like if we went
5 back to say 2005? And I know we can't easily
6 construct apparent consumption number that's
7 equivalent to what we have in the staff report, but
8 you see the question that I'm raising.

9 MR. KLETT: I understand. As you said, we
10 don't have apparent consumption number prior to 2008.
11 I mean, we do have some information on construction
12 activity which is a factor affecting demand, and we
13 can definitely go back prior to 2008 and look at that
14 as maybe a proxy for where 2008 is in the cycle, but
15 Mr. Van Auken has been in the business longer than I
16 have, and so he may be able to shed some light on in
17 terms of high pressure steel cylinders specifically,
18 you know, how 2008 compares to prior years.

19 MR. VAN AUKEN: Yes, I would consider 2008
20 sort of a typical year to be honest with you. There
21 certainly was good volume and good activity in the
22 market in '06 and '07. Like any market in any
23 industry, as you know, it's not going to be steady and
24 there will be ups and downs specific to whatever
25 market segment that we're talking about.

1 But in general when you look at overall
2 volumes I'd call it more atypical.

3 COMMISSIONER PEARSON: And Mr. Powers, was
4 that your experience at Worthington also?

5 MR. POWERS: Worthington can confirm that
6 the volumes of really going back to 2006, 2007, 2008,
7 were all stable, strong years of consistent demand,
8 yes.

9 COMMISSIONER PEARSON: Okay, thank you.

10 MR. VAN AUKEN: If I can add, I think from a
11 gas company perspective that's true. It's a little
12 bit different from us because if there is an increase
13 in economic activity, these steel cylinders are
14 returnable and reusable containers, so they are used
15 and returned more quickly and as economic expansion
16 takes place then we need more cylinders to buy new
17 cylinders from the manufacturers as the customers'
18 needs go up. But we very definitely saw the years
19 before 2008 were also very stable and typical of what
20 was in 2008.

21 COMMISSIONER PEARSON: Okay. Well, that
22 leads nicely into the next question which is, what's
23 the average life span of these cylinders? And I'm
24 thinking you've got a tote with an oxygen cylinder and
25 an acetylene cylinder. You are selling it to a

1 customer. How long are those two cylinders likely to
2 last? Because they have to pass inspection every five
3 years, correct?

4 MR. VAN AUKEN: Yes, actually every 10
5 years.

6 COMMISSIONER PEARSON: Ten years.

7 MR. VAN AUKEN: Yes. There are some
8 cylinders that require five years, but most are 10
9 years in the steel cylinder industry. We like to
10 think they last forever and it seems like they do.
11 They go out and they seem to never come back. It's a
12 common joke in our industry, where do they all go?
13 Certainly some of the smaller cylinders that are not
14 acete cylinders tend to get lost in the industry. You
15 know, they are purchased. Once they go out they may
16 sit in the back of a farm building forever and you
17 never see them again versus the acete cylinders which
18 tend to come back to the gas supplier to be filed
19 again, and of course there is that requirement that
20 every 10 years if it comes back to the filler and the
21 date on the dome of the cylinder indicates that it
22 needs a re-test, then it would have to go through a
23 re-inspection or a re-certification, and it would be
24 re-stamped and go back out into the market.

25 But we think there are cylinders out there

1 from the forties and the fifties still running around
2 out there somewhere. So it's hard to answer your
3 question.

4 COMMISSIONER PEARSON: I think I had some
5 familiarity with a couple of those back in my younger
6 day. I am not very good with an Oxy settling torch,
7 I'll be quite honest. My brother and father are far
8 better at it, but that was awhile ago. I went on to
9 focus on other things. Some people wonder if I made a
10 good choice.

11 (Laughter.)

12 Would it be correct to assume that some
13 gases are inherently more corrosive and will shorten
14 the life of a cylinder or is that not the case with
15 the product we're talking about today?

16 MR. VAN AUKEN: Well, there certainly are
17 some gases are, that I mentioned, a lot more active,
18 not a passive gas but like an argon obviously is not
19 very corrosive.

20 COMMISSIONER PEARSON: Right.

21 MR. VAN AUKEN: But you can get into some
22 gases like methane and hydrogen that over a period of
23 time could start to affect a cylinder, and of course
24 that's why there are re-test dates to accomplish that
25 if they are in that kind of service. CO₂ would be

1 another one, a fairly dirty gas.

2 COMMISSIONER PEARSON: Are there different
3 types of linings of the interior of the cylinder that
4 would be put in place for different end uses of the
5 cylinder, or is there kind of a standard finish for
6 the inside of the cylinder?

7 MR. VAN AUKEN: Most cylinders are, as we
8 had with our demonstration in the cut-away, are just
9 typically blasted inside to a bright metal so you're
10 getting off any kind of material that may have
11 attached itself during the forging operation and heat
12 treating operation, so those would be blasted out.

13 There are different levels of inside
14 blasting that do occur in some industries for what we
15 call specialty gases. This would be like electronic
16 manufacturing where you do want to have the cleanest
17 possible -- we are aware of a few customers here or
18 there that actually do put a nickel plating on the
19 inside of the cylinder, but that's done by them but
20 not by Norris Cylinder, but there are small, you know,
21 less than 1 percent.

22 COMMISSIONER PEARSON: Okay. But lining
23 them with glass or some other --

24 MR. VAN AUKEN: No.

25 COMMISSIONER PEARSON: -- that's not

1 normally done in this industry?

2 MR. VAN AUKEN: No.

3 COMMISSIONER PEARSON: Okay, thank you.

4 Now, I noted that the scope excludes a
5 couple type of acetylene cylinders, and I just wanted
6 to understand. Does it include some acetylene
7 cylinders? It excludes all acetylene cylinders?

8 MR. VAN AUKEN: That's correct.

9 COMMISSIONER PEARSON: Okay. And why is
10 that?

11 MR. VAN AUKEN: Well, first of all, the
12 manufacturing process for acetylene in the United
13 States does use a different process, first of all.
14 These are deep drawn. Mike had mentioned earlier the
15 different kinds of manufacturing processes, so it uses
16 a different kind of steel, number one. It's not a
17 high-grade alloy steel like the 4130 is, for example.
18 So that right away has an impact on the cost of
19 steel, and of course the manufacturing process is
20 fairly different as it relates to how we go ahead and
21 form and weld these cylinders together, and they are
22 welded. They are low pressure so there is like under
23 500 psi. So, it's a whole different kind of product
24 and it's not been under the impact that we have seen
25 in the high pressure side based on essentially the

1 cost of steel.

2 COMMISSIONER PEARSON: Okay. Well, that
3 makes sense. Mr. Powers, anything that you would add?
4 It's the same for Worthington, I assume?

5 MR. POWERS: It is indeed the same from
6 Worthington's perspective. I can also say it's not to
7 say that we don't see pressure on the acetylene side.
8 We most definitely do. It is not to the level of
9 which you would see in the steel high pressure side of
10 the business in terms of the competitive nature of the
11 pricing.

12 I would also say it's a pretty technical
13 product, that it's an extremely difficult product to
14 manufacture. Worthington was actually in that
15 business years ago and shuttered the facility in
16 Cintronel, Alabama, in 2003 because of the difficulty
17 in producing that product, and today we actually have
18 Norris Cylinder provide the service for us in terms of
19 the massing. Worthington manufactures the acetylene
20 shells at our facility in Jefferson, Ohio, just
21 outside of Cleveland, but we actually send the shells
22 to Norris for the massing.

23 MR. LEBOW: Let me add something if I may
24 because I learned this myself perhaps in the same
25 position as you a year ago.

1 Acetylene cylinders, well, you know this
2 because you've worked in welding, but I didn't.
3 Acetylene cylinders are filled with a porous mass.
4 then the acetylene is put in with a liquid, is that
5 right, Jerry?

6 MR. VAN AUKEN: Well, there is a solvent
7 that's put in called acetone or DMF and that is used
8 to absorb the acetylene gas because acetylene is a
9 very volatile gas, and so if it was in an open
10 container and you were to tap it with a hammer it's
11 likely you wouldn't be tapping anymore. It would blow
12 up.

13 COMMISSIONER PEARSON: Yes.

14 MR. VAN AUKEN: So we use a porous mass to
15 absorb the acetylene gas and make it safe for industry
16 use.

17 COMMISSIONER PEARSON: Okay. Well, thank
18 you for that explanation. I had the good sense never
19 to cut into an acetylene tank.

20 MR. VAN AUKEN: Good thing you didn't do
21 that.

22 COMMISSIONER PEARSON: So I have not seen
23 the inside of one, so thanks.

24 Madam Chair, my time has expired.

25 CHAIRMAN OKUN: Commissioner Pinkert.

1 COMMISSIONER PINKERT: Thank you Madam
2 Chairman, and I, too, thank all of you for being here
3 today, for helping us understand the issues in this
4 case. I'm going to begin with a legal question for
5 Mr. Lebow.

6 What circumstances in this case warrant
7 expanding the period under examination to include 2008
8 data?

9 MR. LEBOW: Commissioner Pinkert, we are not
10 asking you per se, we are not asking you per se to
11 expand the period of investigation. Our reference to
12 2008 comes from Section 7717(c) of the Act, which
13 requires the Commission to evaluate all relevant
14 economic factors within the context of the business
15 cycle and conditions of competition that are
16 distinctive to the affected industry.

17 In this particular industry had, you know,
18 just speaking round numbers, more than half fall off
19 between 2008 and 2009, so it is definitely an element
20 of competition to notice that at the beginning of your
21 period of investigation when the industry is operating
22 in a market which is about half of what it had been
23 the three previous preceding years, so that is really
24 how we are approaching it.

25 COMMISSIONER PINKERT: Thank you. Mr.

1 Klett, did you have something to add to that?

2 MR. KLETT: Just to follow up. I mean, the
3 context is that when you look at any improvements from
4 2008 to 2011 in apparent consumption you are starting
5 at such a low base, you know, given the fall-off from
6 2008 to 2009 that you would expect because 2009 was so
7 bad to see some improvements in some of your original
8 indicia for the industry such as production, sales,
9 profits, so it's in that context.

10 COMMISSIONER PINKERT: Thank you. Now let's
11 talk about pricing in 2008 relative to where it was in
12 2011. Would we see evidence of price depression if we
13 were to look at that longer time series for the
14 pricing data?

15 MR. KLETT: I would have to go back and look
16 at the staff report in terms of the confidential
17 information. My recollection is that on an annual
18 average break basis prices in 2008 were probably
19 similar to what they were in 2011, but that my differ
20 product by product, and also there may have been
21 changes in steel cost during that period as well
22 which, you know, there is some relation between --
23 steel being such a big raw material in the production
24 that you would see some correlation between prices for
25 high pressure steel cylinders and the underlying raw

1 material cost as well.

2 MR. VAN AUKEN: If I could speak to that as
3 well on the steel pricing.

4 Certainly steel prices, as I mentioned
5 earlier when I started off my testimony about 2008,
6 that steel prices were going up and they were going up
7 and accelerating rather significantly, and, of course,
8 just as significantly they fell in 2009. Then, of
9 course, now we have seen what I would call more of a
10 steady increase back to what I call 2008 levels as far
11 as comparative prices on steel, so it's been a more
12 gradual event now from 2008 -- I'm sorry -- from 2009,
13 '10 and '11, but it was rather dramatic in 2008 and
14 2009 in both directions.

15 COMMISSIONER PINKERT: Thank you. Mr.
16 Klett, for the posthearing what I would ask you to do
17 is to take a look at the price depression issue and
18 the price suppression issue because you referenced
19 costs, and tell me how inclusion of 2008 would impact
20 that analysis.

21 MR. KLETT: I will do so.

22 COMMISSIONER PINKERT: Thank you.

23 Now, in the testimony there was reference to
24 the non-subject imports and in particular my
25 recollection of the testimony earlier today was that

1 it had to do with whether or not looking to the future
2 an order would have some impact on non-subject imports
3 or whether -- not having an order would have some
4 impact on non-subject imports. What I would like to
5 know is whether imports from non-subject countries
6 have harmed the U.S. industry during the period that
7 we're looking at, that is, through 2011.

8 MR. KLETT: Commissioner Pinkert, this is
9 Dan Klett.

10 The two big sources of non-subject imports
11 are Canada and Korea, and with respect to Canada they
12 have a relatively large share of the small high
13 pressure cylinder market and very little, if any, of
14 the large high pressure cylinder market, so they are a
15 big factor in the market in terms of volume. But when
16 you look at the changes in share and you also look at
17 the relative pricing there is a clear distinction
18 between changes in China's share and the small high
19 pressure in changes in Canada's share as well as the
20 relative pricing in terms of the underselling.

21 I mean, for Canada there was probably, I
22 think, more overselling than underselling, and I think
23 in general I would say that Norris's pricing and, you
24 know, the Canadian pricing is very close. You don't
25 have the underselling.

1 For Korea, they are primarily in the large
2 high pressure cylinder market, and even though you
3 have more underselling for Korea they are such a small
4 part of the market, I mean, I believe in 2011, I mean,
5 the exact number of confidential, but it was very
6 small. So, notwithstanding the underselling, I think
7 their volume in the market was so small that I don't
8 think one can argue that they would have had a
9 material adverse effect on the industry, and I know
10 Mr. Van Auken, you know, maybe can talk more about
11 whether and to what degree he sees Korea in the
12 market.

13 MR. VAN AUKEN: I would just add that we
14 don't run across -- I mean, there are always
15 exceptions, of course, but we do not see Korean
16 cylinders for the most part being a competitive issue
17 for us, and we don't see them very much. We are not
18 up against them on a reduction of price or loss of
19 business situation very often. I'm sure one occurs
20 here or there but it's not a big factor for us. And
21 certainly your mentioning of Worthington Cylinders, of
22 course, as we mentioned earlier, we compete for that
23 business and certainly we see -- we think we see fair
24 pricing. We win or lose, I think, based on other
25 factors other than price against Worthington.

1 MR. LEBOW: Thank you. Now turning to the
2 arguments about the impact of the petition in this
3 case, as you know, Mr. Klett and the rest of the
4 panel, the impact of the petition would be on data
5 that would aggregate both before petition and after
6 petition circumstances. So how can we see in the data
7 that we have in front of us the impact of the petition
8 on domestic industry performance, on imports and so
9 forth?

10 MR. KLETT: Well, you're correct,
11 Commissioner Pinkert. This is Dan Klett. You have
12 full year 2011 data so obviously the before and after
13 petition effect you can't discern from your normal
14 trade and financial data. One thing you do have on
15 the pricing, you have quarterly data, so at least for
16 2011 you can see on the pricing whether there has been
17 any petition effect on the pricing behavior of subject
18 imports.

19 I think you also have, and you collected
20 from your questionnaires some pricing sheets from some
21 of the buying groups that we can see some change in
22 the pricing during 2011, and I think some of the
23 testimony earlier from some of the industry witnesses
24 talked about that progression.

25 We also have, as Mr. Van Auken testified,

1 specific information on their sales to customers in
2 some of the increased interest in their sales to
3 specific customers in a month-by-month basis that we
4 included in Exhibit 6 of our prehearing brief.

5 COMMISSIONER PINKERT: Thank you, and of
6 course, all of your testimony today and your answers
7 to the questions I've asked to this panel suggest to
8 me what the answer to this next question would be, but
9 I want to get your reaction to the argument that
10 domestic industry profitability on the data we have
11 from 2009 to 2011 is not correlated positively or
12 negatively with subject import market penetration.

13 MR. KLETT: Commissioner Pinkert, that is
14 Dan Klett. That's correct.

15 I mean, typically you have in your classic
16 causation case an inverse relationship between import
17 market share and industry profitability. Here,
18 because we started at such a low base, you actually
19 have a -- you have at least from 2009 to 2011 you have
20 -- you do have a positive correlation, but I think
21 it's important to recognize that, especially when you
22 look at 2009 to 2010 data, when imports increased
23 before any petition effects, you actually do see some
24 declines in industry indicia, and if there were
25 increases they were anemic and significant increases

1 in import market share, at least from 2009 to 2010.

2 So, at least before the effects of the
3 petition in 2011 you do see your classic causal link
4 in terms of the inverse relationship.

5 COMMISSIONER PINKERT: Thank you very much,
6 and I apologize, Madam Chairman, for exceeding the
7 time for this round.

8 CHAIRMAN OKUN: Commission Johanson.

9 COMMISSIONER JOHANSON: Thank you, Madam
10 Chairman, and also I would like to thank all the
11 witnesses for appearing here today.

12 My first question is for the industry
13 representatives, and I was wondering if you all have
14 an idea as to why TWI went bankrupt. I know that none
15 of you worked for TWI so you can't speak on its
16 behalf, but you all were competitors so you probably
17 have some understanding of the challenges facing that
18 company.

19 MR. VAN AUKEN: Do you want me --

20 COMMISSIONER JOHANSON: Yes, Mr. Van Auken
21 or any of the industry representatives.

22 MR. VAN AUKEN: Well, of course, you know,
23 there were, I think, a number of factors why they went
24 bankrupt. I guess I really can't tell you exactly why
25 they went bankrupt. Of course, I wasn't privy to how

1 they got to the situation that they were in. I do
2 know that we had discussions years ago about concern
3 of pricing coming into the industry from China, and
4 we've also had, you know, data that during our due
5 diligence, if you will, for the acquisition of some of
6 the assets of Taylor Wharton, that in fact they were
7 under a heavy burden on price.

8 COMMISSIONER JOHANSON: May I say one thing
9 in response to that because I received a telephone
10 call from the general counsel of Taylor Wharton, that
11 was the first time I heard about the high pressure
12 steel industry, and he mentioned -- this was in 2009,
13 and he mentioned the problem with Chinese competition,
14 and I sent him sort of my own version of an ITC
15 questionnaire. Maybe the questionnaire was too long
16 because before we got it filled out and back to me I
17 had heard that they declared bankruptcy, but he had
18 given my name to Mr. Van Auken, so that's kind of how
19 I find myself in front of you today is from Taylor
20 Wharton initially.

21 MR. VAN AUKEN: And I can confirm. We were
22 in discussions with them in several meetings prior to
23 that, and again, we were probably as surprised as
24 everyone else when the announcement did take place
25 that they were filing for bankruptcy.

1 COMMISSIONER JOHANSON: Ask this question
2 for any of the witnesses, but perhaps it's best
3 addressed to the industry representatives again. But
4 how has consolidation in North American industry
5 affected your company or your companies since we have
6 Mr. Powers here?

7 MR. VAN AUKEN: First, I would just answer
8 that there is certainly more consolidation. That
9 means there are fewer people making buying decisions
10 with larger buying power which, of course, makes the
11 industry a lot more price sensitive, and certainly we
12 have seen that. I think the most notable thing, and
13 this is something you can find in the industry, that
14 many of the larger companies like, Praxair and Airgas,
15 very large companies, have done a lot of buying of
16 smaller what I call mom and pop distributors and gas
17 and welding suppliers. And of course whenever that
18 happens it takes another element out of negotiating
19 price and consolidating a buy and using larger volume,
20 putting forward larger volumes to command a better
21 price, and I think that's what has gone on for the
22 most part in the industry.

23 COMMISSIONER JOHANSON: Thank you, and Mr.
24 Powers, did you have something to add to that?

25 MR. POWERS: I would just say that the

1 departure of Taylor Wharton, while it created some
2 opportunities for Worthington, and there were pieces
3 of business that were picked up, it was not enough to
4 mitigate the losses that we've seen in other areas.
5 Our volumes in 2011 likely will be less than when all
6 is calculated and said, less than where we were in
7 2010.

8 We had seen a nice ramp-up in the first
9 half, the first six months of 2011, and we saw a
10 dramatic slow down, if you will, in the remaining six
11 months of that year.

12 MR. ROBERTS: This is Bob Roberts.

13 COMMISSIONER JOHANSON: Yes, Mr. Roberts.

14 MR. ROBERTS: From a company that buys from
15 the manufacturers, I would say a reduction in the
16 number of options of where we can buy cylinders
17 becomes troubling to us. Domestic manufacturers, I
18 draw a little bit of a parallel to another part of our
19 industry, supply -- calcium carbide is needed to
20 manufacture acetylene gas, and that industry had
21 consolidated down to basically one domestic producer,
22 and primarily one plant in the St. Louis area, I
23 believe, and a little bit over a year ago it exploded
24 and it caused huge problems in the supply chain of
25 acetylene gas when everybody was trying to get foreign

1 carbide to bring in. So, I think the consolidation
2 brings in a risk to the economy of interruption and
3 the normal business.

4 COMMISSIONER JOHANSON: All right, I thank
5 you for your response.

6 Now I'd like to discuss the buying groups
7 and perhaps start with Mr. Van Auken. You stated that
8 there have been changes in the buying groups in recent
9 years. I was wondering what has driven that and how
10 that has impacted your business, and also Mr. Powers
11 might want to add to that as well, Mr. Camp if you
12 would like.

13 MR. VAN AUKEN: My opinion on the buying
14 groups is that there certainly has been a change in
15 the methodology of having a preferred supplier, as I
16 mentioned earlier, and having approved suppliers.
17 That used to be the structure in the buying groups,
18 and that meant there was an emphasis towards telling
19 the people that were part of the groups that this is
20 the vendor we want to use. They are giving us the
21 best deal, and that seemed to work for awhile, and
22 what's now changed is they have kind of reverted out
23 of that position and saying, okay, we're going to
24 approve you as a supplier which essentially only says
25 that every time I get an order I can negotiate my own

1 deal inside the buying groups. The buying groups will
2 still get the benefit of a rebate schedule and the
3 total volumes that are purchased through those buying
4 groups, but essentially it becomes a price-driven
5 decision, and not one that was one time negotiated for
6 a year and it's become something you are doing on
7 every order.

8 COMMISSIONER JOHANSON: And Mr. Roberts and
9 Mr. McGuire, are your companies members of buying
10 groups?

11 MR. MCGUIRE: No, sir.

12 MR. ROBERTS: Yes. Roberts Oxygen is a
13 member of the buying and information group commonly
14 referred to as the Big Group.

15 COMMISSIONER JOHANSON: I assume you
16 participate in those talks. Are you familiar as to
17 why the changes have -- do you have an idea as to why
18 these changes have occurred within the buying groups?

19 MR. ROBERTS: I think the change that Jerry
20 is referring to has affected from the other buying
21 groups more than ours, so I can't comment to that too
22 directly. I know that the members of the Big Group, I
23 believe, support Norris significantly in the last
24 cylinders, and possibly like Roberts Oxygen may have
25 succumbed to necessity of buying Chinese cylinders

1 because of the huge price difference in the small
2 size.

3 COMMISSIONER JOHANSON: Thank you, and now I
4 have a question for Mr. Van Auken or Mr. Camp
5 regarding the Huntsville facility. This is probably
6 best for Mr. Camp, I guess, since you've been there
7 like 30 years or so, is that correct?

8 MR. VAN AUKEN: I think he knows the
9 operation.

10 COMMISSIONER JOHANSON: You probably know it
11 better than anyone anywhere.

12 If Norris had not purchased the Huntsville
13 facility do you have any idea what would have happened
14 to that facility?

15 MR. CAMP: Well, I think it's hard to
16 speculate in terms of where we would be. Obviously,
17 with the economy, the volume of product going through
18 the facility at that time, we were certainly having
19 problems, issues, and challenges. So, it's hard to
20 define where we would be today, and in terms of if we
21 were still part of another company.

22 I will turn that around and indicate that,
23 you know, being part of Norris has been of tremendous
24 help for the Huntsville facility. I think the
25 synergies of our two facilities and the ability to

1 work those synergies has helped both our long view in
2 our Huntsville operations.

3 MR. VAN AUKEN: If I could add, Mr.
4 Johanson, there is no doubt that when we looked at the
5 Huntsville facility we were looking at synergies. We
6 were looking at ways to consolidate both operations to
7 improve the volume that was running through the
8 Huntsville facility. We were manufacturing, for
9 example, acetylene cylinders in Longview and, of
10 course, with the acquisition in Huntsville. Those
11 operations were consolidated, and that provided more
12 volume which, of course, addresses the issue of the
13 fixed overhead.

14 The same is true when we mentioned the
15 billet-piercing versus the tube that they were using
16 in their operations, and by going to this billet tube
17 and reducing our costs, if you will, to support the
18 tube expenditures and optimize the forge operation
19 which has plenty of capacity in Longview, this was a
20 positive result to help support the Huntsville
21 operation.

22 COMMISSIONER JOHANSON: Have you all
23 encountered difficulties in integrating the two
24 facilities?

25 MR. VAN AUKEN: No, I would say it's gone

1 extremely well. The people that I report to at Tri-
2 Mas, I get to once a quarter, of course, bring up how
3 we are doing and I think they are pleased with the
4 outcome and we are pressing forward, obviously, very
5 hard to try to make it a very viable operation. We're
6 encouraged.

7 COMMISSIONER JOHANSON: All right, thank you
8 for your responses. I'm sorry, Mr. Camp, did you have
9 anything to add?

10 MR. CAMP: No, not really. No.

11 COMMISSIONER JOHANSON: Well, go ahead if
12 you would like to.

13 MR. CAMP: Well, just I can certainly say
14 that in concert with what Jerry indicated there. The
15 people in Huntsville, it was a very smooth transition
16 over. We have been through a couple of acquisitions
17 in our history. This was a very smooth one and I
18 think, again, the synergies played heavily in the
19 ability to do it.

20 COMMISSIONER JOHANSON: Well, thank you for
21 all your answers. My time has expired.

22 CHAIRMAN OKUN: Thank you again for your
23 responses thus far.

24 I wanted to talk about the impact of the
25 subject imports on prices during the period and I

1 guess we have an in camera session, so you know, some
2 information I guess it will be easier to talk about in
3 the in camera session, but for purposes of the public
4 hearing and creating a public record I did want to
5 have the members of the industry first, and then Mr.
6 Klett talk about how you saw the impact on pricing and
7 particularly with respect to the argument that there
8 was suppression.

9 What do I look at on this record to
10 understand whether it was the subject imports
11 suppressing prices? If you can answer in the
12 microphone there, Mr. Van Auken.

13 MR. VAN AUKEN: There is no doubt that we
14 were seeing significant competition from the Chinese
15 as it related to price, and as we mentioned earlier it
16 started on a smaller high pressures and moved to the
17 larger high pressures. I think the concern was the
18 scope or the difference in the pricing, again,
19 depending on some products up to 30 percent
20 differential in what we could offer to the market at
21 what we would consider to be little or no margin
22 versus what they were able to offer to the market.

23 Of course, this progressed over time, and
24 this has been sort of a moving ball and going to the -
25 - if you look at the silhouette drawing that we shared

1 with you on page 2 of the smaller sizes and moving to
2 the larger sizes, that's effectively what we have seen
3 as relates to price. That it's just slowly migrated up
4 that chain of sizes and threatened business, and
5 smaller sizes, again, are going to have a certain
6 level of margins that are acceptable, and larger
7 sizes, of course, can command a higher margin, but at
8 the end of the day we see it all early.

9 CHAIRMAN OKUN: Mr. Klett, let me turn to
10 you on how the Commission would conduct its analysis.
11 The Respondents have pointed to the cogs-to-sales
12 ratio and the direction it was going versus the prices
13 as being, again, an inconsistent correlation with what
14 the Commission might see in another case to establish
15 price suppression. Can you talk through that for me,
16 please?

17 MR. KLETT: Yes. I mean, of course, in all
18 these cases you've got price effects and volume
19 effects, and companies make choices on whether they
20 want to reduce price to maintain a sale or maintain
21 price and lose volume, and your normal way of looking
22 at price suppression is to look at your cogs-to-sales
23 ratio or the gross profit, trends in gross profit
24 which is really the same thing mathematically.

25 And so you did see improvements in Norris's

1 financial condition from 2009 to 2011, so based on
2 just the math you would find no price suppression over
3 that period, you know, before you get to causation.

4 But there is two things I want to say on that.

5 One is, as we said before, you're starting
6 from 2009, which is a really low period in terms of
7 condition, but also on volume effects because there
8 are high fixed costs, even if the company chooses to
9 maintain price and therefore lose volume, there is an
10 adverse effect on the company's financial condition in
11 terms of lower profits that otherwise would be because
12 you've got higher cost.

13 In our brief I actually conducted some
14 analysis to evaluate what the effect on gross profit
15 and operating profit was of the loss of market share
16 on volume, so I think that's another way of looking at
17 price suppression other than just the trends from year
18 to year. In other words, the effect on Norris's cost
19 of loss of volume and the consequent effect on its
20 operating and gross profit levels.

21 CHAIRMAN OKUN: Okay, and I haven't gone
22 through the analysis you included in the exhibit and I
23 know my colleagues have asked questions about how to
24 take into account or whether we should take into
25 account 2008 either for purposes of that particular

1 argument. Then let me ask and I think the question
2 was asked before about trying to sort out the impact
3 of the pendency of the position on 2011 when we have a
4 full year's data, and while in your brief you included
5 a lot of information about specific purchases that
6 occurred in the time period of those.

7 So, I just want to make sure I understand
8 that just in the context of the pricing argument. Is
9 this a case where without the petition being filed you
10 believe that it impacted more the volume or the
11 pricing because I understand the argument you were
12 just making Mr, Klett? I'm just trying to sort that
13 out in my mind when we're talking about what impact
14 the petition had or what you argue it had.

15 MR. KLETT: I mean, I think when you look at
16 the data it appears -- the injury appears to be more
17 heavily weighted on the volume side than the price
18 side is the short answer to your question.

19 CHAIRMAN OKUN: Okay, and that's perfectly -
20 - I like that one, it's short and simple and I
21 understand that part that you were making about a
22 volume case here.

23 MR. LEBOW: One price sentence, which is
24 that, and I have to be careful here because I'm not
25 sure what is on the public record, but there was a

1 significant price increase by a competitor in the fall
2 of 2011. The Commerce Department had its affirmative
3 countervailing duty determination in October, so the
4 suspension of liquidation took place towards the end
5 of October, and right about there price started to go
6 up as well.

7 CHAIRMAN OKUN: Okay. Let me turn, Mr.
8 Powers, you were helpful as well as Mr. Camp in just
9 talking about -- and I know it's been referenced
10 several times in the briefs that the competition
11 started in the small canisters and moved to the large.
12 I wondered if you could just talk through that a
13 little bit more in terms of why that was and was it a
14 difference in who buys it or who purchases or just
15 that -- or just costs. Just help me understand just
16 why it was that the competition started there, and
17 then what allows it to move up to the larger
18 canisters, and Mr. Van Auken, you might have thoughts
19 on that as well, but I thought maybe I would start
20 with both Mr. Powers and Mr. Camp.

21 MR. POWERS: This is Wayne Powers with
22 Worthington.

23 In my testimony I referenced the 20 cubic
24 foot steel high pressure cylinders as part of a
25 package called a tote, and the 20 cubic foot cylinder

1 has extremely high volumes. It becomes very
2 attractive to go to a single customer where you can
3 pick up dramatic volume increases with one move, one
4 victory if you will, and I think that's why some of
5 the small high pressure items became so attractive for
6 those coming into the market to compete with some of
7 the domestic players as a result. Again, quick volume
8 recovery at relatively small number of customers, and
9 this, again, continued for a number of years.

10 CHAIRMAN OKUN: And I think this is obvious
11 from what you are saying but just to make sure again I
12 understand. It wasn't that you weren't supplying or
13 you could supply the volume or were the Chinese the
14 only ones able to supply the types of volumes or the
15 types of packs that they needed?

16 MR. POWERS: Yes.

17 CHAIRMAN OKUN: The customers wanted.

18 MR. POWERS: I will not be able to speak
19 necessarily to the Chinese approach to that
20 necessarily. I can tell yo that Worthington is
21 extremely capable of supplying the volumes and in fact
22 were supplying the volumes for many of those customers
23 that I mentioned at the time that this competition
24 with the Chinese distributors began to take place.
25 So, we most definitely had and still have the

1 capacity, although we have essentially idled much of
2 that at our facility in Tilbury, Ontario, no.

3 CHAIRMAN OKUN: Okay. Mr. Camp?

4 MR. CAMP: Yes, a very similar story,
5 supporting everything that Mr. Powers has stated
6 there. In addition to that, we saw that these sizes
7 were focal points because you get many of them on a
8 container and so the cost of freight was less we
9 assumed for them. If you look in terms of the
10 capacity that we have in Huntsville, more than
11 sufficient for the market, and we did see, you know,
12 that particular product being the target early in the
13 process.

14 CHAIRMAN OKUN: Okay. And just in terms of
15 the competition in the large cylinders, did that start
16 with one particular buying segments of different
17 purchasers when you talk about the different types of
18 purchasers? Did it start with one type and move into
19 the others?

20 MR. VAN AUKEN: Yes, I believe there were
21 two market segments, I think, that were initially
22 impacted by the larger sizes. Certainly the large gas
23 companies, a few of those companies started to move to
24 large Chinese cylinders. Some of those are now after
25 the countervailing duty and the response in the fall

1 of last year have now moved back towards us because of
2 the issue of the percentages that have been offered.

3 Additionally, the OEMs were moving in that
4 direction as well, especially in the fire suppressant
5 industry, and buying some of the very large cylinders
6 since these are some of the larger cylinders in the
7 industry.

8 CHAIRMAN OKUN: Okay, thanks for those
9 responses. My time is up. Turn to Vice Chairman
10 Williamson.

11 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
12 Chairman.

13 So to continue on the proceeding line, I'm
14 just looking at Exhibit 6 in the Norris prehearing
15 brief which shows new customers and increased sales,
16 and I don't get a sense of how much of your sales are
17 represented here. Now, you may want to do this
18 posthearing or not, I'll leave it up to you, but my
19 questions are really, looking at the chart how much of
20 your sales are represented here by the information
21 provided, approximately how many customers does Norris
22 sell each year, and are all of the customers on this
23 chart new customers or does this include returning
24 customers?

25 MR. LEBOW: I can answer the last question

1 to say it's a mix of new and returning.

2 VICE CHAIRMAN WILLIAMSON: Okay.

3 MR. LEBOW: But in terms of what percentage
4 of sales represented, we will give you that number in
5 posthearing submission. It certainly was a very
6 significant volume including from some very large
7 customers that as Mr. Van Auken said just -- you know,
8 they were the kind of companies that were buying
9 directly themselves and they didn't want to be at risk
10 of after suspension liquidation, but we will give you
11 better statistics on that.

12 VICE CHAIRMAN WILLIAMSON: Good. Thank you.

13 There was a question of the ISO cylinders.
14 Can you please response to BTIC's arguments that the
15 same grade of steel can be used to produce both the
16 ISO cylinders and the DOT cylinders? I think about
17 this in light of your argument that the DOT and ISO
18 cylinders are made from different types of steel, and
19 does Norris use the SAE-413X grade steel for it's DOT-
20 approved cylinders?

21 MR. VAN AUKEN: We manufacture ISO 9809,
22 part 1 cylinders, 99 percent of what we manufacture in
23 that product line is exported to the rest of the
24 world. That is not to say that there are not some ISO
25 cylinders in our market, but it's very, very small,

1 and there's lots of reasons for that. One would be
2 costs. There are different operations involved
3 inspection-wise for that particular specification.
4 For example, there is an ultrasonic test that's done
5 on the entire cylinder to look for imperfections
6 inside the steel. Additionally, there is a hardness
7 test that's performed, and these are not tests that
8 are done on ISO-2 cylinders.

9 VICE CHAIRMAN WILLIAMSON: What about the
10 type of steel?

11 MR. VAN AUKEN: The type of steel that we
12 use is -- can a cylinder be made with 4130? The
13 answer is yes. Do we make those cylinders? Very few.
14 Most of the market that we supply uses what we call a
15 4137 which is a higher grade of steel that costs more
16 money, and it's to get to the tensile strengths that
17 are required in this market for some types of
18 applications. Certainly there is, as there is with
19 most of these things, some exceptions. But very small
20 part of the market for us in the U.S.

21 There's one additional issue on the ISO that
22 I'd like to make clear and that is that this industry
23 has been raised and born and been using DOT cylinders
24 forever. Most of the industry -- and you've got to
25 remember there's hundreds and thousands of people that

1 interact with this cylinder, and the markings that are
2 on this cylinder are explained in pounds per square
3 inch, they're explained with certain test data and
4 recorded data that is required on a DOT cylinder. On
5 an ISO cylinder, it's entirely different. It's
6 expressed in things that some of us don't have, you
7 know, a lot of familiarity with. It's metric.

8 VICE CHAIRMAN WILLIAMSON: Thought we went
9 metric in the '70s.

10 MR. VAN AUKEN: I know, and I'm not up on
11 it, believe me, and I'm one of those, but, you know, a
12 2,900 PSI cylinder is a 200 bar cylinder. well, if
13 that 200 bar cylinder gets put into the market and
14 goes to a filling station, we usually get questions
15 from them as to what the heck is this? So it's not
16 really accepted in the market. They're not used to it
17 and we don't see where it's going to be an impact in
18 the U.S. market. Certainly, and it's in our testimony
19 and in our submissions, it's a very, very small part
20 of what we do here.

21 VICE CHAIRMAN WILLIAMSON: Okay. Now, are
22 you saying that, you say I guess the 4130 steel is not
23 as strong or is not as, but that's --

24 MR. VAN AUKEN: Doesn't have the tensile
25 strength.

1 VICE CHAIRMAN WILLIAMSON: Not the tensile
2 strength.

3 MR. VAN AUKEN: Yes.

4 VICE CHAIRMAN WILLIAMSON: Is that why the
5 ISO standard has certain testings?

6 MR. VAN AUKEN: Yes.

7 VICE CHAIRMAN WILLIAMSON: Certain tests are
8 performed that are not performed in the 4130 and 3020?

9 MR. VAN AUKEN: Yes, that is one of the
10 reasons, and certainly there are certain processes as
11 well that are a little bit slower. I don't want to
12 get too drilled down but a heat-treating operation
13 with 4130 versus a heat-treating operation with 4137
14 is an entirely different speed. It's got to be run
15 slower, and so your time of heat-treating is longer,
16 your time of machining is longer because the steel is
17 harder so it wears out the bits that you use to do,
18 you know, the processing.

19 There's lots of little things that are
20 involved in the manufacturing. The biggest thing is
21 that internationally, the whole world has been using
22 ISO cylinders, so it's a common thing for an ISO
23 cylinder -- we export some DOT, but for the most part,
24 it's all ISO and that's what they're used to and what
25 they use.

1 If I were to ship them a DOT cylinder I
2 might get the opposite response from them that I do
3 here, in the U.S., as to, you know, what are the
4 markings on this cylinder? They're used to DOT,
5 they're used to bar, they're used to liters when they
6 talk about capacity. In the U.S. we use cubic feet
7 and, you know, we use a lot of the English metrics.

8 VICE CHAIRMAN WILLIAMSON: So are you
9 running them on the same line or do you have a
10 separate ISO line?

11 MR. VAN AUKEN: No, they're run on the same
12 equipment but they're run at different rates and
13 different speeds. So a pressing operation, a forging
14 operation runs much slower with an ISO cylinder than
15 it does with a DOT cylinder because the steel itself
16 is a different strength, and, of course, the
17 additional testing operations and qualification
18 operations that are required with an ISO cylinder.

19 VICE CHAIRMAN WILLIAMSON: Okay. Mr.
20 McGuire, you want to comment on this since you're sort
21 of sourcing in the U.S. Are you exporting just ISO
22 cylinders?

23 MR. MCGUIRE: We typically -- 99 percent of
24 the cylinders we're supplying into three markets,
25 Central America, South America and the Caribbean

1 Basin. In those markets, the DOT cylinder is still
2 the predominant cylinder. There are a couple of areas
3 that ISO cylinders are getting, being used more. That
4 would typically be from a European joint venture, a
5 company that is used to using ISO in Germany or
6 something. You know, 99 percent of it is DOT. We are
7 getting a little bit more request and inquiry on the
8 ISO and what are the benefits and the, you know,
9 downsides the last year or so.

10 VICE CHAIRMAN WILLIAMSON: What type of
11 customers might you be getting those queries from?

12 MR. MCGUIRE: Typically, from a European-
13 type joint venture in a specific country or two where
14 they've heard of them and they want to know if there's
15 any advantages to using them, and so they will ask me
16 to come visit or something and discuss it with them to
17 see what is the best solution for their specific
18 application.

19 VICE CHAIRMAN WILLIAMSON: Okay. Thank you
20 for that clarification.

21 MR. MCGUIRE: Yes, sir.

22 VICE CHAIRMAN WILLIAMSON: Okay. Could you
23 comment on the CAL-T's import, BTIC's assertion that
24 CAL-T imports ISO and DOT cylinders for sale to the
25 same types of customers? Do you have any --

1 MR. VAN AUKEN: Could you clarify that for
2 me just a little bit?

3 VICE CHAIRMAN WILLIAMSON: Okay. In terms
4 of the subject imports, I mean are they sometimes, are
5 they trying to go after the limited ISO market in the
6 U.S. or are they --

7 MR. VAN AUKEN: To our knowledge -- there is
8 another element to this ISO discussion that I probably
9 should bring up at this point, which is that under the
10 DOT regulations, to use an ISO cylinder in the United
11 States you have to have a UN approval. It's a UN
12 stamp that actually is a site approval for the
13 manufacturer of an ISO cylinder if it's to be used in
14 the U.S. If you do not have the UN symbol, you cannot
15 sell into the U.S. It can't be filled or used.

16 VICE CHAIRMAN WILLIAMSON: UN, United
17 Nations?

18 MR. VAN AUKEN: United Nations, yes. UN.
19 It's a UN certification that came from the Department
20 of Transportation accepting the technology of ISO
21 9809.

22 VICE CHAIRMAN WILLIAMSON: Okay. So it's
23 like an equivalence --

24 MR. VAN AUKEN: Well, it's a validation that
25 if the site that manufactures the product has been

1 approved by the Department of Transportation, and they
2 use a UN stamp to make that differentiation, then it
3 can be used in the U.S. I know that sounds kind of
4 backwards but that's how it works. To our knowledge,
5 there are very few of those manufacturers in the
6 world, and I don't believe at this point that we
7 understand that BTIC actually has that UN capability.

8 VICE CHAIRMAN WILLIAMSON: Okay. I take it
9 this is a very small part of the market.

10 MR. VAN AUKEN: It's an exceptionally small
11 part of the U.S. market. Yes.

12 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
13 My time has expired, so thank you.

14 MR. VAN AUKEN: Thank you.

15 CHAIRMAN OKUN: Commissioner Pearson?

16 COMMISSIONER PEARSON: Thank you, Madam
17 Chairman. Allow me to follow up on the Vice
18 Chairman's questions about ISO cylinders. Just a
19 technical question. Is the main difference between
20 the ISO cylinder and the DOT cylinder just the amount
21 of molybdenum that goes into the steel? It's a
22 physical difference?

23 MR. VAN AUKEN: Yes. The chemistry of that
24 steel, the chrome-moly, the amount of chrome and the
25 amount of moly, that is in there is of different

1 percentages which drive it to be a higher strength
2 steel.

3 COMMISSIONER PEARSON: And thus, more
4 expensive.

5 MR. VAN AUKEN: And thus, more capable of
6 higher pressures than the standard DOT would be, and
7 it can be of lighter weight, so, in other words, you
8 can have a lot more pressure in a smaller wall
9 cylinder that has a lighter weight than it would be an
10 equivalent DOT cylinder which would have to have a lot
11 more steel side wall than let's say an equivalent ISO
12 cylinder.

13 COMMISSIONER PEARSON: So there's no rule of
14 thumb about the value of steel in a DOT cylinder being
15 greater, or lesser, than the value of steel in a
16 similar-sized ISO cylinder?

17 MR. VAN AUKEN: I would answer that question
18 by just saying that you obviously are replacing -- if
19 you're going to use a DOT cylinder at those higher
20 pressures, you're going to have a lot more quantity of
21 steel, and if you're going to go with an ISO cylinder
22 for the lighter weight, which some, you know,
23 especially international companies will want to move
24 to because it's lighter weight for transportation of
25 the cylinders going through, but to do that you're

1 going to pay a higher price for the steel and you're
2 going to pay a higher price for the processing and the
3 additional testing.

4 COMMISSIONER PEARSON: Okay. So how much
5 additional cost is involved in the processing and
6 testing?

7 MR. VAN AUKEN: I don't know that I'd want
8 to do that in a public forum, but I'm sure --

9 COMMISSIONER PEARSON: For an observation,
10 perhaps if I could ask both producers to give us some
11 information on that posthearing, that would be
12 helpful. If Worthington also is able to do that, just
13 to give a sense. I understand that it could be
14 proprietary, so you did the right thing to slow me
15 down there. Okay. Mr. Van Auken, you had mentioned
16 earlier that you have observed less competition from
17 Chinese cylinders following the imposition of the
18 preliminary duties, I think, and the question is did
19 you see that earlier in the year after the petition
20 was filed or was it toward the end of the year after
21 the duties went into effect?

22 MR. VAN AUKEN: That's a good question. No.
23 The minute we filed it became very public knowledge
24 of what Norris was doing in the industry and we saw a
25 general groundswell, I'd call it. You know, not

1 something that spiked, but we saw a groundswell of
2 support. I think we probably, you know, some
3 customers I think just would automatically now start
4 buying more. Even though they might have been buying
5 Chinese and buying Norris cylinder, that maybe we got
6 a bigger proportion of that share.

7 It certainly then started to move in a more
8 significant way later on in the year when the duties
9 were announced. We had lots of inquiries from
10 especially the larger gas companies coming to us first
11 of all asking questions about this and what it was all
12 about because they were, in many cases, ill-informed
13 about what the process was, and subsequent to that,
14 after doing the math, I think started coming to us
15 with orders in a more significant way in the third and
16 fourth quarter.

17 COMMISSIONER PEARSON: Okay. So, and to the
18 extent you're able to comment here, in the public
19 session, am I correct to understand that you saw the
20 effect primarily as a volume effect with more
21 customers interested in coming to buy rather than in a
22 price effect, the prices going up?

23 MR. VAN AUKEN: Certainly, I think it was
24 volume. We had to still move, if you will, on price
25 in order to get that business and so it was, you know,

1 I would just say it wasn't a windfall as far as, but
2 it was an opportunity to move in that direction, but
3 it was more of a volume play.

4 COMMISSIONER PEARSON: Right. It was a
5 change in the market that was perceptible to you.

6 MR. VAN AUKEN: Yes. Also, during this
7 period of time, you know, we saw our competitor, Cyl-
8 Tec, just around that period of time announce price
9 increases to some of its customers. Of course that
10 put us more, I'd say, on a par level as far as where
11 we were with our pricing. So that, I think, brought
12 more business to us as well.

13 COMMISSIONER PEARSON: Mr. Powers, how did
14 you see the changes in the marketplace relating to the
15 filing of the petition and the imposition then some
16 months later of the preliminary duties?

17 MR. POWERS: The most obvious impact to us
18 became evident in the latter stages of 2011. I would
19 say late October, as noted in my testimony, and into
20 November/December timeframe we began to receive fairly
21 consistent market intelligence, particularly from the
22 Houston area, initially, of announced increases by the
23 distributors for the Chinese cylinders to the tune of
24 roughly 20 percent at the time, which would roughly
25 equate to the countervailing duty, I believe it was,

1 and that has persisted into the early stages of 2012
2 here where we have seen similar type evidence with
3 some of the new buying group quotations.

4 COMMISSIONER PEARSON: Okay. Mr. Roberts
5 and Mr. McGuire, those of you who purchase these
6 tanks, how did you see this play out in the market?
7 Did you see any effects, either in volume or price,
8 when the petition first was filed or was it at the end
9 of the year when you started to realize that prices
10 were going up?

11 MR. MCGUIRE: We noticed in November and
12 December because a lot of our quotations and proposals
13 will go out and the industrial gas distributor will be
14 budgeting for their new year and a lot of them are on
15 calendar years. So typically, October, November,
16 December we get a lot of requests for quotations for
17 first quarter, second quarter, third quarter, and
18 that's about as far as we can go out with a crystal
19 ball.

20 We give them various lead times and pricing
21 and such. We did, we were able to secure, it
22 appeared, a little more business during that timeframe
23 certainly than the previous year, but there was
24 increases from Cyl-Tec.

25 COMMISSIONER PEARSON: Price increases or

1 volume increases?

2 MR. MCGUIRE: Price increases --

3 COMMISSIONER PEARSON: Price increases.

4 MR. MCGUIRE: -- for us, which means that
5 there were also price increases out in the field.

6 COMMISSIONER PEARSON: Right. Okay.

7 MR. MCGUIRE: So that put us in probably a
8 better advantage on pricing, and that's where we
9 typically get, you know, get hit. So it put us back
10 in the playing field, I guess.

11 COMMISSIONER PEARSON: Okay. Thank you.
12 Mr. Roberts?

13 MR. ROBERTS: Yes. As far as the volume
14 goes, our volume of purchases is directly dependent
15 upon our customer base and whether we acquire new
16 customers or whether our customers are, you know,
17 being busy or, so, because we don't have a use for the
18 cylinders, per se, other than providing gas to our
19 customers. As far as the pricing issue goes, I don't
20 have personal knowledge. There are other people in
21 the company that do that, and so I cannot really
22 address the timing of price differences.

23 COMMISSIONER PEARSON: Okay. Well, fair
24 enough. Perhaps for posthearing, if it's not too
25 difficult to ask that question internally and just

1 kind of get a sense of the timeframe in which the
2 price adjustments were seen, I think that would be
3 helpful to us.

4 MR. ROBERTS: Thank you. I will.

5 COMMISSIONER PEARSON: Okay. Thank you.
6 Then, Mr. Lebow, I think my last question, you had
7 indicated earlier that the postpetition price effects
8 were observable starting about in November 2011.
9 That's what we've been talking about just now. Since
10 that was near the end of the year, was most of the
11 2011 improvement that we see in the condition of the
12 domestic industry due to other factors?

13 MR. LEBOW: Well, I mentioned the price, the
14 list price increase from one distributor of Chinese
15 product later in the year, but I think I had heard
16 from Mr. Van Auken that, as he said, there was a
17 groundswell. Throughout the course of the year people
18 were a little bit more, you know, able to accept his
19 pricing -- he can talk to that better than I can --
20 and also that volume, again, was picking up gradually
21 throughout the year, and again, I think our table kind
22 of shows that it accelerated towards the end of the
23 year. So I'm not going to say it's one or the other.
24 I'd say there was an acceleration in both trends as
25 the year went on with the highest, you know, impact

1 being after suspension of liquidation, but not
2 exclusively.

3 MR. KLETT: Commissioner Pearson, there's
4 another element in terms of why 2011 increased and
5 that is there was inventory replenishment in the
6 distribution system, my understanding. In other
7 words, especially for large cylinders, asset
8 cylinders, you had, one thing that maybe exacerbated
9 the downturn from 2008 to 2009 was inventory draw
10 down, and then when you went from 2010 to 2011 you had
11 some inventory replenishment so that that also was a
12 factor that was favorable to the industry in terms of
13 2010 to 2011.

14 COMMISSIONER PEARSON: Right, and I assume
15 that some of that inventory replenishment is included
16 as part of the increase that we see in apparent
17 consumption because, you know, apparent consumption
18 has been, it has grown over the POI. I think I can
19 say that.

20 MR. LEBOW: Right, and it's also, it also
21 might mean, and again, I don't have a crystal ball to
22 2010, may not be as, may not even have the volumes
23 that 2011 had once the inventory is replenished,
24 especially at the major gas companies, and so, you
25 know, we've talked about that inventory as being a

1 threat element as well because it's out there.

2 COMMISSIONER PEARSON: Okay. Well, I'm past
3 my time, but for the posthearing, to the extent that
4 you could help me to understand what part of the
5 improvement we see in the condition of the U.S.
6 industry was coming from the postpetition effects and
7 what part was relating to just the increase in demand
8 that is kind of underlying this whole investigation,
9 because it's not clear to me how to handle this issue.

10 MR. KLETT: We'll do that, Commissioner
11 Pearson.

12 COMMISSIONER PEARSON: Okay. Thank you.
13 Thank you, Madam Chairman.

14 CHAIRMAN OKUN: Commissioner Pinkert?

15 COMMISSIONER PINKERT: Thank you, Madam
16 Chairman. Could one argue that because of the
17 restructuring of the industry during the period that
18 we're looking at the domestic industry is stronger in
19 2011 than 2009 independent of the petition effect?

20 MR. LEBOW: Well, you know, there's a bit of
21 a survival bias in the question because there were two
22 domestic producers, now there's one. I don't know
23 enough about the condition of Taylor-Wharton before
24 the period of investigation to say that Norris is
25 doing better. You know, certainly there have been

1 some synergies and improvements in production by
2 having the Huntsville plant align with the Longview
3 plant, but I'm just not sure I can really answer that
4 because I have nothing really to compare it to. Do
5 you have anything you can say to that Jerry?

6 MR. VAN AUKEN: No. I think you've covered
7 it well. I mean, certainly, you know, we've come from
8 a different point in time in those two years with
9 having Taylor-Wharton as a competitor and a viable
10 operation and competing in the marketplace, and then
11 suddenly, and fairly dramatically, that all changed
12 and we became the only one in the marketplace. So
13 certainly when things like that happen there was a
14 vacuum certainly of available capacity that had to be,
15 that could be absorbed because Taylor-Wharton wasn't,
16 you know, operating anymore.

17 COMMISSIONER PINKERT: Specifically, what
18 happened with the customers of Taylor-Wharton?

19 MR. VAN AUKEN: Well, some, I think some
20 came to us, and I think some went to other areas and
21 to China. You know, again, I think a lot of those
22 decisions, especially with some of the customer base,
23 some of those were, Taylor-Wharton was particularly
24 strong in the buying groups, for example, so they
25 would make their decision and go in whatever direction

1 that buying group would lead then other larger, major
2 gas companies would make a different decision based
3 on, you know, their environment and their situation.

4 COMMISSIONER PINKERT: I would ask Mr.
5 Klett, for purposes of the posthearing, I know that
6 you've done some hypothetical analysis of what would
7 have happened during the period had different factors
8 obtained throughout the entire period. I would ask
9 you to take a look at this question of what would have
10 happened if Taylor-Wharton had continued to exist and
11 compete throughout the period.

12 MR. KLETT: I will do that analysis,
13 Commissioner Pinkert.

14 COMMISSIONER PINKERT: Thank you.

15 MR. KLETT: Or at least I will attempt to.

16 COMMISSIONER PINKERT: Thank you. Now, for
17 steel cylinders of the same size, I know we've talked
18 about differences in size between the merchandise
19 coming from different countries, but looking at steel
20 cylinders of the same size, are there any differences
21 between the Canadian, U.S. and Chinese cylinders that
22 would cause purchasers to prefer, or that might cause
23 purchasers to prefer one to the other?

24 MR. VAN AUKEN: I don't believe there's any
25 significant differences in the product that's being

1 brought in to the U.S. versus what is made or
2 manufactured at Norris Cylinder. There always are
3 slight changes in any kind of process. It's steel,
4 it's not a perfect metal, so the side walls may be
5 slightly different, but for the most part, it's a
6 quality cylinder. It's capable of doing the same
7 kinds of service and applications that Norris Cylinder
8 manufactures for.

9 COMMISSIONER PINKERT: Mr. Powers?

10 MR. POWERS: I would concur with the general
11 comments there by Mr. Van Auken. I would also add
12 that from our facility in Tilbury, the one major
13 difference I could point out would really be more
14 focused on niche markets for specialty gas
15 applications. We produce our product from plate, some
16 of the smaller sized cylinders and some of the
17 intermediates as well. The plate versus a tube
18 product will tend to have a smoother, cleaner interior
19 wall, which is preferential for specialty gas
20 applications. That would be one primary differential
21 I would point out.

22 COMMISSIONER PINKERT: Thank you. My last
23 question is a legal question. Looking at the way that
24 the Commission has handled domestic like product
25 issues in the past, is there a difference in the way

1 that we look at those issues when asked to divide up
2 the scope of the investigation into two or more
3 domestic like products versus being asked to include
4 in the domestic like product merchandise or products
5 that are not within the scope of the investigation?

6 MR. LEBOW: Thank you. We will examine that
7 and see if there are any differences in the analysis
8 historically.

9 COMMISSIONER PINKERT: Thank you. With
10 that, I have no further questions.

11 CHAIRMAN OKUN: Commissioner Johanson?

12 COMMISSIONER JOHANSON: Thank you, Madam
13 Chairman. I have a question that follows up on
14 questions of Commissioners Williamson and Pearson
15 regarding the impact of the filing of the petition.
16 Do any of you happen to have information that would
17 demonstrate that customers have switched from Norris,
18 to Norris from Chinese producers as opposed to
19 producers in other countries such as Canada and Korea?

20 MR. VAN AUKEN: Yes. The answer is yes.
21 This is Jerry Van Auken, and yes, I believe one of our
22 submissions does indicate that, in which customers
23 that we knew were using Chinese cylinders had moved to
24 us as a result of the suspension of liquidation.

25 COMMISSIONER JOHANSON: All right. Thank

1 you. I appreciate it. I will look at that
2 information in your -- that was, I suppose, in your
3 prehearing brief?

4 MR. LEBOW: Exhibit 6. Yes.

5 COMMISSIONER JOHANSON: Okay. I'm sorry.
6 There are a lot of exhibits and we read a lot up here
7 and sometimes we forget what we read. In fact, I went
8 over it just this morning. I'm surprised I didn't
9 remember it. Anyway, thank you for that answer. This
10 is a question for Mr. Camp, and this is kind of a
11 follow up to what I was speaking, what we were
12 speaking on during my first round of questions. Could
13 you possibly describe what steps Norris has taken to
14 turn around operations in Huntsville since its
15 acquisition?

16 MR. CAMP: Sure. I think the most important
17 one is the, look at the opportunity to go to a billet
18 shell to eliminate the tube, which we consider very
19 high cost steel. The synergy that we brought in with
20 that was a significant change in how we conduct
21 business in Huntsville, how we process our high
22 pressure cylinders, so I think that's the number one
23 and most important thing that you could say that we
24 have done.

25 You know, beyond there it's just the ability

1 to, again, look at synergies at both locations, look
2 at the volumes, both that Longview had before the
3 acquisition for some of the products made in
4 Huntsville, as well as some of the needs of Huntsville
5 that Longview had the ability to produce, and to play
6 off of both of those and strengthen both plants in
7 that process.

8 COMMISSIONER JOHANSON: If billets are more
9 cost-effective, do you know why billets were not used
10 prior to the acquisition? Was that just a cost of
11 transforming the company or the plants?

12 MR. CAMP: It is. Yeah. A transformation
13 from what Taylor-Wharton was to a forging process is a
14 very significant investment.

15 COMMISSIONER JOHANSON: All right. Thank
16 you for your answer. This is actually another
17 question for you, Mr. Camp. Can smaller capacity
18 cylinders that are currently being -- I'm sorry. Can
19 smaller capacity cylinders currently be produced at
20 the Longview plant? This might be for Mr. Van Auken.
21 You might have a better answer here.

22 MR. VAN AUKEN: Well, I can certainly answer
23 that. The intermediate sizes were producible in the
24 Longview plant. We have been able to produce 80 cubic
25 footers and 125 and 150s. They're not in the sweet

1 spot of our manufacturing process and that's why it
2 made sense to do partial operations in Longview and
3 then have them shipped to Huntsville where they can be
4 finished.

5 COMMISSIONER JOHANSON: Can the larger size
6 cylinders currently be produced at the Huntsville
7 plant?

8 MR. VAN AUKEN: No, they cannot.

9 COMMISSIONER JOHANSON: Okay. So that's
10 just in the Texas plant.

11 MR. VAN AUKEN: That's correct.

12 COMMISSIONER JOHANSON: Okay. Thank you for
13 your answer. This is a question for any of the Norris
14 witnesses. Has Norris -- I'm sorry. What would be
15 involved in bringing the forge that Norris acquired
16 from TWI's Harrisburg plant back into use? How long
17 would that take, and how much would that cost?

18 MR. VAN AUKEN: Part of that answer I'd like
19 to do in a post --

20 COMMISSIONER JOHANSON: I understand.

21 MR. VAN AUKEN: -- as far as the costs would
22 be concerned, but first of all, it is in storage, and
23 the answer to your first part of your question is
24 we're waiting for the volume because we just can't
25 deploy it until it makes sense to have the volume.

1 It's a fixed overhead addition, of course. As we
2 mentioned earlier in our testimony, the fixed cost is
3 a significant issue. If we see the volume coming back
4 to more norm levels, well, then we can add capacity to
5 further take advantage of that.

6 As far as the deployment of it, it's
7 probably going to take somewhere between a year to a
8 year and a half start to finish, probably, to get it
9 up and running. It's a long process. It's not
10 something we start. We won't start until we're
11 convinced that it can support the volume.

12 COMMISSIONER JOHANSON: All right. Thank
13 you. Yes. That is, indeed, a very long lead time.

14 MR. VAN AUKEN: Uh-huh.

15 COMMISSIONER JOHANSON: This is another
16 question for the Norris witnesses. Has Norris been
17 unable to supply any customers or had extended lead
18 times at any time during the period of investigation?

19 MR. VAN AUKEN: Is that addressed to me?
20 I'm sorry.

21 COMMISSIONER JOHANSON: Anybody, any of the
22 witnesses from Norris.

23 MR. VAN AUKEN: Well, I'll start off by just
24 saying that we think we have, and offer, very
25 competitive lead times to our market. That is not to

1 say that every customer is always happy with every
2 delivery we make. I don't know of many manufacturing
3 organizations that can say that.

4 Having said that, we strive, in the sourcing
5 of our material and in the deployment of our assets as
6 far as people, and time and shifts, to address those
7 customer orders in a most efficient way we know how,
8 and we feel we maintain very competitive lead times in
9 that industry. If we didn't, you know, larger
10 companies that we mentioned earlier that are coming to
11 us now would not do so if we couldn't deliver.

12 COMMISSIONER JOHANSON: All right. Thank
13 you, Mr. Van Auken. Actually, this is another
14 question that's probably best for you to answer. What
15 are your expectations for demand in the next few
16 months for cylinders?

17 MR. VAN AUKEN: It's hard to predict that.
18 I get asked that question a lot by the people I report
19 to and I always struggle to answer that question. We
20 still see it as a topsy turvy market and, you know, we
21 still are concerned about the sustainability of the
22 market going forward into the future. We don't see
23 anything like 2008 to 2009 that we mentioned earlier.
24 We don't think that's in the cards. However, we're
25 very concerned about the sustainability of the levels

1 that we've seen in recent quarters.

2 COMMISSIONER JOHANSON: All right. Thank
3 you.

4 MR. VAN AUKEN: And I hope I'm wrong.

5 COMMISSIONER JOHANSON: Right. This might
6 actually, this is almost a follow up to what I just
7 asked you, and this is a more general question, but
8 are there any seasonal factors in the market for HPSCs
9 that might explain fluctuations in sales?

10 MR. VAN AUKEN: I don't believe there's a
11 lot of seasonality. There's a few industries, like
12 the heating, ventilating and air conditioning market,
13 which will drive in the spring time a little more
14 activity in the smaller sizes. If you need to call to
15 have your air conditioner fixed at home, that guy
16 who's making that call might need a cylinder in order
17 to, you know, do that repair for you, so there's a
18 little bit there, but all the, you know, for example,
19 the majors, the majors tend to buy in different
20 patterns, they don't seem to be in sync at all. So I
21 would say there's no seasonality, but there certainly
22 are customer-driven issues related to when they want
23 cylinders.

24 COMMISSIONER JOHANSON: All right. Thank
25 you. I think this is, this is my final question and

1 this is a question, again, for Norris. If you want to
2 address this in the posthearing brief, if it's BPI,
3 then I understand. Has the purchase of TWI's assets
4 improved Norris' position in the market?

5 MR. VAN AUKEN: I believe it has. Certainly
6 we did not have a complete product line prior to 2010.
7 We were subject to buying and reselling from
8 Worthington in order to participate in the market at
9 margins that we couldn't sustain going forward. So
10 the fact that we acquired the Huntsville operation
11 allowed us to gain manufacturing control of the
12 operation, and obviously it gives us some room on
13 margin because we're not buying and reselling to
14 participate in the market. So I think it's had a huge
15 effect on making Norris Cylinder a more capable
16 supplier to this industry.

17 COMMISSIONER JOHANSON: Thank you for your
18 answer. That concludes my questions, and once again,
19 I would like to thank you all for appearing here
20 today.

21 CHAIRMAN OKUN: Mr. Klett, are AUVs a very
22 good indicator in this market?

23 MR. KLETT: I would say no. I mean
24 obviously when you're doing your cogs to sales ratios,
25 implicitly, you're looking at kind of a broad AUV to

1 cost relationships, but for purposes of pricing, you
2 know, I think relying more on the four product pricing
3 categories is better than looking at overall AUV
4 trends.

5 CHAIRMAN OKUN: Okay. That was literally my
6 next question which, in looking at the other
7 nonsubjects in the market, the Canadians in
8 particular, in evaluating what impact they've had
9 during the period of investigation, you would refer me
10 then to the pricing products for Canada as opposed to
11 the AUV comparisons?

12 MR. KLETT: Commissioner Okun, this is Dan
13 Klett. Yes. I mean this is one somewhat unusual case
14 in that you did collect actual pricing data for
15 nonsubject imports. You don't always do that. You do
16 have pricing for Canada for each of the four pricing
17 products, at least the ones that they sell. I think
18 that's better than the AUV, the import AUVs for
19 Canada.

20 CHAIRMAN OKUN: Okay. I appreciate those
21 comments. Then let me ask for a response which I
22 don't think I've heard addressed head on, which is
23 Respondents have argued that the Commission should
24 place less weight on market share changes in this
25 market because of the volatility. I'm not sure who

1 would want to take that but I did want to get a
2 response on that particular argument.

3 MR. KLETT: Commissioner Okun, this is Dan
4 Klett. I'm not sure that it's so much volatility.
5 They say volatility, but when you look at the data,
6 there actually was an increase in U.S. apparent
7 consumption from 2009 to 2011. I think their point is
8 that you should pay less attention to market share
9 changes because with the increase in apparent
10 consumption, everybody was benefitting.

11 I think to a certain extent that's true, but
12 I think you also need to look at market share shifts
13 from 2008, or even from 2009, to 2011. Basically,
14 even though Norris benefitted from the increase in
15 U.S. apparent consumption, it still was not, it still
16 lost market share and still was not where it would
17 have been if it had maintained market share from
18 prior, as compared to 2008, or even 2009.

19 You see that most clearly in, well, in both
20 the large and the small medium. You see that actually
21 more in the small to medium high pressure. So I
22 really don't agree with Respondents on, that the
23 Commission should not pay attention to market share
24 shifts.

25 CHAIRMAN OKUN: And does it matter, and this

1 may be something that can be more fully fleshed out
2 posthearing with Mr. Auken, but should it matter where
3 there's been an acquisition during the time period?
4 Like I'm trying to understand what would we expect
5 market share to have done where you have one company
6 acquiring another company and it wasn't, Mr. Van Auken
7 wasn't selling in the small cylinder and now he has a
8 company that is.

9 I'm just trying to understand how we should
10 evaluate that on this record. I don't know if there
11 may be some projections that were prepared during the
12 acquisition that you could share with us
13 confidentially or other indicators of what the
14 business plan was or what the business plan
15 anticipated that would help me understand whether the
16 argument that the domestic industry should have gained
17 more market share in this growing market is consistent
18 with what was going on the ground.

19 MR. VAN AUKEN: Yeah. I'm sure we can try
20 to provide something in that direction. There's no
21 doubt that we had historical information about what
22 they were producing before we did the acquisition as
23 part of our due diligence, and obviously we had
24 expectations at Norris Cylinder as to how we would see
25 that continuing under the auspices of Norris with a

1 more complete product line.

2 I would only say that if we had not acquired
3 the Huntsville operation, I believe it would have
4 survived one way or the other and it would still be
5 producing product in this market and still facing the
6 same issues that we're facing today based on
7 discussions that I had with Taylor-Wharton before the
8 acquisition.

9 CHAIRMAN OKUN: Okay. Well, I'll look
10 forward to seeing that additional information
11 posthearing and help me understand that. Then I think
12 my final one is probably one for posthearing or it
13 could be that we can cover it in an in camera session
14 but the Respondents have also pointed to the capacity
15 utilization allocations and took issue with those.
16 Something to do for posthearing, Mr. Klett or Mr.
17 Lebow?

18 MR. LEBOW: You know, we can deal with it
19 specifically in posthearing, but I can say generally
20 that, you know, we came up with a capacity allocation
21 which was based on historical sales ratio and we
22 thought it was best to just do it consistently
23 throughout the POI using the same ratio and same
24 capacity. Even if one were to adopt their
25 methodology, the impact on the bottom, the final

1 number is not going to be significant. There is huge
2 amounts of excess capacity in the domestic industry.

3 CHAIRMAN OKUN: You may have had this in the
4 brief. Just, again, it's hard sometimes when we think
5 is historical information better or not because we
6 have to deal with the record we have, but I'm just
7 trying to understand, I read the brief but I couldn't
8 -- is it capacity utilization used to be much higher?
9 I mean I guess I didn't, I couldn't get a real sense
10 of that. I mean, Mr. Van Auken, is that -- I don't
11 know if you can comment on that.

12 MR. VAN AUKEN: Well, I think we've always
13 been in a position to have plenty of capacity to
14 address the marketplace, and obviously as a business,
15 a manufacturing organization, we're always trying to
16 optimize the deployment of our assets and utilization
17 of our assets in the most economical way. I don't
18 know if I'm addressing the question.

19 MR. LEBOW: Well, in 2008, was it higher
20 than in 2011?

21 MR. VAN AUKEN: Yeah. There's no doubt that
22 we were utilizing our capabilities in 2008 more than
23 we are now --

24 CHAIRMAN OKUN: Right, but I guess I go back
25 to the other point of it's a high mark -- right.

1 MR. VAN AUKEN: I don't want to call it a
2 high mark because, as I see it, we saw, you know, in
3 2006, '07, '08, I mean that was kind of a system
4 normal situation with our utilization back then.

5 CHAIRMAN OKUN: Okay. I appreciate those
6 comments. I think with that, my questions have been
7 covered. Let me turn to Vice Chairman Williamson.

8 VICE CHAIRMAN WILLIAMSON: Thank you. I
9 just have one question or a couple of questions
10 relating to, I think I'm bugged about the fact that
11 the smaller cylinders -- I mean you said, Mr. Roberts,
12 I think you said, you know, people just, I guess,
13 throw them away or get rid of them. What role is
14 recycling playing in the use of small cylinders? Is
15 there any differences in growth and demand -- no. If
16 I know I could give the cylinder back to somebody as
17 opposed to worrying about how I'm going to recycle it,
18 that might affect what size I buy.

19 MR. ROBERTS: I hope that I didn't give any
20 misimpression. The containers certainly are
21 returnable and reusable, and so with the smaller ones
22 that are referred to as customer owned, they bring in
23 the empty and we just give them a full cylinder right
24 at the spot. If the cylinder does fail hydrostatic
25 testing or something like that, then our company does

1 take those cylinders and sell them to scrap metal
2 dealers.

3 So, you know, basically the steel cylinders,
4 small and large, are very easy to be recycled through
5 scrap dealers. Settling cylinders, which are not part
6 of this, are more difficult for different reasons of
7 the material inside them. The steel cylinders have a
8 very long lifetime, and in the event that they are
9 damaged and have to be taken out of service, they do
10 get recycled to the scrap dealers.

11 VICE CHAIRMAN WILLIAMSON: Does the
12 difference between the asset and nonasset effect sort
13 of in any way demand trends for the different sizes?

14 MR. ROBERTS: No. Really, what our customer
15 demands -- and the HVAC customers tend to use the
16 smaller size cylinders. You know, if there's a large
17 demand there, then we will need to purchase the small
18 cylinders. Larger construction companies or research
19 facilities maybe predominantly use the large size
20 cylinders, and if there's an increase in our customer
21 base there, then we'll have to, you know, buy more of
22 that.

23 So for us it's really totally customer-
24 driven by what our customer base needs. Again,
25 they're really using the gas inside the cylinders

1 rather than the cylinders themselves so that they buy
2 the gas from us, use it for whatever purpose they're
3 using, return the empties to us, and at the same time
4 that we're delivering a full size cylinder, whether
5 it's large or small.

6 VICE CHAIRMAN WILLIAMSON: Okay. For the
7 producers, this question of recycling the smaller
8 cylinders, does that have any effect, I mean in your
9 planning or marketing and say the competition with the
10 Chinese?

11 MR. VAN AUKEN: Well, of course we like to
12 see the cylinders get lost as much as possible to get
13 additional sales. Having said that, I think the
14 industry for the most part, as Bob indicated, is
15 pretty resourceful in turning in scrap. Scrap steel
16 prices are quite high, and so of course scrap is quite
17 high, which means there's a benefit to making sure if
18 you're going to take a cylinder out of service, that
19 you scrap it out.

20 Certainly, even in the manufacturing
21 process, I'm sure for Worthington and certainly for
22 Norris Cylinder, if we have off all, if a cylinder
23 doesn't pass its tests or whatever, those are returned
24 to a scrap bin. Obviously, we would try to recover
25 our cost by scrapping the cylinder.

1 VICE CHAIRMAN WILLIAMSON: Okay. Do the
2 domestic producers provide, is that any better service
3 for say a distributor or something and how the, say
4 the used cylinders get handled?

5 MR. VAN AUKEN: There's certainly, you know,
6 I would say just because of the portability of the
7 smaller size, especially something you can pick up and
8 walk with, that there's more of a real time issue as
9 far as responding to orders for that. Most people
10 that are going to want a small high pressure cylinder
11 are going to want it quite quickly versus an asset
12 cylinder, which may be a long-term strategy buy for,
13 whether it's Roberts Oxygen or it's for a very large
14 gas company. They're going to make a decision based
15 on their MRP system and when they're going to need
16 cylinders, and so there's a little more time to
17 respond to that order.

18 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

19 MR. POWERS: Mr. Williamson, if I could?

20 VICE CHAIRMAN WILLIAMSON: Yes.

21 MR. POWERS: Just to give you an idea of
22 some of the recyclability of the cylinders, so long as
23 the hydrostatic retesters, ultrasonic retesters
24 continue to maintaining compliance with the test
25 requirements, it's not unusual to walk into a retest

1 facility and see cylinders as old as 1918, 1919 still
2 being used. Very common to find them between the '50s
3 and 1970s on a regular basis. So they definitely get
4 recycled over and over. Not in the truest sense of
5 scrapping a steel cylinder, per se, but they're still
6 in use.

7 VICE CHAIRMAN WILLIAMSON: Okay. And that's
8 even the small ones, still, you're talking about in
9 this case?

10 MR. POWERS: That's correct.

11 VICE CHAIRMAN WILLIAMSON: Good.

12 MALE VOICE: I guess one thing that also
13 comes to mind is that very often cylinders that no
14 longer can be used as a cylinder are also sold to
15 artists that use them to create steel structures out
16 of, and sometimes they're cut and used as metal
17 wheels, or forming metal wheels. So in addition to
18 just having them scrapped and perhaps melted down,
19 there are other uses, other lifetimes, for cylinders
20 after being gas containers.

21 There is not a large percentage of the
22 cylinders that fail tests. Again, it's a small, you
23 know, one or two percent of our cylinders that are
24 damaged, or destroyed, or fail tests that are taken
25 out of service a year. So it's not a huge issue, but

1 we deal with it as effectively as we can.

2 VICE CHAIRMAN WILLIAMSON: Okay. thank you
3 very much for those answers. I feel reassured now and
4 have no further questions.

5 CHAIRMAN OKUN: Commissioner Pearson?
6 Commissioner Pinkert?

7 COMMISSIONER PEARSON: I would just express
8 my appreciation to all of you for coming.

9 COMMISSIONER PINKERT: Thank you, Madam
10 Chairman. I just want to point out that I'm going to
11 submit a written question for posthearing that will
12 enable us to divide up that 2011 data into six month
13 periods so that we could see the possible petition
14 effect that you've been talking about. So with that,
15 I thank you and look forward to the posthearing
16 submission.

17 CHAIRMAN OKUN: I don't see any other
18 questions from my colleagues. Let me turn to staff to
19 see if they have questions of this panel.

20 MR. MCCLURE: Jim McClure, Office of
21 Investigations. Madam Chairman, staff has no
22 questions. Thank you to everybody for coming and for
23 your informative answers.

24 CHAIRMAN OKUN: You'll see more of them this
25 afternoon. Some of them. Do those in opposition to

1 the imposition of the order have questions for this
2 panel? Do I have a lawyer back there who can shake
3 their head for me?

4 MR. MARSHAK: No questions.

5 CHAIRMAN OKUN: No questions. Okay. Thank
6 you. Then this would be a good time to break for
7 lunch. I'll remind parties that the room is not
8 secure, so please take any confidential business
9 information. As you know, when we return we will have
10 the Respondents panel, questioning the Respondents'
11 panel and then turn to the in camera session. So with
12 that, I have a couple of things that require
13 Commission attention over the lunch break, so we're
14 going to break until 1:30.

15 (Whereupon, at 12:18 p.m., the hearing in
16 the above-entitled matter was recessed, to reconvene
17 at 1:30 p.m. this same day, Tuesday, May 1, 2012.)

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

26

1 Dougan's in camera testimony later this afternoon,
2 BTIC is very fortunate that during the public portion
3 of this hearing that the Commission will hear
4 testimony from three of its largest customers:
5 ThyssenKrupp, Western International, and Cyl-Tec, Inc.

6 The gentlemen who are here representing
7 those companies will discuss why they buy cylinders
8 from BTIC. BTIC offers its customers a full product
9 line of high quality products. It is a longstanding,
10 reliable supplier.

11 It supplies defect free cylinders in a
12 timely manner. In this industry these factors are
13 much more important than buying the lowest priced
14 produced on the market.

15 At this time, I would like to introduce Mr.
16 Bill Zheng, the CEO of America Fortune, BTIC's
17 affiliate in the United States, who will deliver the
18 first presentation.

19 MR. ZHENG: Good afternoon. My name is Bill
20 Zheng. I am the CEO of the America Fortune Company of
21 Houston, Texas. America Fortune was established in
22 Houston in 1994 by me and my wife, Susan.

23 For the first few years, we sold auto parts,
24 but then began buying from BTIC in China, and sold in
25 the United States high pressure steel cylinders. For

1 more than 15 years, we have been BTIC's primary U.S.
2 customer.

3 In August of 2010, BTIC acquired a
4 controlling interest in America Fortune, and now
5 operates as BTIC's subsidiary. BTIC is one of the
6 largest cylinder manufacturers in the world. It
7 produces high pressure assembly steel cylinders, ISO
8 cylinders, compulsion cylinders, acetylene cylinders,
9 low density insulated cylinders, and gas storage
10 special containers.

11 BTIC's customers are located in China, the
12 United States, and third-countries throughout the
13 world. Its products serves a wide application in
14 chemical industry, firefighting, petroleum industries,
15 energy, city construction, food processors, mechanics,
16 and electronics.

17 The breath of its product line is a very
18 important reason for its success. The merchandise
19 subject to this investigation are high pressure steel
20 cylinders conforming to the U.S. Department of
21 Transportation product line and hazardous materials,
22 and safety administration process, and product
23 performing standards.

24 These cylinders are similar in many respects
25 to BTIC cylinders made to UN-ISO 9809-1 standards.

1 ISO standards are primarily served outside the United
2 States in countries which require that the cylinders
3 conform to these standards, but I believe that the
4 market for ISO cylinders also will increase in the
5 United States.

6 I will leave it to my lawyers to discuss
7 whether the DOT and ISO cylinders fall within the
8 Commission's definition of one like product, but I do
9 note that DOT and ISO cylinders produced by BTIC at
10 the Sanford facilities, on the same equipment, by the
11 same workers, using the same materials.

12 In addition, high pressure cylinders may be
13 due marked to conform to DOT and ISO standards. I
14 also have been advised that the Commission has been
15 asked to decide if small and large cylinders are the
16 same like product.

17 Small cylinders are produced by sprout
18 processors, while larger cylinders are produced by
19 billett-piercing. Thus, unlike DOT and ISO cylinders,
20 whose production processors are virtually identical,
21 larger and small cylinders are produced by different
22 processors on different machinery and by different
23 workers.

24 I am very fortunate today that
25 representatives from three of BTIC's largest

1 longstanding customers, Cyl-Tec, Western, and
2 ThyssenKrupp, have agreed to appear at this hearing.

3 I believe that these customers buy our
4 cylinders because of our ability to supply a complete
5 product line, the quality of our cylinders and our
6 reliability and consistency.

7 We have maintained our relationship with
8 Cyl-Tec, Western, and ThyssenKrupp for many years for
9 these reasons. We have perfect record on quality and
10 safety issues. Our prices are competitive. They
11 reflect the cost of steel and freight.

12 But we have maintained our strong position
13 in the market even when we do not quote the lowest
14 price. In 2008, our entire industry was affected by a
15 financial crisis, and the great economic recession in
16 the United States.

17 BTIC sales plummeted in 2009 from 2008
18 levels. Fortunately, the U.S. economy has begun to
19 recover and our sales to the United States increased
20 in 2010 and 2011.

21 For large cylinders, Norris is our main
22 competition. For small cylinders, we compete mostly
23 with other imports since Norris only begun producing
24 these cylinders in Huntsville, Alabama, in the middle
25 of 2010, after it purchased Taylor-Wharton's facility.

1 We have maintained our strong position in
2 both of these sub-markets for the reasons that I have
3 just discussed. I am confident that our customers
4 will agree. I would like to make one final point
5 before I conclude my testimony and testifying.

6 In reviewing the data which we submitted to
7 the Commission, you will see a very large increase in
8 America Fortune imports between 2010 and 2011. One
9 reason for the size of the increase was that we agreed
10 to take on the responsibility of acting as an importer
11 of record for certain U.S. customers who previously
12 had to purchase cylinders directly from BTIC in China.

13 When Norris filed its petition, these
14 customers decided to buy cylinders from America
15 Fortune on a duty pay basis. This decision reflects
16 the fact that our customers did not want to be faced
17 with the uncertainty which arises when merchandise is
18 subject to anti-dumping and countervailing
19 investigations.

20 We also believe that after reviewing all of
21 the data submitted that this commission will decide
22 that Norris is not being materially injured or
23 threatened with material injury by reason of high
24 pressure cylinders imported from China.

25 And that this case will end without our

1 having to pay any additional duties. Thank you very
2 much for allowing me to testify. I am available to
3 answer any questions that you may have. Thank you.

4 MR. SCHUTZMAN: Thank you, Mr. Zheng. The
5 Commission will now hear from Steve Iffland, to my
6 right, from Western International. Steve.

7 MR. IFFLAND: Good afternoon, Madam
8 Chairman, and Members of the Commission. My name is
9 Steve Iffland, and I am the executive vice president
10 of sales and marketing for Western International Gas
11 and Cylinders, Incorporated, based in Bellville,
12 Texas.

13 I have been involved in the high pressure
14 steel cylinder business in the U.S. for 11 years, and
15 for the last five years, I have worked for Western
16 International.

17 Before joining Western in 2007, I worked for
18 the Petitioner, Norris Cylinder, for six years.
19 Western International was the leading wholesale
20 supplier of acetylene, propylene, hydrogen, and
21 helium.

22 We also sell high pressure and acetylene
23 cylinders to welding supply distributors in the United
24 States and Canada, and to customers who then transport
25 product into Mexico.

1 In addition, we operate DOT certified
2 inspection facilities around the country. In my
3 current position, I am responsible for all sales and
4 marketing activities at Western, including the sale of
5 high pressure cylinders.

6 The majority of the Chinese high pressure
7 cylinders sold by Western are manufactured in China by
8 BTIC. Western is not the importer of record for those
9 cylinders, and never has been.

10 We buy the cylinders through BTIC's U.S.
11 affiliate, the American Fortune Company. In the past,
12 Western has imported large Chinese high pressure
13 cylinders in relatively small quantities from a second
14 Chinese company, Zhejiang Jindun High Pressure
15 Company, and has purchased high pressure cylinders
16 from Korea as well.

17 Western is in the unique position of being
18 both a gas producer, as well as a supplier of
19 cylinders. We fill cylinders for the majority of our
20 customers and deliver to them via our own fleet of
21 trucks.

22 This affords us the ability to deliver
23 smaller quantities of cylinders on a more frequent
24 basis. Convenience and speed, and not price, has been
25 the key to our growth.

1 Typical cylinder suppliers require minimum
2 quantities, typically 100 cylinders, in order to cover
3 delivery costs. Our customers can order as few as one
4 cylinder, and receive the delivery within a week,
5 which sets us apart from our competition.

6 Western began selling cylinders over 10
7 years ago as a result of increased requests by our
8 customers. Upon entering the business, we thoroughly
9 evaluated the potential vendors, including Norris.

10 BTIC was selected as our primary vendor for
11 the following reasons. First, quality and
12 consistency. We visited BTIC's facility in China.
13 BTIC has one of the most modern and automated
14 production facilities in the world.

15 For the last 10 years, we have had no
16 quality issues and no safety incidents with BTIC
17 cylinders. Second, the breadth of product line. BTIC
18 produces a complete line of cylinders: small and large
19 high pressure steel cylinders, acetylene cylinders,
20 LPG cylinders, and cyanogenic cylinders.

21 In contrast, Norris sells only high pressure
22 and acetylene cylinders. Third, short lead time.
23 Western can order in large quantities and has
24 inventory at several locations across the country.
25 When we have the cylinders on-hand, we are able to

1 paint and valve them, and deliver them to our
2 customers in conjunction with normal weekly gas
3 delivery schedules.

4 Price is always important, but available
5 more than price has been the driver in the increase of
6 our business. In contrast, Norris manufactures to
7 order, and typically has longer lead times.

8 So what about price? Our pricing from BTIC
9 fluctuates. Prices are driven by steel and freight
10 costs, but price is not the reason that we source from
11 BTIC.

12 Our purchase decisions are driven by
13 quality, consistency, breath of product line, and lead
14 time for deliveries. BTIC's pricing is competitive,
15 but not the critical reason why it has remained our
16 primary supplier for the last 10 years.

17 Finally, before joining Western, I worked
18 for Norris as vice president of sales and marketing.
19 I would like to give you my impression of the domestic
20 cylinder industry.

21 I worked for Norris from 2001 to 2007. I
22 still have friends at the company, and I wish them
23 well. In fact, I heard that Norris had a great year
24 in 2011. I welcome the competition, and the
25 possibility that Norris may become a viable source of

1 supply for Western in the future.

2 However, during my time at the company,
3 Norris focused primarily on revenue and not on
4 reinvestment in their facilities. For example, in
5 order for Norris to enter the small high pressure
6 cylinder market, they needed to either modify their
7 heat treatment equipment, or purchase a new heat treat
8 furnace.

9 Instead, they chose to import those
10 cylinders from Canada rather than make the investment
11 in new equipment. To speak further regarding the
12 small high pressure cylinder market, until its
13 purchase of the Taylor-Wharton assets, Norris did not
14 manufacture small high pressure cylinders.

15 Initially, Norris purchased cylinders
16 manufactured by BTIC from Cyl-Tec. Later, they
17 sourced small cylinders from Worthington's Canadian
18 manufacturing facility, in an arrangement where Norris
19 produced acetylene cylinders and Worthington produced
20 Norris' small high pressure cylinders.

21 Then when Taylor-Wharton left the market due
22 to lack of investment and non-utilization of the
23 latest technology, Norris purchased that facility.
24 Norris newly entered into the small cylinder market
25 segment, which is dominated by Chinese and other

1 foreign vendors.

2 Norris has made the argument that as a
3 result of the anti-dumping and countervailing duties,
4 they experienced a better than anticipated fourth
5 quarter in 2011.

6 This bump in sales or orders could be
7 explained by the fact that many companies choose to
8 buy assets in the fourth quarter after they are sure
9 that they have the budget dollars available, or
10 remaining budget dollars available.

11 Further, in 2011, companies were able to
12 take advantage of accelerated depreciation, which
13 drove sales of assets in the fourth quarter higher
14 than normal.

15 Moreover, the Commission should note that
16 Norris offers their customers a sizeable rebate at the
17 end of the year based on volume purchases. In
18 conclusion, based on my 11 years in the cylinder
19 industry, and 27 combined years working in the
20 industrial gas business, I do not believe that any
21 difficulties experienced by Norris were caused by low
22 priced Chinese imports.

23 I have had the opportunity to visit cylinder
24 manufacturers all around the world, and BTIC is among
25 the best. It is their investment in automated

1 technology and the ability to produce the best quality
2 cylinders which has allowed them to see increases in
3 market share in the areas that they service. Thank
4 you for listing, and I am available for any questions.

5 MR. SCHUTZMAN: Thank you, Mr. Iffland. The
6 Respondent's next witness, Commissioners, will be
7 Richard Rottmann, the manager of technical products,
8 of ThyssenKrupp Steel Services.

9 MR. ROTTMANN: Good afternoon. My name is
10 Richard Rottmann, and I am the manager of technical
11 products for ThyssenKrupp Steel Services of Houston,
12 Texas.

13 I have been involved in the steel cylinder
14 business in the U.S. for 25 years, the last 11 of
15 which have been with ThyssenKrupp. In my present
16 position, I am responsible for purchasing,
17 establishing, and purchasing standards, and for sales
18 of high pressure cylinders, which we sell exclusively
19 to end-users for fire suppression purposes, to
20 customers throughout the United States.

21 This is a distinct market segment, which was
22 not included in the Commission's product specific
23 questions. Our customers supply cylinders to
24 factories, office buildings, and other structures that
25 utilize cylinders to house fire retardant and

1 suppression chemicals for emergency release purposes.

2 This is the second time that I have
3 testified in this proceeding. When I appeared before
4 the Commission Staff on June 1, 2011, I discussed the
5 reasons why we purchased steel cylinders from BTIC in
6 China, and why in my opinion any problems which Norris
7 may have been experiencing were not caused by Chinese
8 imports.

9 At this hearing, I will review
10 conditions of competition within our industry over the
11 past three years, and why we continue to source
12 cylinders from BTIC.

13 In my testimony last June, I initially noted
14 that Thyssen purchased steel cylinders from BTIC on an
15 FOB Chinese import basis, and was responsible for
16 shipping the product from China to the U.S., and
17 functioned as the U.S. importer of record.

18 In the second half of 2011, we began
19 purchasing cylinders from BTIC's U.S. affiliate,
20 America Fortune, which assumed the role of importer of
21 record. However, all other aspects of our business
22 relationship with BTIC and our customers in the U.S.
23 have remained the same, whether we buy cylinders
24 directly from BTIC or through America Fortune.

25 We ship the cylinders directly from BTIC's

1 factory in China to an ocean port in the United
2 States, and continue to transport the cylinders to our
3 warehouses in the United States.

4 Our main warehouse is located in Wisconsin,
5 and we also maintain a second warehouse in
6 Connecticut, to serve East Coast end-users. Our
7 orders to BTIC and America Fortune are based solely
8 upon orders received from our customers for certain
9 customers, and for certain customers we maintain a
10 three month consignment inventory in our warehouses at
11 the customer's disposal.

12 Our inventory levels have remained steady
13 for the past three years. We sell cylinders from
14 these two warehouses to our fire suppression customers
15 in direct competition with Norris.

16 It is our understanding that some of our
17 customers purchase cylinders from Norris, and also
18 from Korean and Canadian suppliers. Based on my long
19 experience with the industry, I do not believe that
20 price is the primary reason why we have succeeded in
21 the marketplace.

22 Our customers do not purchase Thyssen's high
23 pressure steel cylinders because our prices are lower
24 than those quoted by Norris. There have been
25 occasions with our customers that Thyssen's quoted

1 prices for given cylinders have been higher than those
2 of our competition, and we have at times lost business
3 as a result.

4 However, with many of our customers, high
5 pressure steel cylinders are not purchased based
6 strictly upon price, but other relevant
7 considerations. Our level of attention, service, 24-7
8 technical support, just in time product availability,
9 scope of product offer, small to large, billett-
10 pierced and spun, product quality, and reliability,
11 zero defects, and 100 percent on time delivery.

12 These factors are not window dressing, but
13 are very significant elements of the purchasing
14 decisions of our customers. On the issue of price, I
15 note that our prices with BTIC and America Fortune are
16 strictly negotiated on a product by product basis, and
17 it is not uncommon for BTIC to inform us that price
18 increases are needed due to escalations in the cost of
19 raw materials and other factors beyond its control.

20 BTIC functions much like any market economy
21 company. It attempts to maximize profit given the
22 circumstances of the market within which it functions.
23 One advantage that BTIC has in competing with Norris
24 is that BTIC offers a full line of cylinders to its
25 customers worldwide.

1 Norris does not offer the same full array of
2 high pressure steel cylinders that BTIC does. This is
3 another factor in U.S. and global customer accounts
4 opting to purchase from BTIC rather than from Norris.

5 Another advantage for BTIC in competing with
6 Norris is that prior to 2010, Norris did not produce
7 small size cylinders. The Taylor Wharton machine
8 purchased by Norris in 2010 was very old, and it was
9 common knowledge in the industry that Taylor had not
10 reinvested in and upgraded its U.S. production
11 facilities for years.

12 This more than any other factor likely led
13 to its ultimate demise as a viable steel cylinder
14 producer. The purchase of these assets also likely
15 constituted a significant financial drain on Norris.

16 I assume that Norris has the resources to
17 modernize the Taylor facility, and that it soon will
18 be competing on an even level with BTIC when selling
19 smaller cylinders.

20 But during the Commission's period of
21 investigation from 2009 to 2011, Norris essentially
22 was operating as a new member of the industry for
23 these smaller cylinders. This was a definite
24 competitive advantage to BTIC.

25 As far as I know, Norris offers and has

1 always offered various programs, rebates, discounts,
2 and free product to customers as incentives to
3 purchase. ThyssenKrupp has never done this. Our
4 price is our price.

5 Also, even before Chinese made cylinders
6 became a prominent factor in the market, Norris was a
7 very aggressive competitor, willing to cut prices and
8 make special deals routinely to make a sale.

9 We saw this continuously years ago when the
10 principal competitors in the U.S. market were European
11 companies. This is not a new phenomenon with Norris.
12 Pricing for the product has always been susceptible
13 as you might expect to the world market price of basic
14 raw materials, steel.

15 As the price of steel goes, so goes the
16 price of steel cylinders. This is clearly the most
17 important factor affecting price, and we have seen
18 this continuously manifested in BTIC's pricing.

19 Finally, with respect to conditions of
20 competition in our fire retardant market segment, over
21 the past three years, I am pleased to report that
22 sales and prices are on the rise.

23 In 2011, we sold more cylinders at higher
24 prices than from 2009 to 2010. I assume that Norris'
25 results were also favorable. Thank you for

1 considering my testimony. I would be pleased to
2 answer any questions that you may have.

3 MR. SCHUTZMAN: Thank you, Mr. Rottmann.
4 Respondent's final industry witness will be Mr. Jim
5 Bennett, to my right, who is the President of Cyl-Tec.

6 MR. BENNETT: Good afternoon. My name is
7 Jim Bennett, and I am the President of Cyl-Tec, Inc.,
8 founded in 1991 by my father. Cyl-Tec is a family
9 owned business, a U.S. company, with over 60
10 employees.

11 We are involved in the distribution,
12 testing, and servicing of a wide range of cylinders,
13 including the subject merchandise. We began selling
14 cylinders in 2001, and have been active in this market
15 since then, and through the recession, and to the
16 present.

17 Since 2001, we have offered all sizes, not
18 just the small sizes as Norris suggested. In fact,
19 the first cylinders that we introduced were the large
20 cylinders. I am here today because I believe that
21 based on my experience that I can provide the
22 Commission with a realistic view of the U.S. market
23 for high pressure steel cylinders.

24 As everybody knows, the U.S. economy was bad
25 in 2009 and 2010. Construction and manufacturing is a

1 large portion of the steel cylinder market. As the
2 construction and manufacturing markets declined, so
3 did the sale of steel cylinders.

4 In 2011, things started to turn around.
5 Norris stated that during the period of investigation,
6 weak construction spending had a considerable adverse
7 effect on the U.S. industry's performance, but the
8 market has improved, and prices have increased.

9 In its public brief, Norris admitted that in
10 2009 when the market was bad that imports were down.
11 In 2011, as the economy came back, its volume of sales
12 increased, as did ours.

13 Norris claims that customers have been
14 switching or have switched to buying from them as a
15 result of the imposition of AD CVD duties, but if this
16 were the case, Cyl-Tec would have experienced a
17 concurrent drop in sales.

18 Norris has been lowering prices. We
19 haven't. BTIC continues to supply the U.S. market.
20 Our prices have increased, and importantly, Cyl-Tec's
21 sales have increased.

22 We are proud that Cyl-Tec has had some
23 success in the U.S. steel cylinder market. Of course,
24 we try to be competitive. Since the recovery, we are
25 often the high priced supplier.

1 My sales manager has told me that in a
2 number of specific instances that we are quoting
3 higher prices than Norris. However, our sales have
4 remained strong. Price is not the primary reason that
5 our customers purchase from us.

6 The main reasons our customers buy from Cyl-
7 Tec are Cyl-Tec's reputation, and the services that we
8 sell, along with selling the cylinders. Cy-Tec
9 started out as a U.S. DOT approved cylinder retesting
10 facility, and we still have an unsurpassed reputation
11 for testing and servicing steel and other types of
12 cylinders.

13 We sell cryogenic, acetylene, aluminum
14 cylinders, and related accessories. Therefore, we
15 have a broader product line than that of Norris. This
16 is a big advantage. Many customers like one-stop
17 shopping.

18 We also are the largest cylinder service
19 company in the United States. While we sell
20 cylinders, a large portion of our revenue is generated
21 from providing after-market services.

22 These are services that Norris does not
23 sell. Put simply, a decision to purchase cylinders
24 from Cyl-Tec is based upon a wide variety of factors,
25 but we believe the key factors are actually quality of

1 service and technical expertise, and the services that
2 we sell, and our broader product line.

3 Norris is the sole U.S. producer of
4 cylinders. Norris by itself cannot serve the entire
5 U.S. steel cylinder industry. From the original
6 petition, I know that Norris claims to have a lot of
7 unused capacity.

8 But Norris itself is well known for long
9 lead times. In customer's minds, and in mine, long
10 lead times are a clear indication that Norris does not
11 in fact have a lot of extra operating capacity.

12 They may have the machines, but it is not
13 clear how many of those machines are operating, and
14 whether they have the employees to operate them.
15 Norris claims that it has been injured by imports from
16 China, but I think that the Commission should look
17 very carefully at the underlying facts of this case.

18 Until 2011, Norris itself was a purchaser of
19 small steel cylinders. Small cylinders are the
20 largest part by quantity of the U.S. steel cylinder
21 market. Norris freely admits in its petition that
22 prior to its purchase of Taylor Wharton's assets in
23 2010 that it purchased cylinders from third-parties.

24 In fact, up through 2002, Norris purchased
25 Chinese small cylinders from us, Cyl-Tec. But Norris

1 eventually moved its business to Worthington, who
2 supplied them with Canadian cylinders.

3 The obvious question is why didn't Norris
4 purchase cylinders from Taylor Wharton. There is a
5 very good reason that Norris was not buying small
6 cylinders from Taylor Wharton. It is well known in
7 the steel cylinder industry that Taylor Wharton had
8 very antiquated, efficient equipment, notoriously long
9 lead times, and service problems.

10 Taylor Wharton's product was always viewed
11 as overpriced due to its inefficient production
12 processes and high overhead. The reason that Taylor
13 Wharton went out of business was not because of China
14 or Canada. It was because of production problems and
15 bad management.

16 If Norris believed that they could obtain
17 small cylinders at reasonable prices on a timely basis
18 from Taylor Wharton, they would have done so, but they
19 did not.

20 In 2010, Norris knowingly bought Taylor
21 Wharton's antiquated production assets. I would like
22 to be clear. The Taylor Wharton equipment that Norris
23 bought was old. We think that most of it was at least
24 50 to 70 years old.

25 Having purchased antiquated equipment from a

1 failing company, it is not unexpected that Norris
2 would now have its own problems. But any problems at
3 Norris had nothing to do with imported products from
4 China.

5 It has everything to do with Norris' lack of
6 foresight in anticipating the problems that the Taylor
7 Wharton production assets would cause it. As noted in
8 BTIC's brief, the Huntsville, Alabama operation was
9 effectively a startup operation.

10 Therefore, even if Norris made some
11 improvements to the antiquated equipment as it claimed
12 in its brief, it was still in startup operations over
13 most of the period that the Commission considers.

14 Moreover, some of the improvements that
15 Norris cites in its brief are not relevant to this
16 discussion. The investigation does not cover
17 acetylene cylinders, but Norris was here today touting
18 the investment in improving massing capacity.

19 Massing is an operation that is performed on
20 acetylene cylinders, not steel cylinders that are the
21 subject of this investigation. They are not massed.
22 Norris has said that it is dedicated to efficient
23 production, and continues to focus on additional
24 automation to meet the customer needs out of its
25 Huntsville plant.

1 However, this does not apparently apply to
2 the subject cylinders. Norris admitted that Taylor
3 Wharton was antiquated, and needed substantial
4 investment. Perhaps this will make Norris more
5 competitive in the future, but it seems to indicate
6 that the problem was not competition from Chinese
7 cylinders.

8 In summary, the problems at Norris that I
9 just described have nothing to do with China. They
10 are self-inflicted problems. We also note that Norris
11 has specifically excluded cylinders produced to ISO
12 specifications.

13 Norris has claimed that ISO cylinders are
14 always constructed of very high strength steel, and
15 are designed to withstand internal pressures two to
16 three times stronger than cylinders produced to normal
17 DOT standards.

18 This is only partially true. As discussed
19 in the preliminary phase of this investigation, there
20 are two specifications, 9809-1, and 9809-2. ISO
21 specification 9809-1 is essentially the same as DOT
22 specifications that are the subject of this
23 investigation.

24 Indeed, there is little difference between
25 DOT specifications and ISO 9809-1. There is a second

1 ISO specification, ISO 9809-2, which does require a
2 special steel alloy, and is typically designed to
3 withstand much higher pressures.

4 Cylinders produced to DOT standards clearly
5 compete with ISO 9809-1 product sold by Norris and
6 other producers. An ISO certified product is becoming
7 more prevalent around the world, including the United
8 States. Major multinational companies, such as Air
9 Liquide and Praxair, would prefer to have a single
10 world cylinder. ISO certified cylinders meet that
11 need. Over the last year, purchasers have asked for
12 pricing for a full line of ISO cylinders. That is
13 purchasers in the United States.

14 It is only a matter of time, with or without
15 the AD CVD order against Chinese cylinders before
16 purchasers move to ISO cylinders. Another challenge
17 faced by Norris that is unrelated to Chinese imports,
18 especially in terms of small cylinders, are aluminum
19 cylinders.

20 Aluminum cylinders are clearly competing
21 with steel cylinders in certain segments of the
22 market. This is especially true in the medical and
23 beverage markets, and in the beverage market, as
24 Norris pointed out, cryogenic cylinders, a relatively
25 new technology, has started taking business away from

1 steel cylinders also.

2 Cyl-Tec, unlike Norris, sells aluminum
3 cylinders. We also sell cryogenic cylinders. But
4 Norris does not understand this issue very well. Not
5 all cylinders can be made with aluminum, but many
6 small sizes are increasingly being made from aluminum.

7 Aluminum is lighter than steel, and does
8 provide certain advantages over steel. In recent
9 years, aluminum cylinder pricing has been greatly
10 reduced. The lightweight nature of aluminum
11 cylinders, along with the pricing that has become more
12 competitive with steel cylinders, has already almost
13 eliminated demand for a few models of small steel
14 cylinders.

15 This was a point that I had made in the
16 preliminary stage of this investigation, and it is
17 truer now today than it was then. Acceptance of
18 aluminum cylinders is increasing and will continue to
19 do so.

20 Norris claimed that it lost sales to Chinese
21 cylinders and in its petition, Norris blamed Cyl-Tec
22 and our low prices for some of its alleged lost sales.
23 However, they have apparently not alleged any new
24 lost sales in the final investigation.

25 As I noted earlier, customers prefer Cyl-Tec

1 for a host of reasons other than price. Cyl-Tec, of
2 course, tries to have a competitive price. But many
3 times based on our market experience, especially over
4 the last year, we are not the price leader in lowering
5 prices.

6 We make price increases, and others like
7 Norris sometimes follow. This has especially been
8 true over the last year. Last year, we had notice
9 that Norris did not raise their pricing, and in fact
10 lowered their pricing to large key customers.

11 Now in 2012, we notice Norris starting to
12 raise their pricing, we believe as a result of our
13 price increases. Norris in fact has become in many
14 cases the low price leader. We have generally
15 maintained strong sales even as we have increased
16 prices.

17 In several instances, we believe in cases
18 where Norris was in position, and where the customers
19 were in a position to wait for cylinders from Norris,
20 they have purchased from Norris.

21 Norris also repeats many times that it is
22 the only U.S. producer, but many of the customers in
23 the U.S. market are very important multinational
24 companies. Most multinational companies, and even
25 smaller local companies, do not want to rely on a

1 single supplier.

2 Why would a U.S. company put all of their
3 eggs in one basket with Norris, especially when an
4 important part of its production equipment is the
5 antiquated Taylor Wharton production assets that
6 Norris purchased.

7 Norris' petition focuses on China, but the
8 Chinese are not the only exporters to the United
9 States. Product comes in from Canada made by
10 Worthington, as well as Korea, Italy, The Czech
11 Republic, and Brazil.

12 Italy producers almost one million units a
13 year. In the past, we have purchased subject
14 cylinders from Korea, and currently have two Korean
15 suppliers of steel cylinders.

16 One of those is generally higher priced than
17 BTIC, and the other is lower, but we have not had any
18 quality issues with either supplier. We remain
19 committed to BTIC, but we can say that there are other
20 sources of cylinders that are prepared to supply the
21 U.S. market if BTIC were to stop supplying the U.S.
22 market.

23 We know that many U.S. companies have
24 problems with Norris. We think that even if China
25 were put out of the market that not all of the

1 business would shift to Norris.

2 Of course, some of them would continue to
3 use Norris as one of their suppliers, but as I noted
4 earlier, most companies would prefer to have at least
5 one other source.

6 Norris would have you believe that this is
7 an open and shut case, but the facts complicate
8 Norris' story. We think that Norris is doing just
9 fine, even with the Chinese product in the market.

10 If Norris is having problems, they are self-
11 inflicted ones related to its decision to buy Taylor
12 Wharton's very old production assets. Thank you for
13 letting me have the opportunity to be heard today, and
14 I will answer any questions that you might have.

15 MR. SCHUTZMAN: That concludes Respondent's
16 presentation.

17 CHAIRMAN OKUN: Thank you, but before we
18 begin our questions this afternoon, I would like to
19 take this opportunity to thank all of you for being
20 here. We appreciate so many members of the industry
21 being with us this afternoon to answer our questions.
22 And, Commissioner Pearson, let's start us out.

23 COMMISSIONER PEARSON: Thank you, Madam
24 Chairman. I appreciate all of you being here,
25 particularly those of you who had to fly from Houston

1 and other places to join us.

2 What do you see as the demand prospects in
3 the U.S. market over the next one to two years? Are
4 we going to see continued growth, or will it level
5 off, or decline? Just please identify yourself for
6 the record.

7 MR. IFFLAND: This is Steve Iffland with
8 Western International Gas.

9 COMMISSIONER PEARSON: Thanks.

10 MR. IFFLAND: We saw fairly strong demand
11 last year. Initial indications this year are fairly
12 strong as well, but it is all economic based, you
13 know. If the economy goes along well, then we will
14 continue to see demand. But if it tapers off again,
15 so will demand for cylinders. It is very, very
16 economy based.

17 COMMISSIONER PEARSON: Does everyone concur
18 with that? Mr. Bennett.

19 MR. BENNETT: Yes, Jim Bennett. We are
20 optimistic that the upcoming years, you know, 2012 and
21 2013, will continue to be strong like they were for
22 2011. We are not anticipating another economic
23 downturn. We hope not anyways.

24 COMMISSIONER PEARSON: Okay. What are your
25 thoughts on the points made this morning by the

1 domestic industry that a meaningful portion of the
2 increase in demand that we have seen recently has been
3 related to inventory restocking? Any sense whether it
4 is --

5 MR. IFFLAND: I tend to agree with Mr.
6 Roberts that it is based on demand from their end-user
7 customers, more so than restocking of inventory.
8 People don't tend to keep inventory of these
9 cylinders.

10 As they get new business, they purchase
11 cylinders to meet that need. They don't typically
12 hold inventory.

13 COMMISSIONER PEARSON: Okay. Those of you
14 who were in business during the period of -- well, a
15 few years ago, maybe 2005 and 2007, and we have talked
16 a lot about 2008, but how do you compare demand
17 currently to what might have been in place in those
18 earlier years? Did demand fluctuate a lot then, or
19 was it steady through the middle part of the last
20 decade?

21 MR. BENNETT: Well, like I said, Cyl-Tec
22 started selling cylinders in 2001, and 2001 through
23 2008 was steady. At the end of 2009, we saw the
24 effects of the recession, and now after the recovery
25 in 2011, we are seeing business pick up.

1 So we are seeing -- in my opinion, we are
2 seeing a steady business cycle, except for the dip
3 that happened in 2010.

4 COMMISSIONER PEARSON: All right. And has
5 demand recovered to a point where it would be
6 comparable to prior to the recession?

7 MR. IFFLAND: Steve Iffland. I was at
8 Norris from 2001 to 2007, and 2001 was an absolutely
9 horrible year. We came in there as a new management
10 team. They were going to close the doors in 2001 at
11 Norris Cylinder.

12 COMMISSIONER PEARSON: A bit of a recession
13 at that time?

14 MR. IFFLAND: Yes, a bit of a recession at
15 that time. We saw steady growth all the way up to the
16 time where I decided to leave the company. So, I
17 think that it continued on probably another year past
18 that, and that probably was the peak, and then I don't
19 think that we are back to that level yet.

20 COMMISSIONER PEARSON: Okay. Thank you. So
21 in that sense, your view of the market is similar to
22 the domestic industry, and that we are not back to
23 where the market was. Okay. Thanks. Now, most of
24 the conversation has been about BTIC's product.

25 Can you tell me a bit more about other

1 Chinese producers? I think, Mr. Bennett, was it you
2 that had mentioned -- no, I'm sorry, you had imported
3 from another firm at one point?

4 MR. IFFLAND: Yes, we did import some
5 cylinder from Zhejiang Jindun Cylinder Company. One
6 of the issues there is that they make a fine product,
7 but they have limited sizes available. They only make
8 the large high pressure cylinders, and not the smaller
9 high pressure cylinders.

10 COMMISSIONER PEARSON: Okay. Are there
11 other producers in China who would be more directly in
12 competition with BTIC?

13 MR. IFFLAND: Not with the range of product,
14 nor the quality. There is many manufacturers of
15 cylinders in China, and very few have the quality
16 standards required by the domestic market here.

17 COMMISSIONER PEARSON: So some of those
18 producers might find it difficult to obtain the DOT
19 approval?

20 MR. IFFLAND: No, not with the DOT, but
21 physical appearance, the quality of the stamping of
22 the cylinder, and things of that nature that this
23 domestic market has come to expect.

24 COMMISSIONER PEARSON: Well, I am just
25 trying to understand, that as we look at the Chinese

1 producers, and their ability to compete successfully
2 in the United States, fundamentally are we just
3 looking at BTIC, or are there some other firms that
4 either now are competing in a small way, or have the
5 potential to compete more actively in the next couple
6 of three years? Yes, Mr. Bennett.

7 MR. BENNETT: BTIC is the main player in
8 that industry. Most of the other companies really
9 don't stack up as far as acceptable quality in the
10 United States.

11 Like Steve said, there are one or two that
12 had DOT approval, but it really takes more than that
13 to make an acceptable cylinder in the U.S. that has
14 the cosmetics and everything that the U.S. customer
15 expects. So there really is a limited amount of
16 manufacturing in China. BTIC is acceptable because
17 their product is good, and they make a quality
18 product.

19 COMMISSIONER PEARSON: Okay. So as you look
20 at the market over the next year or two, you are
21 thinking that it is not terribly likely that there
22 will be one or more additional Chinese firms that will
23 up their quality and begin to export more actively to
24 the United States?

25 MR. BENNETT: Not likely in my opinion.

1 COMMISSIONER PEARSON: Okay.

2 MR. ROTTMANN: Richard Rottmann,
3 ThyssenKrupp Steel. I agree also that in the next
4 period of five years that there won't be anyone other
5 than BTIC that will be able to bring the quality and
6 the necessary certifications for the North American
7 marketplace.

8 COMMISSIONER PEARSON: Okay. And thank you
9 for that. Have you had the opportunity to visit some
10 of the Chinese producers?

11 MR. ROTTMANN: Yes, I have. I have seen
12 them since I have been in the business for many, many
13 years. I have had the opportunity a number of times
14 to visit many of the cylinder manufacturers in the
15 world, and many in China, and there are none that I
16 have seen that compare to what BTIC has to offer.

17 COMMISSIONER PEARSON: Okay. Thank you.
18 Since you have seen a number of facilities, have you
19 also have a chance ever to visit the former Taylor
20 Wharton facilities, the two plants that have been
21 described by some as not being the most modern in the
22 world?

23 MR. ROTTMANN: I had one opportunity to
24 visit Taylor Wharton, and of course that was many,
25 many years ago, and if I tell you possibly 20 or 23

1 years ago that I visited them at Taylor Wharton, they
2 did not -- the machinery that they had then was the
3 machinery that they had when they went into
4 bankruptcy.

5 There was not a change in their capability
6 between when I saw it and when they went into
7 bankruptcy.

8 COMMISSIONER PEARSON: All right. So your
9 observations, having been involved in the industry for
10 a long time, was that Taylor Wharton was slow to
11 upgrade and invest, or just did not invest?

12 MR. ROTTMANN: Yes, they did not invest.

13 COMMISSIONER PEARSON: Okay. So time passed
14 them by to some degree?

15 MR. ROTTMANN: Yes.

16 COMMISSIONER PEARSON: Okay. As long as we
17 are talking about this, was there any -- and this is
18 for the entire panel, but were there differences
19 between the two Taylor Wharton plants?

20 For instance, we know from the record that
21 one of them was closed down and the other still
22 operates. Is the one that still operates, is it in
23 better shape? Mr. Iffland.

24 MR. IFFLAND: Steve Iffland. Yes, the
25 Harrisburg facility was closed was a billett pierce

1 production facility, which made just the large high
2 pressure cylinders, similar to Norris' production
3 facility.

4 That had the notorious reputation of being
5 the oldest, continuously manufacturing operation in
6 the U.S. until it closed. It actually made the cannon
7 balls for George Washington's Army literally. So it
8 had very old equipment, and no automation as far as
9 moving cylinders from operation to operation.

10 And they would do an operation and stage
11 them, and move them again, and stage them. We did
12 have the opportunity to look at the plant when it was
13 first for sale.

14 COMMISSIONER PEARSON: Okay. So would it be
15 correct to assume that the Huntsville plant was
16 somewhat more modern? It had not been producing
17 cannon balls even for the civil war had it?

18 MR. IFFLAND: Yes, their plant was more
19 modern, but the focus was on acetylene cylinders at
20 that plant. The high pressure was a smaller portion
21 of that business.

22 COMMISSIONER PEARSON: Okay. Well, thank
23 you very much for those responses. Madam Chair, my
24 time is expiring.

25 CHAIRMAN OKUN: Commissioner Pinkert.

1 COMMISSIONER PINKERT: Thank you, Madam
2 Chairman, and I joint my colleagues in thanking all of
3 you for being here today to help us with these issues.
4 I want to begin with an argument that the domestic
5 industry has made, and I would like to get your
6 response to it.

7 The domestic industry argues that it has not
8 benefitted from the improved demand coming out of the
9 recession in the way that one might have expected them
10 to benefit given the increase in demand coming out of
11 the recession, How do you respond to that?

12 MR. BENNETT: One of the things that I can
13 say about that is that since that time, we have
14 noticed that they have actually lowered their pricing
15 and not raised their pricing, which I would assume has
16 kept their margins very low.

17 So as far as their profitability, we feel
18 that they spent a lot of time in 2011, and at the
19 beginning of 2012, keeping their prices at a very low
20 level, which I think did not help their performance, I
21 am going to guess.

22 MR. SCHUTZMAN: Commissioner Pinkert, we
23 actually think the record belies that conclusion,
24 especially with respect to the larger cylinders, and
25 again for the smaller cylinders, as we have made the

1 point in our prehearing brief, and as Mr. Bennett made
2 the point this morning, or this afternoon rather,
3 Norris' small cylinder business is essentially a
4 startup.

5 And so it suffers from the problems of
6 startups. So the failure to take advantage of
7 increased demand at the smaller cylinder level can be
8 explained by that.

9 MR. DOUGAN: Tim Dougan from ECS.
10 Commissioner Pinkert, I will be discussing that point
11 in my in camera testimony, and I will be able to
12 address it a little bit with the confidential
13 information, but I think that there will be a much
14 more thorough response then.

15 But I think that the Petitioners have
16 benefitted from improved demand and market conditions
17 more than what they would have you believe, and
18 earlier than they would have you believe.

19 COMMISSIONER PINKERT: Thank you. Now my
20 next question has to do with pricing, and it is not
21 about price effects, just to be very clear. It is
22 about underselling. Just the underselling part, and
23 not price depression, or price suppression.

24 And I am wondering whether the panel can
25 give me some idea of why the underselling is showing

1 up in the pricing comparison data?

2 MR. MARSHAK: This is Ned Marshak. I know
3 that part of it is a level of trading issue. You
4 request information from the importer, and especially
5 with a shift in 2011, a lot of times it is the
6 importer, American Fortune's, sales to these gentlemen
7 here, and they are competing at the next level with
8 Norris' sales to their customers.

9 So that may be one of the reasons for the
10 underselling, just a different level of trade between
11 what you are capturing from imports, and what you are
12 capturing on the domestic side. That is one possible
13 explanation.

14 COMMISSIONER PINKERT: Any other thoughts by
15 the panel on that issue?

16 MR. IFFLAND: Yeah, we not only compete with
17 Norris in the marketplace. There are other companies
18 like our companies, like Jim's and my company, that
19 resell cylinders that may not be purchased from BTIC,
20 but purchased from Brazilian companies, or they are
21 purchased from Korean companies.

22 We have to compete with them as well. It is
23 not like our only competition is the Norris Cylinder
24 Company. There is other importers that we have to
25 compete with, and that drives a lot of the pricing.

1 MR. SCHUTZMAN: Commissioner Pinkert, we
2 have only four exemplars, four pricing exemplars, and
3 we heard Mr. Rottmann this morning that the products
4 that he sells in the fire retardant business were not
5 present among those exemplars. So it could be the
6 sample as well.

7 COMMISSIONER PINKERT: Thank you. I would
8 ask for the post-hearing that you take a look at that
9 data again, and see if you can narrow down the
10 explanations, or whether the same number of
11 explanations, or even more, would be helpful in
12 understanding this underselling.

13 MR. SCHUTZMAN: We will do so.

14 COMMISSIONER PINKERT: Thank you. Now, as
15 you know, there was discussion with the earlier panel
16 about what would have happened during the period had
17 the subject imports exited the market, and
18 specifically what would have happened with the non-
19 subject imports had the subject imports exited the
20 market during the period under examination.

21 Do you have anything to add or to dispute
22 with the earlier discussion of that issue?

23 MR. BENNETT: I'm sorry, could you restate
24 that question, please?

25 COMMISSIONER PINKERT: Yes, specifically, I

1 know that this is a totally hypothetical question, and
2 I know that it requires some speculation, if not a lot
3 of speculation on your part.

4 But having said that the question is that if
5 the subject imports had not been a factor in the U.S.
6 market during the period under examination -- and so
7 let's say 2009, 2010, 2011, if they had not been a
8 factor in the U.S. market, would the non-subject
9 imports have ramped up to replace those imports, and
10 what would have been the net effect on the domestic
11 market?

12 MR. DOUGAN: Commissioner Pinkert, Jim
13 Dougan from ECS. The other Jim is gathering his
14 thoughts. I think that without getting too much into
15 confidential information, because so much of what we
16 believe Norris' problems were self-inflicted, and much
17 of its improvement was due to overall market
18 conditions, and also the improvements that it was able
19 to make at the Huntsville facility, we believe that
20 either way its improvement would have been very
21 strong.

22 It wasn't related to the presence or volume
23 of subject import from our point of view. So if non-
24 subject imports had filled that gap, we would expect
25 that the results likely could have been the same for

1 the domestic industry.

2 MR. BENNETT: I apologize. It took a little
3 while for the question to sink in.

4 COMMISSIONER PINKERT: I totally understand
5 the difficulty of the question.

6 MR. BENNETT: But the way that Mark
7 explained it, is that during the period, if the
8 Chinese cylinders had gone away, our company would
9 have been forced to, or had to replace those products
10 with most likely Korean products, or products from
11 other manufacturers.

12 We are committed. We have a long term
13 relationship with BTIC. We are very confident of
14 their quality, and their production, and one of our
15 Korean manufacturers that we are using right now, we
16 have a fairly long relationship with.

17 The other one is relatively new, but we
18 still experience good or acceptable craftsmanship and
19 quality from both of those. So in our particular
20 case, we would have had to go forward with other
21 manufacturers of other imported cylinders.

22 COMMISSIONER PINKERT: Thank you. Mr. Lunn,
23 do you have anything to add to that?

24 MR. LUNN: No, thank you.

25 COMMISSIONER PINKERT: I believe you were

1 referred to in the answering of that question.

2 MR. LUNN: I was just the translator.

3 MR. ROTTMANN: Richard Rottmann,
4 ThyssenKrupp Steel. In our case also, if BTIC was no
5 longer available to us, we would also be forced to
6 look in other directions for other options, not
7 excluding European options because of the quality we
8 know that they have in Europe. If they could compete
9 price-wise, we would have looked to Europe and also to
10 Korea.

11 COMMISSIONER PINKER: Thank you. Now
12 another question raised by Petitioners' presentation,
13 do you agree with Petitioners that there was an
14 inventory overhang in 2009 of the high pressure
15 cylinders that actually limited the volume of subject
16 imports from China in 2009?

17 MR. SCHUTZMAN: Commissioner Pinkert, we
18 disagree with that conclusion and that is a subject
19 that will be discussed in the in camera session by Mr.
20 Dougan.

21 MR. ROTTMANN: Richard Rottmann,
22 ThyssenKrupp Steel.

23 In the case of our sales, we do have
24 inventory but it is a consignment inventory and our
25 inventory is spoken for by our customers. It's not an

1 inventory that is open for sale to anyone. So there's
2 never an overage.

3 COMMISSIONER PINKERT: Thank you. It sounds
4 like Mr. Dougan has his work cut out for him in the in
5 camera session.

6 I thank the panel for their testimony.

7 CHAIRMAN OKUN: Commissioner Johanson.

8 COMMISSIONER JOHANSON: I'd like to begin by
9 thanking all the witnesses for appearing here today.

10 My first question involves the possible
11 innovation, BTIC being more innovative than Norris.
12 Some of the witnesses today have insinuated that BTIC
13 is more innovative than Norris. If this is the case,
14 I was wondering if some of you could possibly provide
15 examples of this.

16 Mr. Bennett?

17 MR. BENNETT: I'm not the perfect expert on
18 the technical aspects of the manufacturing but I have
19 visited all of BTIC's facility. I do have, we have
20 employees or at least one employee that used to work
21 for Taylor Wharton, so I have first-hand knowledge
22 seeing BTIC's facilities and do know that their
23 manufacturing for their billet cylinders and their
24 spun cylinders is state of the art and very efficient
25 whereas the descriptions that I'm getting from the

1 former Taylor Wharton employee describing their
2 equipment is that it's just the opposite. So if
3 that's what you're referring to as the investment that
4 they've put into their equipment.

5 COMMISSIONER JOHANSON: If that's the case
6 is it better equipment, has that occurred because of
7 growth in the industry in China or what is driving
8 that?

9 MR. BENNETT: I'm not sure. But another
10 thing as far as innovation goes, BTIC has been very
11 innovative in creating new products, cryogenic
12 cylinders and has a much broader range of products
13 than is offered by Norris or any other of the
14 manufacturers. So they are extremely innovative in
15 cooperating with companies like us to bring out new
16 products to the market that give us a broader range to
17 sell.

18 MR. SCHUTZMAN: Commissioner, if there are
19 innovations and/or products on the drawing board in
20 this product segment, I would think it might be
21 confidential, but I think what we will do is we will
22 make inquiry of BTIC and to the extent we can develop
23 information on that subject we'll provide it in the
24 post-hearing brief.

25 COMMISSIONER JOHANSON: Thank you, Mr.

1 Schutzman, I appreciate it.

2 Mr. Rottmann?

3 MR. ROTTMANN: Yes, Richard Rottmann,
4 ThyssenKrupp Steel.

5 BTIC over the years has been very interested
6 in developing new products, in developing their
7 certification capability, their ability to supply
8 cylinders that cannot only be used in one country, but
9 that can be used in many countries. Example. In our
10 particular case we supply cylinders that have triple
11 stamping which means that these cylinders can be used,
12 they are DOT approved, they are Transport Canada
13 approved, and they are what we call TPED which is the
14 European specification approved, so that our customers
15 have the ability with one cylinder to supply -- these
16 are global customers -- can supply the product from
17 the United States that we've purchased for them from
18 BTIC to other of their customers in Europe, in Asia,
19 in Australia, in many other parts of the world. So
20 this is a definite advantage that BTIC has and has
21 been willing to go through the effort, and each effort
22 is a long-term effort. It takes years to get these
23 certifications. They have been willing to go through
24 these efforts for us and for other customers.

25 COMMISSIONER JOHANSON: You spoke of the

1 impact of innovation on sales in other countries. In
2 your opinion or in the opinion of any of the
3 witnesses, do you think that innovation on the part of
4 BTIC has affected sales here in the United States?

5 MR. ROTTMANN: How do you mean, affected
6 sales here in the United States?

7 COMMISSIONER JOHANSON: Has it impacted
8 sales in the United States? Has it increased sales in
9 the United States, for example?

10 MR. ROTTMANN: Their ability to innovate.
11 Yes. For them.

12 COMMISSIONER JOHANSON: Mr. Bennett, did you
13 have something to add?

14 MR. BENNETT: Since we've started doing
15 business with BTIC in 2001, the fact that they've been
16 able to come up with new models and new specifications
17 and new types of cylinders has added to our ability to
18 sell to the market. So their innovative abilities and
19 creativity have definitely been a plus.

20 COMMISSIONER JOHANSON: Mr. Rottmann?

21 MR. ROTTMANN: To give another example, the
22 large array of cylinders that they offer and a number
23 of them have been developed for the U.S. market.

24 For example, they sell, they manufacture and
25 we sell cylinders that are from very small, and I'm

1 talking this size, two to four cubic foot all the way
2 up to 700 cubic foot, and these are cylinders that had
3 not necessarily been available, manufactured in the
4 domestic market prior to them developing these
5 cylinders.

6 COMMISSIONER JOHANSON: I thank you for your
7 answers.

8 My next question involves the market in
9 China. I don't know if you all know the answer to
10 this or not, but if you do just please respond. Do
11 you all know what competition BTIC faces in the
12 Chinese market?

13 MR. LI: This is Oliver Li.

14 BTIC, yes, do have competition from local
15 manufacturers, but they mainly for Chinese market or
16 Asian market, according to Chinese standards,
17 something like that.

18 COMMISSIONER JOHANSON: Do you by chance
19 know if the market is expanding for them in China?

20 MR. LI: I beg your pardon? The market is
21 what?

22 COMMISSIONER JOHANSON: Is expanding for
23 BTIC in China? Do you know if that is the case?

24 MR. LI: Yes, for BTIC's market in China
25 also expanding because the technical innovation and

1 also more specifications provided to the customers.

2 COMMISSIONER JOHANSON: Thank you for your
3 response.

4 Witnesses today have stated that BTIC has a
5 broader product range than does Norris. How do non-
6 subject suppliers such as Canadian and Korean
7 suppliers compare in this area?

8 Mr. Bennett?

9 MR. BENNETT: They don't really compare.
10 It's a very unusual situation that BTIC has a full
11 line of steel cylinders, a full line of acetylene
12 cylinders, and a full line of cryogenic cylinders.
13 All of those products we supply to the U.S. market.
14 And Canada and also South America. It's very unusual.

15 COMMISSIONER JOHANSON: Thank you.

16 Mr. Rottmann?

17 MR. ROTTMANN: To give you another example,
18 of the approximately nine cylinder types of sizes that
19 we offer to our customers here in the U.S. market,
20 Norris only manufactures three of those. So they
21 cannot be in effect on the other, to Norris, on the
22 other six sizes if those are imported and used here in
23 the domestic industry.

24 COMMISSIONER JOHANSON: Thank you for your
25 response.

1 The next question deals with prices. You
2 may have already touched on this but I want to ask you
3 again. How should the Commission view the pervasive
4 underselling by subject imports, particularly since
5 domestic and imported high pressure steel cylinders
6 appear to be very substitutable? As you all
7 acknowledge, there's been underselling across the
8 board. You would think that would somehow impact the
9 sales of Norris.

10 Do I have a comment on that?

11 Mr. Schutzman?

12 MR. SCHUTZMAN: Yes, Commissioner Johanson.

13 As we've mentioned, we don't believe that
14 customers are buying strictly a commodity product. As
15 these witnesses have mentioned during the course of
16 their testimony there are other considerations present
17 here other than price which motivates them and which
18 creates a very vibrant market.

19 In effect, they are not the same product.
20 Physically they might be if you compare one to the
21 other, but in terms of the broad range of product
22 available by BTIC coupled with the quality, coupled
23 with the availability, et cetera, I think essentially
24 it's a different product and I think that makes a
25 difference.

1 MR. DOUGAN: Jim Dougan from ECS. Our
2 argument is that the underselling isn't significant,
3 and we can get into the confidential data later, I've
4 got my work cut out for me again, but it really comes
5 down to what you would expect to happen as a result of
6 what we can observe as underselling in the data. If
7 you look at the charts in the staff report and the way
8 that the lines move, it's not what you would expect
9 from that situation, so the only conclusion that one
10 can draw is that it's not a significant driver of
11 things in the marketplace or of Norris' performance.

12 COMMISSIONER JOHANSON: I thank you for your
13 responses. My time has expired.

14 CHAIRMAN OKUN: Thank you again for the
15 responses so far. Let me follow on with some pricing
16 questions. I know, Mr. Dougan, some things you might
17 want to cover in camera, but again, for purposes of
18 building our public record.

19 I guess first, do you think AUVs are a good
20 indicator in this market?

21 MR. DOUGAN: I think they are a useful
22 indicator in this market. Obviously you'll want to
23 consider everything that's in front of you. Even the
24 trends among, the pricing product data are useful in
25 some regards and we can talk about that later.

1 Whether they indicate that underselling is significant
2 is a different story. There are some sort of
3 interesting trends there that we can get into.

4 But the average unit values as presented I
5 think are very useful and that's because they can be
6 tied very directly to the performance of Norris on a
7 year by year basis, with the recognition that there
8 may be differences in product mix and things of that
9 nature. What's at issue here is the financial health
10 of the domestic industry. That has to be tied to
11 something over time, and I think that the average unit
12 values, both of its sales prices and of its costs on a
13 unit basis are very interesting and lead to some
14 interesting conclusions.

15 So to disregard average unit values as
16 probative information I think would be incorrect.

17 CHAIRMAN OKUN: With respect to the pricing
18 data we collected, industry witnesses would not be
19 familiar but you would be familiar with other cases.
20 Mr. Marshak made a couple of points about why the data
21 may not be relevant with regards to level of trade and
22 others, but my question for you is, in terms of the
23 coverage, I look at this record and say for pricing,
24 for all the products for a case it's good coverage.
25 Would you agree or disagree?

1 MR. DOUGAN: I think the coverage is
2 substantial. I don't have the statistics handy to me,
3 but it's certainly not one of those cases where the
4 sum of the four pricing products accounts for five
5 percent of the parent consumption. So in that sense,
6 the coverage is pretty good. Does it leave out
7 important segments of the market? Perhaps. Like the
8 fire suppression market that Thyssen is involved in,
9 it does.

10 Now that may be a function of the pricing
11 products being those in which petitioners felt that
12 they were going to sort of get their best results, and
13 if they don't participate very heavily in fire
14 suppressant markets, if they don't participate very
15 heavily in beverage markets, if they don't participate
16 very heavily in some of these other markets where
17 we've seen not only their market share but everyone
18 else's kind of eroded by aluminum cylinders or
19 different competing products, it's not going to tell
20 you everything that's going on.

21 CHAIRMAN OKUN: But we have products where
22 there is good coverage. I've seen those arguments, I
23 think I'd pay more attention to if I thought we were
24 missing something. You never have a complete --

25 MR. DOUGAN: If you're -- Sorry, I didn't

1 mean to speak over you.

2 If you're talking in the grand history of
3 all ITC cases and the coverage ratios I think in this
4 one, and I'd have to look at my calculations and maybe
5 give an answer in post-hearing. But it's certainly
6 not on the bottom end of the range. The coverage here
7 is reasonable enough.

8 CHAIRMAN OKUN: Turning to some volume
9 questions. I know a lot of the testimony this
10 afternoon in answers to questions you focused on a lot
11 on competition in small cylinders. Again, when I look
12 at this record, market share gain comes in in both
13 places, both large and small. So I want to have you
14 explain why we should be discounting the market share
15 changes that would appear not just for -- Again, I can
16 look at it and say maybe I believe the argument that
17 TDI was in a transitional mode and therefore maybe
18 they wouldn't have been that competitive, and I asked
19 that question of Petitioners this morning.

20 With respect to large, again, I understand
21 the different sizes of the different markets, but
22 again, I still see a lot of shifts going on in the
23 volume. You can start, but I'd like the witnesses to
24 also talk about that, too.

25 MR. DOUGAN: If I can respond first and then

1 they can weigh in.

2 CHAIRMAN OKUN: Yes, please.

3 MR. DOUGAN: I believe what was quoted back
4 this morning wasn't an exact quote. It said that we
5 had suggested that market shares weren't useful and
6 that they should be disregarded, and that's not our
7 point at all. Really what we were --

8 CHAIRMAN OKUN: I wrote that in my notes as
9 I was reading your briefs. It came across --

10 MR. DOUGAN: My apologies.

11 CHAIRMAN OKUN: No, no. It's mine. So tell
12 me what your argument is if I misstated it.

13 MR. DOUGAN: Our argument was that shifts in
14 market share might be less useful as an indicator of
15 injury than in another situation where there wasn't
16 such significant changes in apparent consumption and
17 demand. So that in a situation where demand was flat
18 or declining it might be a more useful indicator of
19 what direction injury lay, if at all. Whereas here,
20 because we had -- Again, I want to be careful about
21 confidential information, but pretty significant
22 increases in demand over the POI. So the perhaps
23 relative magnitude of the shifts in market share may
24 not point one in a helpful direction in terms of
25 assessing injury, particularly when viewed against the

1 financial results.

2 CHAIRMAN OKUN: Let me ask a little bit
3 which is this focus on 2011 and what to make of it. I
4 think both your briefs as well as Petitioner's briefs
5 say something different about 2011. So Petitioners
6 talk about the effect of the filing of the petition
7 and of the imposition of preliminary duties, and I
8 know no one has access to the current financial
9 information but the provided information on shifting
10 of customers back to them during that period.

11 You focused on 2011 as an indicator of the
12 market's back and everybody's growing, so help me
13 understand what evidence should weigh most
14 significantly in my mind as I weigh how to evaluate
15 2011. How do I know what was due to the filing of the
16 case and duties being imposed versus growing apparent
17 consumption?

18 MR. DOUGAN: This is Jim Dougan. I can
19 address that. I'll address it in more detail in the
20 in camera session, again. I feel like a trailer for a
21 movie.

22 But there's very useful evidence that's
23 already on the record with regard to the degree of
24 improvement in the domestic industry performance that
25 happened prior to the filing of the case, because from

1 the preliminary round we have the first quarter of
2 2011 results. The first quarter of 2011 ended more
3 than a month before the case was filed. And as you'll
4 see, the results there show a significant improvement
5 from the prior year and that tells you a lot about
6 when the timing of the improvement occurred and its
7 magnitude, and I can get into that more.

8 CHAIRMAN OKUN: What about on the second
9 part. This may be something that the customers and
10 purchasers here can speak to which is in a case where
11 customers come back or maybe new customers come to a
12 domestic company after duties are imposed, how to
13 evaluate it here? Again, with the argument being made
14 that that's indicative that they should have gained
15 more market share had subject imports not been in the
16 market or been in the market at higher prices.

17 Mr. Bennett?

18 MR. BENNETT: We've noticed that our
19 business is stronger in 2011 than it was in 2010, and
20 in cases where we, on large key customers we noticed
21 where a customer was purchasing exclusively from us,
22 they may have shifted some of their business back to
23 Norris, but we know from our intelligence that it was
24 due to Norris aggressively lowering their prices into
25 those customers because those were very big, key,

1 coveted customers. Other than that, our business is
2 strong in 2011.

3 CHAIRMAN OKUN: Yes, Mr. Iffland?

4 MR. IFFLAND: This is Mr. Iffland from
5 Western.

6 Our business was strong in 2011 as well, so
7 you would think that if they were pulling back
8 customers then both Mr. Bennett and my numbers would
9 have gone down correspondingly. I think we're all
10 benefitting from an improved economy.

11 CHAIRMAN OKUN: Mr. Rottmann?

12 MR. ROTTMANN: Richard Rottmann,
13 ThyssenKrupp.

14 It's also the case with us that we have had
15 a stronger 2011 than 2010, and since the imposition of
16 duties we have not yet seen a change. Our customers
17 continue to purchase from us the way they have in the
18 past. We have arrival due dates of materials well
19 into 2012. It has not changed for them.

20 CHAIRMAN OKUN: Thank you for all those
21 responses.

22 Vice Chairman Williamson?

23 VICE CHAIRMAN WILLIAMSON: Thank you. I too
24 want to welcome the panelists and express our
25 appreciation for your being here today.

1 I wanted to go over with the panel some of
2 the questions that I asked this morning about market
3 segments and to see if you sort of agree with what
4 they said or not.

5 The Commission staff report states that
6 demand for HPSC is driven by demand in its major niche
7 markets -- construction, medical supply, beverage and
8 specialty gas, scuba. Do you all agree that these are
9 the major market segments? Any difference of opinion
10 on that?

11 MR. BENNETT: Could you repeat those?

12 VICE CHAIRMAN WILLIAMSON: Construction,
13 medical supply, beverage, and specialty gas/scuba.

14 MR. BENNETT: Those are some of the main
15 market segments. There's research and development,
16 manufacturing, I don't think we mentioned. But the
17 medical, as you did mention. Beverage, which you did
18 mention. So I think, fire suppression.

19 VICE CHAIRMAN WILLIAMSON: Where does fire
20 suppression fall in? Is that an additional category?

21 MR. BENNETT: That's an additional category.
22 In fact that's not a category that we handle. We
23 don't sell fire suppression cylinders.

24 VICE CHAIRMAN WILLIAMSON: Mr. Rottmann, do
25 I understand correctly, is that the major --

1 MR. ROTTMANN: Yes, fire suppression.

2 VICE CHAIRMAN WILLIAMSON: That's the main
3 part of what they produce or sell.

4 MR. ROTTMANN: Yes.

5 VICE CHAIRMAN WILLIAMSON: Maybe now or
6 post-hearing you can give some idea of overall demand
7 that represents.

8 MR. ROTTMANN: Share of what? Of the
9 total?

10 VICE CHAIRMAN WILLIAMSON: Yes.

11 MR. ROTTMANN: I'm not aware of what the
12 total is of the cylinder market here in the United
13 States, so it would be difficult to give what
14 percentage is fire suppression. I don't have that
15 information.

16 VICE CHAIRMAN WILLIAMSON: I was just
17 wondering. I'm just trying to get a feel for the
18 relative sizes.

19 If there's anything you can give post-
20 hearing that would help us understand the relative
21 sizes of these different market segments would be
22 helpful. I think I had trouble getting that this
23 morning too, but I'd appreciate that.

24 What changes have occurred in each of the
25 segments in the last three years?

1 Mr. Bennett?

2 MR. BENNETT: We notice and continue to
3 notice a very dramatic effect on a couple of the
4 market segments that I mentioned earlier. The medical
5 market segment and the beverage market segment. Both
6 of those are affected very strongly by the
7 introduction and continued momentum of the aluminum
8 cylinders. The aluminum cylinder is really a more
9 attractive, it's a lighter weight, it's considered a
10 premium product over the steel cylinders, yet over the
11 last few years the pricing on aluminum cylinders has
12 come way down to the point where in some cases on
13 small cylinders the pricing is extremely competitive
14 with steel cylinders. And like I had mentioned, has
15 actually kind of killed some of those small cylinders.
16 There are certain small models that aren't even made
17 out of steel anymore.

18 That being said, also the cryogenic
19 cylinders which Norris had mentioned and which we
20 sell, there's a lot of momentum in the beverage
21 cylinder industry.

22 If you go to any McDonald's or 7-Eleven
23 you'll see that the carbon dioxide that's used to push
24 the beverages comes out of a cryogenic cylinder now.

25 VICE CHAIRMAN WILLIAMSON: So the bottom

1 line is, are you saying that the market for steel
2 cylinders has shrunk, or at least for these
3 categories, the percentage of steel cylinders that go
4 for medical, beverage, has gone down.

5 MR. BENNETT: Those new technologies, newer
6 technologies, the cryogenic and the aluminum
7 cylinders, have displaced a lot of the steel cylinder
8 business in the United States because it's a better
9 product. It's more applicable for the end use.

10 VICE CHAIRMAN WILLIAMSON: Does that say
11 then that the demand for steel cylinders would have
12 been even larger if it hadn't been for this
13 displacement?

14 MR. BENNETT: No, I'm not saying that. I'm
15 just saying that these new products have taken away
16 whatever -- If those new technologies weren't there,
17 the steel cylinder business would have been stronger.

18 VICE CHAIRMAN WILLIAMSON: That was my
19 question.

20 MR. BENNETT: All right.

21 VICE CHAIRMAN WILLIAMSON: Mr. Iffland?

22 MR. IFFLAND: One thing that might be
23 helpful for the panel is that there are still three
24 domestic aluminum cylinder manufacturers in the
25 country. As these markets come back or shift towards

1 aluminum cylinders there are three domestic producers
2 of those cylinders.

3 VICE CHAIRMAN WILLIAMSON: I guess the
4 question is, has all of that shift happened so there's
5 really -- In a sense there's not a threat to the
6 domestic industry of steel cylinders because they've
7 lost as much as they're going to lose. Or is there
8 going to be significantly more shift in these
9 segments?

10 Does anybody have any idea?

11 This is an affect that's had its impact, or
12 is it going to be ongoing?

13 MR. BENNETT: We believe that it's going to
14 continue. The pricing for aluminum cylinders will
15 continue to get more competitive and that it's a trend
16 that will continue. Aluminum cylinders will become
17 more prevalent in the medical industry and also the
18 beverage industry for small users, and the cryogenic
19 cylinders are going to continue to become more
20 prevalent for the beverage CO2.

21 VICE CHAIRMAN WILLIAMSON: What shall we
22 make of that in terms of our analysis in terms of
23 future demand for subject product?

24 MR. BENNETT: I'm not sure on that.

25 MR. LUNN: I think you have to make certain

1 that you don't assign any injury to the steel cylinder
2 market to those other causes effectively. There are
3 other causes that have reduced demand in certain
4 segments of the high pressure steel cylinder market,
5 and that cannot be attributed to subject imports.

6 VICE CHAIRMAN WILLIAMSON: Okay.

7 MR. ROTTMANN: As far as a shift is
8 concerned, in fire suppression I do not see a shift.
9 The shift has not happened. I look forward to the
10 market for steel cylinders to continue to increase.

11 VICE CHAIRMAN WILLIAMSON: Thank you.

12 I'd invite both Respondents and Petitioners
13 to, if there are any further implications we should
14 take of this in terms of our analysis in this case,
15 because as you said the market has shrunk and yet our
16 demand has grown.

17 MR. ROTTMANN: To clarify, the market in
18 certain segments has shrunk. That's the same thing we
19 heard this morning. They said in the beverage area,
20 steel cylinders are basically gone. But apparent
21 consumption, as we've seen, has its own trends
22 overall. But that's one of the distinctions that
23 we've been trying to make is the difference between
24 the large and the small cylinders. They are distinct
25 market segments that have to be considered in the

1 analysis.

2 VICE CHAIRMAN WILLIAMSON: And the aluminum
3 cylinders are taking a larger share in a small
4 segment?

5 MR. ROTTMANN: That is correct. They have
6 overtaken in certain sizes the small steel cylinders.

7 Mr. Bennett's opinion is that that will
8 continue and the usefulness of aluminum cylinders will
9 grow into the larger segment over time. We're not
10 projecting when that time will be.

11 VICE CHAIRMAN WILLIAMSON: Thank you. You
12 see why I was trying to get an idea of the size of
13 these different segments.

14 Thank you.

15 I want to make sure I understand the
16 distribution channels. Do gas distributors produce
17 the gasses that are used in high pressure cylinders?
18 Or do they act as middlemen between producers of the
19 gas and the end user? As we have in one of our
20 tables, the distinction between end users and the
21 Table 2-1, end users and distributors. I'm trying to
22 find out what do these two categories mean?

23 Mr. Bennett?

24 MR. BENNETT: The large gas suppliers, the
25 Air Liquide's, the Praxair's of the world do separate

1 their gasses and make their own gasses. But most of
2 the industry, the companies that distribute gasses are
3 middlemen.

4 VICE CHAIRMAN WILLIAMSON: We're talking
5 about the cylinders distributors and end users, how
6 would you distinguish those?

7 Mr. Iffland?

8 MR. IFFLAND: I think what you're getting at
9 is we, like Mr. Bennett and myself, would be
10 considered distributors. We purchase the cylinders
11 and then redistribute those to the customers who then
12 use them to fill, they fill gasses with them and then
13 send them to a manufacturing facility or a hospital or
14 something like that. I'm assuming that's what you're
15 getting at.

16 VICE CHAIRMAN WILLIAMSON: Thank you, that's
17 helpful.

18 My time has expired. Thank you.

19 CHAIRMAN OKUN: Commissioner Pearson?

20 COMMISSIONER PEARSON: Thank you, Madame
21 Chairman.

22 Mr. Bennett, I think you indicated that
23 Cyl-Tec provides testing and other services for
24 cylinders. That's the origin of your business?

25 MR. BENNETT: Yes, that's how our company

1 started, as a service and testing company for
2 different types of compressed gas cylinders.

3 COMMISSIONER PEARSON: So you've probably
4 looked at cylinders from quite a number of countries
5 that have come in for their testing.

6 MR. BENNETT: We have, and cylinders that
7 have been manufactured a long time ago from U.S.
8 sources also.

9 COMMISSIONER PEARSON: Not so many recent
10 U.S. cylinders?

11 MR. BENNETT: Because these cylinders last
12 so long, they're so well made, we're still testing
13 cylinders from the teens, from 1914 on up. So most of
14 the cylinders that we're testing are U.S. made
15 cylinders.

16 COMMISSIONER PEARSON: You probably haven't
17 had the opportunity to test all that many Chinese
18 cylinders because they've not been in the market
19 terribly long.

20 MR. BENNETT: True. The volume that we test
21 from our customers are, the majority of them are still
22 U.S. made cylinders, but we do do tests -- Any time
23 we're evaluating a supplier or a new supplier, we do
24 test them with our equipment to make sure that they
25 meet all the quality standards that they're

1 manufactured to.

2 COMMISSIONER PEARSON: Fair enough. I can
3 see that your firm would have every reason to want to
4 test what the customer is providing to you. That's a
5 good point.

6 The reason for asking this, I just wondered
7 as you look at cylinders from different national
8 origins, do you see any differences in quality in
9 terms of how they do on the testing? Or do they all
10 manage to meet a fairly reasonable standard for
11 quality?

12 MR. BENNETT: Most of the cylinders that we
13 test are good quality cylinders. We visited
14 factories, other factories in China and other
15 countries, and if those cylinders are not up to snuff,
16 they do not meet the requirements, they usually don't
17 make it into the country.

18 COMMISSIONER PEARSON: Thank you.

19 How common is the dual marking or triple
20 marking of DOT, ISO cylinders along with whatever, you
21 said a Canadian marking? I just would like a sense of
22 what percentage of cylinders that are sold by U.S.
23 distributors, sellers, to customers in the United
24 States and overseas, what percentage of them have
25 multiple markings? Roughly.

1 Mr. Bennett?

2 MR. BENNETT: Most of the cylinders that are
3 sold in the United States now are dual stamped. Most
4 of the customers require that they're Transport Canada
5 approved and U.S. DOT approved.

6 There's the potential for triple stamping,
7 as people mentioned, and I believe Norris has a
8 product that's triple stamped. DOT, TC, and ISO.

9 COMMISSIONER PEARSON: At this point BTIC
10 does not have a triple stamped product?

11 MR. BENNETT: We haven't purchased a triple
12 stamped product at this point.

13 MR. ROTTMANN: Richard Rottmann,
14 ThyssenKrupp. We bring in triple-stamped cylinders
15 for our customers because our customers are global in
16 scope and they use cylinders, they require cylinders to
17 be triple stamped because they have the opportunity
18 then to use one cylinder that they have in their house
19 here in the United States and they can supply other
20 markets with the same cylinder and not have to carry
21 three different types of cylinders. They can use one
22 cylinder for that purpose.

23 COMMISSIONER PEARSON: Does Mexico accept
24 DOT stamped cylinders?

25 MR. ROTTMANN: Mexico accepts DOT.

1 COMMISSIONER PEARSON: So I would be correct
2 to understand from what you've just said, Mr. Bennett,
3 that a majority of cylinders sold in the United States
4 already are double stamped U.S. and Canada.

5 And then there's a smaller subset of
6 cylinders that also would have the UNISO or--

7 MR. ROTTMANN: Or so-called TPED which is
8 useful for Europe. For example, global, in the fire
9 suppression market, global companies have facilities
10 worldwide, so Europe is one place that they have many
11 locations, so they take cylinders from here, fill
12 them, and send them to locations in Europe and they
13 are allowed to transport them there if they have
14 another symbol on them such as TPED for Europe.

15 COMMISSIONER PEARSON: Okay. Perhaps for
16 the post-hearing, if you have any idea of what
17 percentage of all cylinders that are in commerce in
18 the United States have triple stamping, is that
19 percentage rising? Is there more of a need for this
20 industry to be able to move product internationally?
21 Are we seeing an increase in the multiple stamping?

22 MR. ROTTMANN: Global customers are
23 interested in that because it relieves them of extra
24 work, relieves them of extra records that they have to
25 keep. It's a less expensive solution for them and

1 gives them an edge in other countries against
2 domestics, for example I'll pick a country such as
3 Germany. If they deliver a cylinder from the United
4 States to Germany it can be used in Germany, it can be
5 used in the United States, it can be used in Canada,
6 it can be used in many other parts of the world, and
7 they're using one cylinder for that purpose instead of
8 having to carry an inventory of cylinders for each
9 country that they're shipping to. It makes it much
10 more economical for them to handle one cylinder than
11 many cylinders.

12 COMMISSIONER PEARSON: And obviously if the
13 multinational customers would like this type of
14 cylinder, you would like to provide it. I'm familiar
15 with the concept of customer service so I can
16 understand the tendency for the market to move at
17 least far enough in that direction so the
18 multinationals can get what they want.

19 There's been testimony to the relatively
20 high quality of BTIC's cylinders, and this goes back
21 to a point raised by other Commissioners, but if the
22 quality of the cylinders is good then I have an even
23 harder time understanding what we see in the record as
24 somewhat persistent underselling. It's not uncommon
25 for us to deal with a product where the imported

1 product is of somewhat lesser quality, and we see it
2 reflected in our pricing. Here we have testimony that
3 the product is really quite good and yet our pricing
4 data don't indicate that difference.

5 If you can say anything either now or in the
6 post-hearing, by all means enlighten me.

7 Mr. Bennett?

8 MR. BENNETT: I can say that currently our
9 pricing for the BTIC product is in many cases higher
10 than the U.S. manufacturer's pricing. That's probably
11 not in your data, but that's what's happening right
12 now.

13 In the early stages of supplying the BTIC
14 product the name BTIC wasn't as well known as Norris
15 or Taylor Wharton. So when you're introducing a new
16 product sometimes, there might be an incentive to try
17 to introduce it at a lower price even though it's good
18 quality.

19 BTIC has developed their name and their
20 quality up to the point where it's pretty much a
21 household name now. And we're proving that by the
22 fact that we're selling it and doing very well right
23 now at higher prices on some models than our
24 competition.

25 COMMISSIONER PEARSON: Would it be correct

1 to assume that one factor in that higher pricing would
2 be the preliminary antidumping duties? Has that been
3 kind of absorbed by the marketplace? In order to keep
4 the product coming in?

5 MR. BENNETT: I'm guessing maybe that's
6 proprietary information. We can --

7 COMMISSIONER PEARSON: Fair enough.

8 If we find ourselves in a situation where
9 permanent antidumping countervailing duties go into
10 effect for this product, how will it influence the
11 U.S. market? How do you see the market evolving? Are
12 we likely still to see a meaningful quantity of BTIC
13 cylinders coming into the United States? Or are they
14 likely to be supplanted by those either from the
15 United States or other countries?

16 MR. MARSHAK: This is Ned Marshak. I think
17 eventually BTIC will still be able to remain in the
18 market because we are confident that the
19 countervailing duties and the dumping duties would be
20 very low. That would be a very simple answer.

21 The results came out today, they're lower
22 than they are in the preliminary. We believe after
23 review they would be even lower. So BTIC, we believe
24 we should win at this stage, but if their dumping
25 duties are countervailing duties, again, at the end of

1 the day the duties would be very low so we can remain
2 in the market with the low duties and continue success
3 in the market because of the quality and the
4 availability of the product, the product range.

5 MR. DOUGAN: Jim Dougan.

6 A number of the customers here have spoken
7 about their longstanding relationship with BTIC as a
8 supplier. They visited the plant, they're comfortable
9 with them, they make the range of products that they
10 want, and one would conclude that they would want to
11 continue that relationship with BTIC.

12 They also said that if that business or the
13 shipments from BTIC does decrease, it's sort of a coin
14 toss as to exactly to whom that business may go,
15 because certainly the U.S. buyers are going to want to
16 maintain multiple sources, particularly those who
17 serve multinational markets.

18 COMMISSIONER PEARSON: Right. And the point
19 was made earlier that the domestic producers don't
20 provide all types of cylinders that are demanded in
21 the market.

22 Mr. Marshak, I am over my time, but just
23 going back to you quickly, do I infer correctly from
24 your statement that Department of Commerce today has
25 announced its final duties?

1 MR. MARSHAK: Yes, they have.

2 COMMISSIONER PEARSON: Since I don't know
3 what they are, could you just tell me quickly?

4 MR. MARSHAK: I think 6.61 is the dumping
5 duties, and if I remember, 15.81 is the countervailing
6 duties.

7 COMMISSIONER PEARSON: Thank you very much.
8 Madame Chairman, I am way over time.
9 Thanks.

10 CHAIRMAN OKUN: Commissioner Pinkert?

11 COMMISSIONER PINKERT: Thank you, Madame
12 Chairman.

13 I noted an argument in the Respondent brief
14 that we might well consider a comparison between two
15 domestic like product issues. One, the issue of the
16 large versus small, and the other, the issue of the
17 inclusion of the ISO 9809-1 within the domestic like
18 product.

19 I'm wondering whether you can help me to
20 grapple with the fact that one of those issues has to
21 do with bringing in a non-scope product into the
22 domestic like product, whereas the other one has to do
23 with dividing up the scope into two domestic like
24 products.

25 It's really the same question that I asked

1 earlier today.

2 MR. SCHUTZMAN: Commissioner Pinkert, Max
3 Schutzman.

4 I think you have it solid. One is
5 exclusionary and one is inclusionary. What you need
6 to find to include, is the opposite of what you need
7 to find to exclude, essentially.

8 So to divide into two like products large
9 cylinders and small cylinders, you have to find that
10 manufacturing is different, the basic materials are
11 different, the channels of distribution are different,
12 et cetera, et cetera. Whereas the opposite is true for
13 aluminum cylinders, ISO cylinders, or whatever.

14 MR. MARSHAK: I just want to add one thing.
15 I think the test is whether there's a clear dividing
16 line, and I think it's the same clear dividing line
17 test in including and excluding. We think that
18 things, it should be included, the ISO, but we
19 understand it's the same test for both, the large and
20 small and the ISO and the DOT, so we think there has
21 to be some consistency in the final decision using the
22 same clear dividing line test.

23 MR. DOUGAN: This is Jim Dougan from ECS,
24 and my primary interest in viewing the market
25 segments, particularly of large and small which is

1 really where I -- Is that again, I'm being cautious
2 about confidential information, but that the division
3 on size speaks to the different conditions of
4 competition, perhaps, and with respect to Norris the
5 different plants that are involved.

6 I think we heard this morning that Longview
7 focuses on the larger cylinders and that Huntsville
8 focuses on the smaller cylinders. So looking at them
9 -- Whether you decide to split between different like
10 products, that's a legal question. But from my point
11 of view it's very instructive as to what's going on
12 and how it explains or helps to explain what's going
13 on with Norris.

14 COMMISSIONER PINKERT: I understand that
15 you're not abandoning the argument that there should
16 be two domestic like products within the scope. But
17 help me to understand what you think the consequence
18 for the ISO 9809-1 would be if we decided to find the
19 large and the small dividing line within the domestic
20 like product?

21 MR. MARSHAK: My guess is if you decided to
22 have a clear dividing line between the large and the
23 small, you'd probably also find a clear dividing line
24 between the ISO and the DOT because it's the way
25 you're looking at clear dividing lines. So we're just

1 looking for some consistency, and I think what Jim
2 said for the large and the small, it's almost more of
3 a market segmentation question. We want you to look
4 at conditions of competition. We're not giving up the
5 argument, but to be honest we don't expect to win it
6 on the large and the small.

7 COMMISSIONER PINKERT: I totally understood
8 that part of it from the brief.

9 (Laughter.)

10 COMMISSIONER PINKERT: Mr. Lunn?

11 MR.LUNN: I wanted to clarify a little bit.
12 I think what Mr. Marshak was saying was that if you
13 go through your analysis and you find that large and
14 small are one market segment, so that there is no
15 clear dividing line. Take that exact same analysis,
16 apply it to DOT cylinders, apply it to ISO, and you
17 will find that in fact there is no clear dividing line
18 there either, in that it is ISO should be part of the
19 subject merchandise. That I think is what you were
20 trying to get at.

21 If you apply the analysis exactly the same,
22 we think you will logically come to that conclusion.

23 COMMISSIONER PINKERT: I definitely
24 understood that as well.

25 I wasn't asking whether P implies Q, I was

1 asking whether not P implies not Q. Do you follow my
2 logical chain there?

3 (Laughter.)

4 COMMISSIONER PINKERT: In other words, I was
5 asking whether if we agreed with you that there were
6 two domestic like products within the scope, then
7 would it follow that there was a clear dividing line
8 between the scope of the product and the ISO 9809-1?

9 MR. LUNN: Yes. I think if you apply the
10 analysis I think it works both ways. If you say large
11 and small are two separate distinct like products,
12 then you could probably apply that same analysis and
13 find that ISO and DOT are two like products. But when
14 you do the flip side, if you find that large and small
15 are the same, we think you will also find that DOT and
16 ISO are the same.

17 MR. MARSHAK: I totally agree, and I think
18 the flip side is going to win.

19 COMMISSIONER PINKERT: Thank you. Sorry
20 about the resort to logical symbols.

21 Thank you, Madame Chairman.

22 CHAIRMAN OKUN: I was just trying to
23 remember my symbols for not P, not Q.

24 Commissioner Johanson?

25 COMMISSIONER JOHANSON: Yes, thank you,

1 Madame Chairman.

2 With the growth for demand in the U.S.
3 market for cylinders, do you all know if availability
4 has been a problem for any suppliers in the U.S.
5 market? From either side? Or if that has been a
6 problem in the past as well?

7 Mr. Iffland?

8 MR. IFFLAND: Lead times increase typically
9 when there's demand. So when you have a period of
10 time where demand is low, it takes a period of time to
11 ramp up. And in that in between time, lead times tend
12 to be longer.

13 So instead of getting your cylinders in a
14 couple of weeks, you may take 12 weeks to get those
15 cylinders.

16 COMMISSIONER JOHANSON: Is that a problem at
17 this time given growth in the market?

18 MR. IFFLAND: I think lead times have gone
19 out, yeah. I wouldn't venture a guess how long they
20 are. I wouldn't say 12 weeks, but they are much
21 longer than they were last year.

22 COMMISSIONER JOHANSON: Does that provide a
23 greater problem for, let's say, BTIC given that it's
24 shipping form overseas? Or is there enough inventory
25 here in the U.S. --

1 MR. IFFLAND: It creates a problem for us
2 because we have to inventory the product and plan
3 ahead for those shipping times. It creates some
4 challenges for us in managing our inventory.

5 COMMISSIONER JOHANSON: Thank you.

6 Mr. Bennett?

7 MR. BENNETT: There's a natural extra added
8 lead time for products coming from BTIC because it
9 takes about 30 days to get from manufacture over the
10 ocean to the U.S., so that creates an added lead time
11 situation.

12 COMMISSIONER JOHANSON: I apologize, if it's
13 been addressed elsewhere, but do you know if BTIC
14 warehouses in the U.S.? Mr. Zheng?

15 MR. ZHENG: We don't have our warehouse in
16 the United States.

17 COMMISSIONER JOHANSON: So the answer is no.

18 Mr. Rottmann?

19 MR. ROTTMANN: The lead times, in our
20 particular case, because our method of service
21 includes a consignment stock. So we plan ahead. We
22 plan ahead by six months for our customers. And our
23 customers plan ahead for that period of time, so that
24 anything we have in the consignment stocks that we
25 hold for a three month period are used by the

1 customers during that time period. According to the
2 schedule of orders placed with them.

3 We usually never have an overage. The lead
4 times from BTIC have not been a problem for us.
5 They've been consistent as far as we're concerned. We
6 calculate in the time to travel from China to here,
7 but that doesn't cause us a problem for our particular
8 business in fire suppression.

9 COMMISSIONER JOHANSON: Thank you.

10 My next question involves buying groups.
11 This morning the Petitioners spoke on changes of
12 decisions of buying groups. I was wondering first of
13 all if any of the witnesses today, if their companies
14 are members of these buying groups? And if any of you
15 have comments as to changes in the decisions being
16 made by these buying groups.

17 Mr. Iffland?

18 MR. IFFLAND: There's been a trend, like a
19 lot of industries in the U.S., there's been a lot of
20 consolidation, a lot of family-owned distributors have
21 been sold to the major customers and they used to be
22 part of these buying groups, so the buying groups have
23 actually gotten smaller and their buying power has
24 diminished somewhat. That buying power has flipped
25 over to the major gas producers.

1 COMMISSIONER JOHANSON: Thank you.

2 My next question is more of a general
3 question I have. In the pre-hearing brief you all
4 spoke of, you all state at page 11 that the large
5 cylinders are typically leased out where small
6 cylinders are typically sold. I was wondering why
7 that is the case and if that differentiation is
8 significant in any way. As far as differences between
9 large and small cylinders.

10 MR. BENNETT: There definitely is a
11 differentiation to where the large cylinders, 300
12 cubic feet and down, to just 150 cubic foot, are
13 generally asset cylinders. The distributors, the gas
14 suppliers, usually consider those as their assets, and
15 they usually only rent those. There are some
16 exceptions.

17 The small cylinders, the 20 cubic foot up
18 through the 150 cubic foot, are usually, they call
19 them ownership cylinders and they'll sell those
20 cylinders to their customers. Why that has evolved,
21 I'm not really sure.

22 My family was in the gas distributing
23 business for many years. I would have been third
24 generation in my family business. I'm not sure why
25 the larger cylinders are coveted more and held as

1 assets and rented, but that's the case, usually
2 universally.

3 COMMISSIONER JOHANSON: Is there a
4 difference in life spans between the cylinders? Would
5 that explain this?

6 MR. BENNETT: No. They're all very heavy
7 duty, well engineered products, thick walled. The
8 smaller cylinders, as it was alluded to by Norris,
9 when we were talking about recycling and things like
10 that, they all last many, many years. They last
11 lifetimes. The small cylinders, though, because
12 they're portable, sometime shave a tendency to get
13 lost. In construction sites or different places.
14 Because they're more portable. Whereas the larger
15 cylinders usually stay put. So that could possibly
16 answer that question.

17 COMMISSIONER JOHANSON: Thank you.

18 Mr. Iffland, do you have something to add?

19 MR. IFFLAND: Just a comment.

20 My experience in the industry suggests that
21 the smaller high pressure cylinders tend to go to
22 users that use much less product. They don't turn
23 those cylinders as much.

24 So for the distributor to invest in the cost
25 of that cylinder and not see it come back repeatedly

1 for fills and gas where they can make a profit on it,
2 it makes it unattractive economically to do that so
3 they prefer to sell that, sell that cylinder to the
4 customer. he can keep it for two years potentially
5 and it never comes back in for a fill, where the large
6 cylinders go to manufacturers. Sometimes they come in
7 every week for a fill. So there's more justification
8 to them owning those cylinders.

9 COMMISSIONER JOHANSON: Thank you.

10 Yes, Mr. Bennett?

11 MR. BENNETT: Just to add ,because those
12 cylinders are turned more often, the distributors
13 generate rent on those cylinders and it's very
14 important to them.

15 Whereas the small cylinders, you might go
16 into your next door neighbor's garage and find a small
17 oxygen and acetylene set that just sits there . He may
18 just keep that there just in case. And not
19 necessarily need to fill them for a number of years.

20 COMMISSIONER JOHANSON: Thanks.

21 The Petitioners contend that their situation
22 has improved since the filing of the petition. In
23 part because of the filing of the petition. Do any of
24 you have any response to that argument?

25 MR. DOUGAN: This is Jim Dougan from ECS.

1 Again, I'm teasing the confidential presentation, but
2 I'll present evidence there that shows that their
3 improvement in large part occurred before the filing
4 of the petition.

5 COMMISSIONER JOHANSON: Thank you.

6 Madame Chairman, that concludes my
7 questions, and once again, I would like to thank all
8 the witnesses for appearing here today.

9 CHAIRMAN OKUN: I think I have just one more
10 question before we, and I'll save the others for the
11 in camera session.

12 Going back to the buying groups question, I
13 heard the response that you just made, Mr. Iffland. I
14 just wondered in terms of, you talked about them
15 getting smaller. And I'm just trying to account for
16 what changed in the market. The Petitioners this
17 morning talked about kind of a change of when there
18 used to be this consortium buying and that was an
19 advantage. I'm just trying to understand the market
20 dynamics that you think are at play there and how they
21 relate to the competition in this market.

22 MR. IFFLAND: Your typical buying group is
23 made up of independent, family-owned businesses across
24 the country. There are larger members, there are
25 smaller members. They all benefit from the pooled

1 buying power that they have to go and negotiate
2 favorable pricing with cylinder manufacturers, with
3 welding wire manufacturers, glove manufacturers, all
4 those type of things that they resell to their
5 customers.

6 Over the past several years there's been a
7 huge increase in a number of these family businesses
8 being sold, so as they get sold, the pool of dollars
9 that they have to offer up to get favorable pricing
10 has been reduced. I think the tendency in some cases
11 is to say okay, we'll open it up to a bunch of vendors
12 and let them compete individually for the sales that
13 our members have.

14 But its buying power was much more
15 significant several years ago, in line with a major
16 gas company, for example. But as they lose
17 membership, they become a smaller opportunity.

18 CHAIRMAN OKUN: I better understand that
19 now. Thank you very much for those responses.

20 MR. DOUGAN: Madame Chairman?

21 CHAIRMAN OKUN: Yes.

22 MR. DOUGAN: Jim Dougan speaking. One thing
23 I wanted to point out, and please let the industry
24 folks correct or refine my understanding, but the
25 buying groups basically collect bids for a preferred

1 vendor and that the bids don't translate into
2 immediate sale. In fact the members of the buying
3 group have a price with a preferred vendor that they
4 are able to take advantage of, but they're neither
5 required to nor do they always do so.

6 So there are some instances in the staff
7 report of certain purchasers who are in a buying group
8 who purchased outside from other than a preferred
9 vendor, and then there are some buying groups that
10 don't select a preferred vendor for a given year.

11 So while it's a condition of competition and
12 a channel through which negotiations take place, it's
13 also not the same as a customer or a -- you know, like
14 it's not necessarily a collective customer or it
15 doesn't count as necessarily say a lost sale or a lost
16 revenue in the instance that someone is not selected
17 as a preferred vendor.

18 CHAIRMAN OKUN: Okay. Any more comments
19 from industry?

20 MR. IFFLAND: I would agree that it's a
21 negotiated price. You can either take advantage of
22 that price or not take advantage of that price.

23 CHAIRMAN OKUN: Okay. Thank you. Vice
24 Chairman Williamson?

25 VICE CHAIRMAN WILLIAMSON: Thank you. Just

1 a couple of questions. I just wanted you to respond
2 to Norris' claim that even where an ISO cylinder could
3 conceivably be used for the same purpose as a DOD
4 cylinder, it would be at an unnecessary price premium.
5 And then related to that, Cyl-Tec, please respond to
6 Norris' assessment of the U.S. market for ISO
7 cylinders as being limited in light of what Norris
8 says is that BTIC -- in light of that Cyl-Tec imports
9 ISO and DOT cylinders for the sale to the same types
10 of customers. And then post-hearing, I'll take a look
11 at table E1 and E2 and tell us why we should worry
12 about the ISO cylinders at all. Mr. Bennett?

13 MR. BENNETT: I'll try to answer that. One
14 thing during the Norris testimony, it seemed like the
15 two types of ISO cylinders were getting melded
16 together.

17 VICE CHAIRMAN WILLIAMSON: Okay.

18 MR. BENNETT: And I tried to make the point
19 that there are two types, the type one and the type
20 two. The type one is made out of the same type of
21 material, the same machines, and basically the same
22 processes, and the cost to manufacture is very similar
23 as DOT cylinders.

24 The type two is different, different steel,
25 different manufacturing processes, thinner walls.

1 It's a different product. Our customers, our larger
2 customers, are more savvy customers. The global
3 customers are pushing us. They would like to purchase
4 ISO products from us and replace their purchases of
5 DOT cylinders.

6 Some of the smaller customers --

7 VICE CHAIRMAN WILLIAMSON: Excuse me. Do
8 they want the ISO-2 or the ISO-1?

9 MR. BENNETT: The ISO-1. I mean, there are
10 different applications. If they need a cylinder
11 that's a specialty cylinder for higher pressures that
12 the DOT cylinders don't handle, they may opt for the
13 ISO-2 cylinders. But that's not what we're offering.
14 I'm talking about the ISO-1 cylinders as being a
15 direct replacement for the DOT cylinders.

16 VICE CHAIRMAN WILLIAMSON: So you say the
17 demand for the ISO-1 is much greater than the ISO-2.

18 MR. BENNETT: Yes, because the ISO-2
19 cylinders are more of a specialty cylinder for
20 specialty gas applications, corrosive gases, gases
21 that need to be filled at a higher pressure.

22 VICE CHAIRMAN WILLIAMSON: Okay. But just
23 talking sticking to ISO-1, I think their condition is
24 -- that demand is limited, too, and that's to say --
25 that's what you disagree with?

1 MR. BENNETT: No. It's limited partially
2 because the smaller companies, some of the family-
3 owned businesses and the companies that are described
4 that are in the buying groups, they have some ISO
5 cylinders that they use for specialty applications,
6 but some of those customers aren't really aware of the
7 fact that ISO cylinders are approved to be used in the
8 United States. So there is a little bit of a learning
9 curve there.

10 The larger customers know and are actually
11 pushing for the ISO product because they know that
12 it's an advantage for their business model because
13 they're global.

14 VICE CHAIRMAN WILLIAMSON: Okay. Mr.
15 Iffland, I'm still trying to get a sense of how
16 significant is this demand.

17 MR. IFFLAND: It is not significant right
18 now. But I would use the analogy of the aluminum
19 cylinders. There is a good possibility that the DOT
20 cylinders could shift like a lot of these beverage
21 cylinders and medical cylinders to the ISO standard
22 for the reasons Mr. Bennett mentioned. They have
23 global capability. You would no longer need a triple
24 stamped cylinder like Thyssen is using.

25 That cylinder, once approved, would be used

1 -- could be used potentially globally. So there is
2 some big advantages to that. It's like any new
3 product. There is an opportunity for it.

4 VICE CHAIRMAN WILLIAMSON: Okay. Well, are
5 you saying the domestic industry -- if the demand is
6 there, you're saying they won't respond or can't
7 respond? And how are we supposed to take this into
8 effect?

9 MR. IFFLAND: No. I mean, they could offer
10 it as well. We're just saying that it is a viable
11 alternative to DOT cylinders, and should be included.

12 MR. MARSHAK: This is Ned Marshak. I think
13 the answer is in Norris' questionnaire response in the
14 confidential questionnaire response.

15 VICE CHAIRMAN WILLIAMSON: Okay.

16 MR. MARSHAK: If you look at that, you're
17 going to have the answer of the significance to the
18 industry.

19 VICE CHAIRMAN WILLIAMSON: Okay. We'll take
20 a look at that. And anything you want to add post-
21 hearing to help us understand, you know, what is the
22 relevance of the ISO-1 cylinder to our analysis,
23 whether or not it's included.

24 Also post-hearing, Mr. Marshak and Mr.
25 Schutzman, can you -- I'm sorry. Mr. Rottmann talked

1 about I guess the domestics only being able to supply
2 three of his products that he sells in the U.S.
3 market, and I was wondering if you just could take a
4 look at the pricing products and tell me post-hearing
5 whether or not this -- about the extent of overlap.

6 We can give it you post-hearing if you want
7 the question. Okay. And actually, with that, I want
8 to thank everyone for their testimony. Thank you.

9 CHAIRMAN OKUN: Let me see if there are any
10 other questions from my colleagues. Seeing none, let
11 me turn to staff to see if they have questions of this
12 panel.

13 MR. McCLURE: Jim McClure, Office of
14 Investigations. First, thanks to this panel for your
15 testimony and your useful answers. Madame Chairman,
16 staff has no questions.

17 CHAIRMAN OKUN: Thank you. Let me turn to
18 those in support of imposition of duties. Do you have
19 any questions for this panel?

20 MR. LEBOW: No, we do not. Thank you.

21 CHAIRMAN OKUN: All right. Well, before we
22 turn to our in camera session, let me take this
23 opportunity to thank this panel of witnesses very much
24 for your testimony this afternoon, answering our many
25 questions, and we look forward to the post-hearing

1 submissions as well.

2 Mr. Secretary, would you please announce how
3 we prepare for our in camera session?

4 MR. BISHOP: As we go into our in camera
5 session, I need everybody to leave the room. Those
6 who are on the signatories to the APO need to have a
7 photo ID ready so we can check you in.

8 (Whereupon, at 3:37 p.m., the open session
9 was adjourned.)

10 //

11 //

12 //

13 //

14 //

15 //

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

1 P U B L I C S E S S I O N

2 CHAIRMAN OKUN: All right. Let me just go
3 through the time remaining. I think, Mr. Lebow,
4 you're aware, but for Petitioner, you have a total of
5 nine minutes remaining, which include five for
6 closing, and Respondents have a total of 15 minutes
7 remaining, which includes their five for closing. And
8 if there's no objection at this late hour, we will
9 just combine those times and hopefully end sooner
10 rather than later. You may proceed.

11 MR. LEBOW: In that spirit, Madam Chairman,
12 I'm going to be very brief. I thank you for your
13 patience. You've all been through this record to a
14 great deal of detail, so you don't need to hear it all
15 again.

16 A couple of things that are -- just a few
17 random points that were made this afternoon, I wanted
18 to just really put the opposite point on the record.
19 There was some implication that Norris didn't have the
20 full line of high pressure steel cylinders. It
21 certainly does for its customers. There was an
22 implication that Norris doesn't sell to the fire
23 suppression market and it certainly does.

24 But most important, there were statements
25 were made by several folks this afternoon that the

1 pricing is fair, the Chinese pricing is fair. It's
2 based primarily on the price of steel, the price of
3 the steel. We heard that from a couple of people.
4 But, we, also, heard that the Commerce Department
5 today came up with a final subsidy determination and I
6 suspect with a close reading will show that it's
7 almost all based on steel and there's about a 15
8 percent subsidy built into the price of steel made
9 available to BTIC, so that they can be pricing on the
10 Chinese steel price and yet be significantly
11 underpricing the domestic industry.

12 We know that Chinese input volumes are up,
13 market share is up, underpricing is consistent, in
14 fact, universal. If there's any lack of underpricing
15 recently, it is perhaps because the distributors from
16 the Chinese have raised their prices after suspension
17 of liquidation. We know that the Chinese producers
18 are benefitting from subsidies. We know that they've
19 changed their importing structure to insulate the
20 distributor market from the risk of antidumping
21 duties.

22 The U.S. producer is standing on a smaller
23 ice flow than it was a few years ago. On a percentage
24 basis, it is back to where it was. But on an absolute
25 basis, certainly, its earnings are small and it is

1 standing on a smaller and smaller piece of the U.S.
2 market.

3 Chinese steel should not be given a free
4 pass to capture an even greater share of the U.S. high
5 pressure steel cylinder market because the U.S.
6 producer brought its case at the end of the recession.
7 Norris is not strong enough to take on Chinese steel.
8 A comprehensive analysis consistent with the
9 instruction in the statute, in 771(7)(c), to evaluate
10 all relevant economic factors within the context of
11 the business cycle and conditions of competition that
12 are distinctive to the affected industry would, we
13 contend, suggest an affirmative determination of
14 material injury. Moreover, no matter how one analyzes
15 the past three or four years, the conditions for an
16 affirmative threat determination of real and imminent
17 future industry -- injury, excuse me, are all present.
18 Thank you, very much, for your time and listening to
19 us today.

20 CHAIRMAN OKUN: Thank you. All right. You
21 may proceed.

22 MR. SCHUTZMAN: I'm just going to summarize
23 some of the positions that have been taken during the
24 public portion of this hearing, as well as the public
25 version of Norris's brief without comments about these

1 positions. Norris admits the U.S. industry was doing
2 well in 2008, even though market share, its market
3 share was less than 50 percent. It was able to
4 produce at prices that allowed for healthy profits.
5 That was its statement. We submit that the situation
6 in 2011 is comparable.

7 Norris says it increased its sales in 2011,
8 return to profitability, in spite of increasing
9 imports. And where is the injury and where is the
10 causation?

11 Norris says it received positive effects
12 from the ADCVD petition. There were positive effects
13 before the petition was filed.

14 Norris says it has secured new customers.
15 How is that possible, if customers only buy based on
16 price and the Chinese prices are universally lower?

17 Norris says its improved 2011 operating
18 income is not what it was in 2008. Do the trade
19 statutes provide Norris with a right to return to 2008
20 levels?

21 Norris says the acquisition by BTIC of AFC
22 has contributed to BTIC's dominance in the U.S.
23 market. But the purchase of a majority interest in
24 America Fortune has changed nothing in the
25 marketplace. America Fortune was the exclusive U.S.

1 distributor for 15 years of BTIC and continues to be,
2 nothing there has changed.

3 Norris says there is significant volumes of
4 imported cylinders in inventory. We say the same
5 ratio to sales as previous years. That's what the
6 data shows.

7 Norris says that the domestic industry has
8 emerged from the recession, reduced in size with lower
9 absolute sales, greater reduced market share --
10 greatly reduced market share and reduced
11 profitability. Isn't that true of almost everyone?

12 Norris says subject import share of the
13 market slowed from 2010 to 2011, reflecting the
14 effects of Norris's petition and the preliminary
15 determinations. Well, the preliminary determinations
16 were not until the end of the year.

17 Norris says the data from U.S. importer
18 questionnaires overstate 2011 shipments of Chinese
19 HPSCs and understate 2011 end of period inventories.
20 We say not true.

21 Norris says ISOs should not be part of the
22 like product definition. We say the record is contra.

23 Norris says from 2009 to 2011, it lost
24 market share in the small cylinder market. We say
25 Norris didn't produce small cylinders until 2011 and

1 Taylor Wharton lost market share for other reasons.

2 Norris says Chinese imports and Norris's DOT
3 cylinders compete exclusively on the basis of price.
4 The industry witnesses in this hearing dispute that.

5 Norris obtained new business with allegedly
6 higher prices. How did that happen?

7 Norris says its prices are suppressed. We
8 say the evidence of record is contra.

9 Norris says it experienced employment
10 declines. We say the record evidence is contra.

11 There were actually seven conclusions that
12 this Commission made in the preliminary determination
13 that need to be updated, as a result of updated data
14 for 2011. Number one, the Commission concluded that
15 there was evidence that domestic prices may have been
16 suppressed. Norris was unable to raise prices to
17 cover its costs. That should be reconsidered.

18 Nearly all domestic industry indicators
19 declined sharply from 2008 to 2009 and improved only
20 modestly in 2010. That needs to be reconsidered in
21 light of 2011 data.

22 Norris's U.S. shipments declined each year
23 during the period examined. That needs to be
24 reconsidered in light of 2011 data.

25 Employment indicators suffered. Same thing.

1 Norris experienced declining financial
2 performance. This was a conclusion by the Commission
3 in the preliminary. This needs to be reconsidered for
4 the final.

5 That they were surging imports in 2010 while
6 Norris's operating margins remain below breakeven.
7 This needs to be reconsidered.

8 And, finally, the Commission concluded that
9 the increase in imports market share, coupled with
10 decreasing domestic shipments by Norris, also,
11 suggested a causal link and I submit to you that this
12 conclusion, in light of 2011 data, likewise needs to
13 be reconsidered. Thank you for your time.

14 CHAIRMAN OKUN: Thank you. Post-hearing
15 briefs, statements responsive to questions, requests
16 of the Commission, and corrections to the transcript
17 must be filed by May 8, 2012; closing of the record
18 and final release of data to parties is May 23, 2012;
19 and final comments are due May 25, 2012.

20 With no other business before the
21 Commission, this hearing is adjourned.

22 (Whereupon, at 5:52 p.m., the hearing in the
23 above-entitled matter was concluded.)

24 //

25 //

CERTIFICATION OF TRANSCRIPTION**TITLE:** High Pressure Steel Cylinders**INVESTIGATION NO.:** 701-TA-480**HEARING DATE:** May 1, 2012**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: May 1, 2012

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

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

SIGNED: Rebecca McCrary
Signature of Proofreader

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

SIGNED: W. Andre Bellamy
Signature of Court Reporter