

# UNITED STATES INTERNATIONAL TRADE COMMISSION

---

In the Matter of: ) Investigation Nos.:  
POLYETHYLENE TEREPHTHALATE FILM, ) 731-TA-1131, 1132, and 1134  
SHEET, AND STRIP ("PET FILM") FROM ) (REVIEW)  
BRAZIL, CHINA AND THE UNITED ARAB EMIRATES )

**REVISED AND CORRECTED**

Pages: 1 - 192  
Place: Washington, D.C.  
Date: Tuesday, November 18, 2014



**Ace-Federal Reporters, Inc.**  
*Stenotype Reporters*  
1625 I Street, NW  
Suite 790  
Washington, D.C. 20006  
202-347-3700  
Nationwide Coverage  
[www.acefederal.com](http://www.acefederal.com)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

THE UNITED STATES  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
POLYETHYLENE TEREPHTHALATE FILM, ) 731-TA-1131, 1132,  
SHEET, AND STRIP ("PET FILM") ) and 1134 (REVIEW)  
FROM BRAZIL, CHINA AND THE UNITED )  
ARAB EMIRATES )

Tuesday, November 18, 2014  
Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC

The meeting commenced pursuant to notice at 9:30  
a.m., before the Commissioners of the United States  
International Trade Commission, the Honorable Meredith M.  
Broadbent, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners Present:

4 Chairman Meredith M. Broadbent (presiding)

5 Vice Chairman Dean A. Pinkert

6 Commissioner Irving A. Williamson

7 Commissioner David S. Johanson

8 Commissioner F. Scott Kieff

9 Commissioner Rhonda K. Schmidtlein

10

11 Staff Present:

12 Bill Bishop, Supervisory Hearings and Information

13 Officer

14 Sharon Bellamy, Program Support Specialist

15 Mikayla Kelley, Student Intern

16

17 Michael Haberstroh, Investigator

18 Raymond Cantrell, International Trade Analyst

19 Cindy Cohen, Economist

20 Charles Yost, Accountant/Auditor

21 John Henderson, Attorney

22 James McClure, Supervisory Investigator

23

24

25

1 In Support of the Continuation of Antidumping Duties:  
2 Wilmer Cutler Pickering Hale and Dorr LLP, Washington, DC on  
3 behalf of DuPont Teijin Films ("DTF"), Mitsubishi Polyester  
4 Film, Inc. ("Mitsubishi") and SKC, Inc. ("SKC")

5 Ronald H. Kasoff, Supply Chain Director, DTF

6 Carlton Winn, Purchasing and Administrative Addairs  
7 Director, Mitsubishi

8 Patrik J. McLain, Jeffrey I. Kessler and David P.  
9 Levine, Wilmer Cutler Pickering Hale and Dorr LLP

10

11

12 In Oppositon to the Continuation of Antidumping Duties:  
13 King & Spalding LLP, Washington, DC on behalf of Terphane,  
14 Inc. and Terphane, Ltda:

15 Danis J. Roy, General Manager, Terphane, Inc.

16 Stephen A. Jones and J. Michael Taylor, King & Spalding  
17 LLP

18

19

20

21

22

23

24

25

	I N D E X	
		Page
1		
2		
3	Opening Remarks	
4	In Support of Continuation	
5	Patrick J. McLain, Wilmer Cutler Pickering	
6	Hale and Dorr LLP	7
7		
8	In Oppositon to Continuation	
9	Stephen A. Jones, King & Spalding LLP	11
10		
11	Ronald H. Kasoff, Supply Chain Director, DTF	16
12		
13	Carlton Winn, Purchasing and Administrative Addairs	
14	Director, Mitsubishi	23
15		
16	Danis J. Roy, General Manager, Terphane, Inc.	89
17		
18	Stephen A. Jones, King & Spalding LLP	101
19		
20	J. Michael Taylor, King & Spalding	113
21		
22		
23		
24		
25		

	I N D E X	
		Page
1		
2		
3	Closing Remarks	
4	In Support of Continuation	
5	Patrick J. McLain, Wilmer Cutler Pickering	
6	Hale and Dorr LLP	182
7		
8	In Opposition to Continuation	
9	J. Michael Taylor, King & Spalding LLP	186
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 P R O C E E D I N G S

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

3 CHAIRMAN BROADBENT: Good morning. On behalf of  
4 the U.S. International Trade Commission, I welcome you to  
5 this hearing on Investigation No. 731-1131, 1132 and 1134,  
6 involving PET Film from Brazil, China and UAE. The purpose  
7 of these five-year review investigations is to determine  
8 whether revocation of the anti-dumping orders on PET Film  
9 from Brazil, China and the UAE would likely lead to the  
10 continuation or reoccurrence of material injury within a  
11 foreseeable time.

12 Documents concerning this hearing are available  
13 at the public distribution table. Please give all prepared  
14 testimony to the Secretary. Please do not place it on the  
15 public distribution table.

16 All witnesses must be sworn in by the Secretary  
17 before presenting testimony. I understand that parties are  
18 aware of the time allocations, but if you have questions  
19 about time, please ask the Secretary. Speakers are reminded  
20 not to refer to business proprietary information in their  
21 remarks, or in answers to questions.

22 Please speak clearly into the microphones and  
23 state your name for the record, so that the court reporter  
24 knows who is speaking. Finally, if you will be submitting  
25 documents that contain information you wish classified as

1 Business Confidential, you're requested to comply with  
2 Commission Rule 201.6. Mr. Secretary, are there any  
3 preliminary matters?

4 MR. BISHOP: Madam Chairman, there are no  
5 preliminary matters.

6 CHAIRMAN BROADBENT: Very well. Let's now  
7 proceed with opening remarks.

8 MR. BISHOP: Opening remarks on behalf of those  
9 in support of continuation of the orders will be by Patrick  
10 J. McClain, Wilmer, Cutler, Pickering, Hale and Dorr.

11 OPENING REMARKS BY PATRICK J. McLAIN

12 MR. McLAIN: Chairman Broadbent, Vice Chairman  
13 Pinkert, members of the Commission, good morning. I'm Pat  
14 McClain of Wilmer Hale, representing Petitioners to the U.S.  
15 PET Film industry. In this sunset review, many of the key  
16 issues are not in dispute, and the evidence in favor of an  
17 affirmative likely material injury determination is  
18 overwhelming.

19 First, subject producers have the ability to ship  
20 large volumes of subject PET film to the United States.  
21 They have massive, growing capacity and surplus capacity.  
22 Second, subject producers have compelling economic  
23 incentives to export large volumes of PET film to the U.S.  
24 market.

25 Because this is a capital-intensive industry,



1 they are strongly driven to use the capacity they have, and  
2 with their home markets over-supplied, they will target  
3 export markets. Of these, the U.S. is the most attractive.  
4 It's large and it has the highest prices of any major export  
5 market.

6 Third, the impact of these large subject import  
7 volumes will be material injury to the U.S. industry.  
8 Revocation will vastly expand the supply of PET film in the  
9 U.S. market, and this will drag down prices as subject  
10 imports compete against each other and the U.S.-like product  
11 on the basis of price, as they pursue market share and  
12 sales.

13 Further pressure will come from subject imports'  
14 under-selling, which has remained persistent throughout the  
15 Period of Review. Now we welcome any questions you have on  
16 these points. We think they're hard to dispute. The  
17 absence of Chinese or Emirates participation at this hearing  
18 is testament to that, as are the questionnaire responses and  
19 the information in the record.

20 Terphane of Brazil is here, and they agree with  
21 us that revocation will result in a large volume of subject  
22 imports that will materially injure the U.S. industry.  
23 However, they maintain that these general points don't apply  
24 to Brazil. They contend that Brazil is different. Well,  
25 it's not, not in any way that's relevant to your analysis.

1           Terphane's arguments against continuation of the  
2 order on Brazil boil down to cumulation, an authority given  
3 to the Commission to guard against the hammering effect that  
4 can happen from imports from different subject countries.

5           But Terphane doesn't argue that Brazilian PET  
6 film isn't substitutable with other subject PET film, or  
7 with the domestic like product. It is. Rather, their  
8 position is that Brazilian subject imports have left the  
9 U.S. market and they're not coming back. This is  
10 incredible. The same economic forces and incentives that  
11 will drive Chinese and Ameiuridae PET film into the U.S.  
12 market also apply to Brazilian PET film.

13           Like China and the UAE, Brazilian PET film  
14 production capacity is expanding significantly, by 66  
15 million pounds according to public sources. Terphane has  
16 stated publicly that this capacity expansion is to serve  
17 both the home market and export markets.

18           This expansion is creating significant excess  
19 capacity that Terphane can readily use to ship subject PET  
20 film to the U.S. market. The figures on Terphane's subject  
21 capacity and excess capacity in our prehearing brief are not  
22 conjecture. They're based on Terphane's own data, and they  
23 do not concern some remote period of time. We're talking  
24 about what's unfolding now and what will be months from now  
25 in 2015.

1           The new capacity is coming online into a global  
2 supply glut, just as new supply from OPP Films in Peru is  
3 exacerbating over-supply in Latin America. The result is  
4 that capacity in Terphane's home and regional markets is far  
5 outstripping demand.

6           Indeed, according to PCI Films Consulting, "It is  
7 likely that Terphane will target non-regional export markets  
8 in order to fill capacity." The question is where will  
9 these exports go? The answer isn't hard to find. It will  
10 be the U.S. market. Now Terphane professes that it has "a  
11 manifest lack of interest in the U.S. market."

12           This isn't credible either. The U.S. market is  
13 larger and high-priced. Terphane was sending subject PET  
14 film here before the order, and since the order it's still  
15 exporting supposedly non-subject PET film here, where it has  
16 a U.S. affiliate that imports and sells it to U.S.  
17 customers.

18           What Terphane has is a manifest lack of interest  
19 in exporting to the U.S. market, when it knows those exports  
20 will be subject to a 42 percent anti-dumping duty. In other  
21 words, this is a very different case from one where a  
22 subject country's industry has withdrawn from export markets  
23 across the board, and could only get back in the U.S. market  
24 with great difficulty.

25           Here, Terphane has more than enough ability and

1 incentive to hammer the U.S. industry with subject imports,  
2 and because of the evidence of a reasonable overlap of  
3 competition, they would hammer the U.S. industry alongside  
4 Chinese and Emirates PET film.

5 To conclude, the record evidence and the  
6 arguments of the parties have clarified and narrowed the  
7 issues before the Commission. The most important point is  
8 that the likelihood of material injury is not in dispute  
9 here. Revocation will result in large volumes of subject  
10 imports entering the U.S. market.

11 Now one producer says it won't be us; it will be  
12 everyone else. But it can't identify any relevant basis for  
13 why it would behave differently. With that, I thank the  
14 Commission for the opportunity to present our case, and we  
15 look forward to the discussion.

16 MR. BISHOP: Opening remarks on behalf of those  
17 in opposition to continuation of the orders will be by  
18 Stephen A. Jones, King and Spalding.

19 OPENING REMARKS BY STEPHEN A. JONES

20 MR. JONES: Good morning Madam Chairman and  
21 members of the Commission. I'm here today on behalf of  
22 Terphane, Incorporated of Bloomfield, New York, a U.S.  
23 producer and importer of PET film, and Terphane Limitada, a  
24 Brazilian producer of PET film.

25 Terphane is owned by Tredegar Corporation, a U.S.

1 manufacturer of aluminum extrusions, and a global  
2 manufacturers of various types of plastic film products that  
3 is headquartered in Richmond, Virginia. Terphane agrees  
4 with two-thirds of the Petitioner's arguments.

5           Specifically, we agree that the anti-dumping duty  
6 orders on PET film from China and the United Arab Emirates  
7 should be continued. We don't think there should be any  
8 doubt about that, and the fact that no Chinese or Emirates  
9 producers showed up today speaks volumes about their  
10 intentions if those orders are revoked.

11           As a U.S. producer, Terphane is very concerned  
12 about imports from China and the UAE. Although Terphane  
13 does not and frankly cannot compete directly with those  
14 imports for sales of subject film, Terphane is concerned  
15 because unfairly low prices for subject film adversely  
16 affect pricing for the non-subject, higher value products  
17 that Terphane does produce and sell in the United States.

18           The order on imports from Brazil, however, is a  
19 much different situation. Unlike the other two subject  
20 countries, Terphane's exports of subject and non-subject PET  
21 film have constituted a declining portion of total  
22 shipments. Terphane's internal planning documents, these  
23 are contemporaneous business documents that were not  
24 prepared specifically for this case, show that Terphane  
25 intends to continue to focus on the Brazilian home market,

1 and its regional export markets for sales of subject film.

2 It has not shipped subject film to the United  
3 State since one accidental shipment in early 2009, that  
4 contained only four rolls of subject merchandise, and it  
5 does not intend to ship subject film to the United States in  
6 the future.

7 Terphane is clearly not export oriented, and it  
8 enjoys numerous advantages in its home market, including  
9 more favorable pricing, shorter lead times and long-standing  
10 customer relationships. It has been in a sold out position  
11 in Brazil, and it is gradually ramping up new capacity in  
12 Brazil to serve growing demand in that market and in the  
13 growing markets of other South American countries.

14 That new capacity is not intended to produce  
15 subject film for the U.S. market. A few points are  
16 appropriate before the Petitioners present their case.  
17 First, the Commission should recognize the differences among  
18 subject film, non-subject commodity film and non-subject  
19 specialty film.

20 Although subject films are predominantly  
21 commodity films, there are films that Terphane refers to as  
22 commodity films that are not subject merchandise. Exports  
23 of those products to the United States are outside the scope  
24 of this case.

25 Second, the Petitioners' case against Brazil

1 seems to hinge on an unreasonable estimate of Terphane's  
2 current and future production capacity. Terphane properly  
3 allocated its capacity between subject and non-subject film,  
4 based on the relative production volumes for each period.

5 Terphane's capacity allocations are based on its  
6 representative product mix, and are therefore consistent  
7 with the Commission's practice. Third, the Petitioners'  
8 arguments for continuation of the Brazil seem divorced from  
9 the statutory likelihood standard, and are based instead on  
10 theoretical possibility. The Commission, however, must  
11 determine what is likely to occur based on the record before  
12 it.

13 So one might ask if Terphane does not intend to  
14 ship subject merchandise to the United States, why does it  
15 care whether the order is continued or revoked? Two  
16 reasons. First, because Terphane imports non-subject  
17 merchandise into the United States, the order creates an  
18 unnecessary and expensive administrative burden, and  
19 accidental shipment of subject merchandise could result in  
20 an administrative review and/or high duties, such as  
21 occurred in 2009.

22 Second, like all of Tredegar's companies,  
23 Terphane complies with the law in all of its activities, and  
24 does not want an unwarranted anti-dumping duty order in  
25 effect against it. Unlike most respondents, Terphane

1 believes in anti-dumping duties, relies on anti-dumping  
2 relief in Brazil, and wants the law to be applied properly.

3 The Commission should not cumulate imports from  
4 Brazil with imports from China and UAE in this case. The  
5 Commission should determine that imports from Brazil are  
6 likely to have no discernible adverse impact on the domestic  
7 industry.

8 In the alternative, the Commission should  
9 determine that imports from Brazil and imports from China  
10 and the UAE are likely to compete under different conditions  
11 of competition. With imports from Brazil appropriately  
12 viewed in isolation, the Commission should determine that  
13 revocation of the order on PET film from Brazil would be  
14 unlikely to lead to a continuation or recurrence of material  
15 injury within a reasonably foreseeable time. Thank you.

16 MR. BISHOP: Would the first panel, those in  
17 support of continuation of the anti-dumping duty orders,  
18 please come forward and be seated? Madam Chairman, all  
19 witnesses on this panel have been sworn in.

20 (Pause.)

21 CHAIRMAN BROADBENT: I want to welcome this panel  
22 to the ITC. You may begin when you're ready.

23 MR. McLAIN: Chairman Broadbent, Vice Chairman  
24 PInkert, members of the Commission, again I'm Pat McClain of  
25 Wilmer Hale. I'm here with Ron Kasoff of Dupont Teijin



1 Films, and next to him is Carlton Winn of Mitisubishi  
2 Polyester Film. Joining me from Wilmer Hale are Jeff  
3 Kessler and Dave Levine.

4 The representatives from the domestic PET film  
5 industry are here to help give you information relevant to  
6 your analysis. First, Mr. Kasoff of Dupont Teijin will  
7 discuss PET film as a product, and the economics governing  
8 this capital-intensive industry.

9 Second, Mr. Winn of Mitsubishi will discuss the  
10 situation with respect to global supply and demand, the  
11 subject imports' competition in the U.S. market, and the  
12 likely impact of subject imports on the U.S. industry.

13 Their testimony will speak to the ability and the  
14 strong incentives that all subject country industries would  
15 have to significantly increase exports of aggressively  
16 priced PET film to the U.S. market in the event of  
17 revocation, and what that would likely do to the U.S.  
18 industry. With that, I'll turn it over to Ron Kasoff of  
19 Dupont Teijin.

20 STATEMENT OF RONALD H. KASOFF

21 MR. KASOFF: Good morning. My name is Ron  
22 Kasoff, Supply Chain Director for Dupont Teijin Films U.S.,  
23 and I've worked in the polyester film industry 28 years.  
24 Dupont Teijin Films is a joint venture between Dupont and  
25 Teijin, and manufactures, researches, markets and sells

1 polyester film here in the United States.

2 We also have facilities in Luxembourg, Scotland,  
3 Japan, Indonesia and a joint venture in China. Today, I'm  
4 going to discuss the product itself, the different end uses,  
5 the PET film manufacturing process, and the economics of PET  
6 film production.

7 PET film is a flexible film and it's made from  
8 PET polymer. It has a unique set of optical and physical  
9 properties. The optical properties of the film can range  
10 from clear to hazy to opaque. The physical properties  
11 include heat resistance, good chemical resistance, high  
12 tensile strength, durability and good electrical insulation  
13 properties.

14 PET film can be produced in many thicknesses,  
15 from two gauge to 1,400 gauge, with the most common  
16 thickness around 48 gauge, which is also known as 12 micron.  
17 Today, rolls of finished polyester film can range from the  
18 size of a roll of paper towels, like you see in the kitchen,  
19 to rolls weighing as much as a large automobile, and is used  
20 for a wide variety of applications.

21 The two largest volume U.S. markets are the  
22 packaging and industrial markets, and account for the  
23 largest volume growth. The industrial market includes  
24 release films, hot-stamping foil, laminating products,  
25 window films and pressure-sensitive tapes and labels.

1 Industrial films are 36 percent of the U.S. volume, and  
2 growing at one to two percent per year.

3 The packaging segment includes not only food  
4 packaging, but also medical packaging and pet food packaging  
5 for our cats and dogs pets. Packaging films are 43 percent  
6 of U.S. volume, and are growing at four to five percent per  
7 year. Some examples of food packaging include potato chip  
8 bags, stand-up pouches and bulk pet food sacks.

9 PET film is rarely used by itself in food  
10 packaging. It is usually laminated or glued to another  
11 substrate, such as another layer of PET or polypropylene,  
12 paper, cardboard, etcetera. PET is often printed or  
13 metallized before being laminated to another substrate.

14 For example, certain potato chip bags will have a  
15 layer of metallized PET for moisture barrier, but it's  
16 laminated to a printed layer of PET, so the product can be  
17 properly identified. Rolls of laminate are sold to the  
18 snack chip manufacturer, who can then fill and seal the bag.

19 Many printing inks do not adhere to PET film  
20 because of its good chemical resistance properties. That's  
21 why the vast majority of packaging films are sold as  
22 corona-treated, co-extrusion adhesion treated or chemical  
23 adhesion treated.

24 The type of film purchased depends on the  
25 customer's capability. They would naturally like to buy the

1 lowest cost film, for example, a plain film, and add their  
2 own value through coating or metalizing, whereas PET film  
3 manufacturers would like to add the value and get a premium  
4 price, though we often sell commodity films as a matter of  
5 necessity and economics.

6 With today's market, the price of plain film  
7 versus these three types of adhesion films are nearly the  
8 same. Another example of the packaging product is a 20  
9 pound dog food sack, where PET film is laminated to layers  
10 of paper and offers added strength and moisture durability  
11 that the paper alone wouldn't have.

12 The electrical and optical markets are 16 percent  
13 of the U.S. volume, and are growing at three to four percent  
14 per year. The growth applications are display films for  
15 tablets and phones, photovoltaic cells, membrane touch  
16 switches. Other uses are wire and cable wrap, LCD screens  
17 for computers and TVs, and motor films.

18 The magnetics market in the United States, what  
19 used to be the largest end user of PET film, has now  
20 essentially disappeared. Similarly imaging, which used to  
21 be a reliable market for thick PET film, has declined to six  
22 percent of the U.S. volume, as computer storage technologies  
23 have replaced microfilm and projectors have replaced  
24 overhead transparencies.

25 In each of these markets, domestic producers have

1 used their R&D investment to differentiate their products,  
2 and try to buffer their products from low cost imports.  
3 However, we all have to sell the full spectrum of products,  
4 from commodity to differentiated, in order to fill our  
5 lines.

6 When prices are reduced in commodity markets due  
7 to low cost imports, the domino effect tends to reduce the  
8 price of some differentiated products, and all prices see an  
9 effect of that competition.

10 Now I'll briefly describe the PET film making  
11 process. PET film is made from PET resin. The primary raw  
12 materials of the resin are ethylene glycol and purified  
13 terephthalic acid, which are reacted into long polymer  
14 chains. This is usually in a solid form called a chip.  
15 Sometimes, different polyester variants are added to get  
16 unique properties to the films.

17 The chip is extruded or melted into a molten  
18 liquid stream and forced through two plates of metal, in a  
19 continuous curtain. Co-extrusion would take place at this  
20 point, in the case of a co-extruded film, where a second  
21 stream of polymer is added.

22 The extruded film gets cooled, then stretched in  
23 both the long inside direction, heat-treated to lock in the  
24 properties and wound up in large master rolls. The master  
25 rolls are then slit to the customer's width. End line

1 chemical treatment or corona treatment can also take place  
2 in the film-making process.

3 Most lines installed in the past five years have  
4 been of the capacity of 20 to 40 kilotons per year, have  
5 co-extrusion, corona treatment and chemical treatment  
6 capabilities. In addition, since the range of products has  
7 grown with increased competition, PET film manufacturers had  
8 to develop skills to switch between products quickly and  
9 enable shorter manufacturing runs.

10 For example, one could turn the electricity on to  
11 the corona treater, and in a few minutes be winding quality  
12 corona-treated product. Or one could switch the chip being  
13 fed to the co-extruder, and change to or from a co-ex  
14 product within the hour. As with many capital intensive  
15 commodity products, it's critical for producers to maximize  
16 their capacity utilization.

17 If you've got excess capacity, you try very hard  
18 to find markets that can absorb it, and it makes sense to  
19 sell into those markets, so long as the prices are above the  
20 marginal cost of production. Otherwise, PET film  
21 manufacturers are forced to limit or lay off the labor force  
22 along with other fixed costs, or in the long run shut lines  
23 down.

24 Thus, out of an economic necessity, the producers  
25 are relatively nimble with the products they make. Most

1 modern film lines can produce both mono-extruded and  
2 co-extruded films, and most producers have the ability to  
3 switch quickly between film types in response to demand.

4 Producers in Brazil, China and UAE all have these  
5 capabilities, and they all have the same economic incentives  
6 to use as much of their capacity as they can possibly do.  
7 With respect to Brazil specifically, I understand that  
8 Terphane has portrayed the orders as being mainly about low  
9 end commodity PET film.

10 Not so. I was involved in the original  
11 investigation, and can confirm that because we in the U.S.  
12 industry produce a full spectrum of products, and we were  
13 being injured or threatened across that full spectrum of  
14 products, the order scope accordingly covered almost all PET  
15 film save for very limited carve-outs.

16 In fact, prior to the order, we saw Terphane  
17 exporting low price PET film to the United States, to a  
18 variety of markets, and it was in response to that behavior  
19 and the threat it posed to the U.S. industry that we  
20 initiated a petition.

21 Terphane says that it exited the market for  
22 subject PET film in the U.S. because it wanted to focus on  
23 value-added products in its home market. But Terphane's  
24 10.21 film, which it says is non-subject, is a widely known  
25 commodity packaging film.





1 and I work for Mitsubishi Polyester Film. I'm the director  
2 of purchasing and administrative affairs and I've worked in  
3 the polyester film industry for 32 years. Mitsubishi  
4 manufactures, researches, markets, and sells polyester film  
5 here in the United States. We have facilities in the United  
6 States, Japan, Germany, Indonesia, and China.

7 Today I'm going to discuss the global situation  
8 in the PET film industry exports to the U.S. market from  
9 subject countries and the conditions subject exports  
10 encounter when they arrive. I will also discuss the impact  
11 that low-priced imports from Brazil, China, and the UAE  
12 would have on the struggling U.S. industry.

13 So there is currently a massive global oversupply  
14 that has become particularly acute over the last five years.  
15 The subject countries have each contributed significantly to  
16 this situation and are poised to add to the global  
17 oversupply glut in the near future.

18 A primary driver of the current oversupplies is  
19 typical for the cyclical commodity businesses. With an up  
20 tick in demand, new supply rushes in coming on stream as  
21 demand recedes and crashing prices. Overall while the PET  
22 film demand is projected to grow at a moderate rate to brisk  
23 pace over the next few years, depending on the market, the  
24 increases in global capacity will far exceed that rate.

25 This oversupply situation applies to all three

1 subject countries in this review, China, the UAE, and  
2 Brazil, all three countries have or are about to have  
3 significant excess capacity. The massive capacity buildup  
4 in China and the UAE has been occurring for a while now and  
5 our understanding is each of those subject country  
6 industries is operating at relatively low capacity  
7 utilization rates leaving them ample, idle capacity to be  
8 directed at the U.S. market.

9 More recently, Terphane in Brazil has gotten in  
10 on the capacity expansion game. Terphane is in the process  
11 of bringing on a 30,000 metric ton PET film line on stream  
12 which will almost double their capacity. By next year we  
13 understand that they will be able to use a significant  
14 percentage of that capacity.

15 Meanwhile, another competitor, OPP Films has  
16 begun production on their own 30,000 metric ton PET film  
17 line in Peru. Based on our understanding of Brazilian and  
18 Latin American demand, there is far more capacity than  
19 regional demand alone could absorb.

20 Latin American demand is projected to grow in the  
21 near future, but in isolation that growth rate does not tell  
22 you very much. Even assuming the best case scenario for  
23 Latin American demand, there is an oversupply of PET film in  
24 Brazil and Latin America now and will increase in the next  
25 year or two. And if you have more capacity than even a

1 growing market can absorb, any PET film producer interested  
2 in earning a profit will because of their strong incentive  
3 to maximize capacity utilization, seek the most attractive  
4 alternative market, wherever it's located.

5           Meanwhile, what we've seen from Terphane's  
6 behavior in the marketplace is that like most large  
7 producers they have the ability to shift between PET film  
8 products and between geographical markets without  
9 significant difficulty. The United States is the most  
10 attractive export market globally right now and we see no  
11 reason why that would change going forward. Particularly if  
12 Terphane were given the opportunity to sell into the U.S.  
13 market without antidumping duties.

14           Our antidumping duties remain on products from  
15 China, the UAE, and in Taiwan.

16           The U.S. market is large and it has significantly  
17 higher prices than the other large export markets, primarily  
18 Europe and Asia. Most importantly Terphane remains  
19 interested in the U.S. market. It continues to export PET  
20 film here and revoking the order on Brazil would only expand  
21 its ability to do so.

22           We do not view Terphane's U.S. production  
23 facility as a meaningful barrier to Terphane exporting  
24 significant quantities of film to the U.S. The facility is  
25 really too small to provide a real economic disincentive

1 when you consider the volume of Brazilian film Terphane  
2 could sell absent the order.

3 Prior to the order we believe Terphane was active  
4 at many large packaging companies, and the volumes at the  
5 time were much larger than the local domestic facility could  
6 produce.

7 I will now turn to competition and pricing in the  
8 U.S. market. Even though prices in the U.S. are higher than  
9 other export markets, they have actually come down  
10 significantly since the brief period of tight supply in 2010  
11 and 2011, in large part because of low-priced imports  
12 chasing the returns that the U.S. offers. We don't expect  
13 these weak prices to go any higher for at least the next two  
14 years. So if the orders are revoked, pricing is strong  
15 enough relative to other regions to draw in large volumes of  
16 subject imports, but weak enough relative to our costs that  
17 the U.S. industry will be hard pressed to withstand the  
18 pressure from aggressively priced subject imports.

19 Once subject imports are drawn into the U.S.  
20 market by its attractive prices, they will compete with each  
21 other and with the U.S.-made PET film largely on the basis  
22 of price. In the PET film industry producers compete on  
23 price to a very large extent.

24 Moreover, we tend to see prices linked across  
25 grades with commodity film use as a reference point. So if

1 commodity prices get depressed, for instance, by large  
2 volumes of foreign imports, we see that depressing effect  
3 travel up the value chain and the news travels very fast.  
4 Based on our knowledge of what each subject country produces  
5 and their activity in the U.S. market from 2005 onwards,  
6 it's clear that they will compete with each other and with  
7 the U.S. made PET film.

8 I understand that Terphane is saying it would  
9 compete under different conditions of competition in the  
10 U.S. market, but I fail to see any relevant difference.

11 Terphane says the industries in China and the UAE  
12 are much larger, but I can't understand how that affects  
13 competition in the U.S. market. If you take the significant  
14 packaging film account here in the U.S., Terphane is just as  
15 capable of competing for that business as a large Chinese or  
16 UAE producer.

17 So I don't see how the other countries having  
18 more firms or being bigger in the aggregate makes a  
19 difference in terms of competition. From my perspective as  
20 a U.S. producer, the competitive analysis is pretty  
21 straightforward. Would they be here in significant volume?  
22 Yes. Their behavior prior to the order and economic  
23 necessity demonstrates that. Would their product compete  
24 with Chinese and UAE film on the basis of price? The answer  
25 is yes again. There's no dispute there. Would they

1 suppress, depress, and undercut our prices? Absolutely  
2 especially given our experience with them preorder.

3 In addition Terphane supposed curtailment of  
4 subject exports to the U.S. market is, in my view, no  
5 indication that it won't boost exports to the U.S. market if  
6 the Brazil order is revoked.

7 Shifting between existing markets is not  
8 difficult. PET film producers do it all the time. But  
9 finding new markets isn't even an issue for Terphane with  
10 respect to the U.S., it's already here. It has an  
11 established U.S. importing sales and production presence.  
12 Terphane also is well-known by large U.S. customers and we  
13 believe they do have a presence at most large packaging  
14 customers.

15 Terphane would have every reason to provide these  
16 and other customers with the full range of its films at  
17 significant volumes.

18 There's a premium in the PET business to being a  
19 one-stop shop and offering the full range of films. It can  
20 only help if a producer is able to offer its customers  
21 foreign grades that it can't produce domestically for either  
22 technical or capacity-based reasons.

23 I also understand that Terphane is depicting  
24 itself as a higher-end, value-added, specialty supplier. Is  
25 this accurate? Perhaps no. First, its films compete across

1 the same market segments as ours and the other U.S.  
2 producers.

3 Second, many producers would like to be  
4 exclusively high-end suppliers that it's simply not a  
5 realistic strategy for any U.S. producer in the current  
6 environment to focus only on specialty. Our operation  
7 requires a very high occupation rate which includes a  
8 footprint of commodity films and specialty films to reach  
9 our economic result.

10 A producer of significant size like Terphane just  
11 can't sell enough higher-end films to sell out its lines so  
12 they have to make films across the full spectrum. If you  
13 revoke the order, Terphane would be handed a big, attractive  
14 market that according to its economic interests it would try  
15 to serve from the low end to the high end.

16 So from my perspective there's no difference in  
17 the subject countries products, their abilities, and  
18 economic incentives, and the conditions under which they're  
19 likely to compete in the U.S. market if the orders are  
20 revoked.

21 For example, I would expect to see large  
22 packaging accounts filling offers from China, the UAE, and  
23 Terphane of Brazil and using those offers to demand price  
24 cuts from U.S. producers or else we lose the business. In  
25 other words, we get hammered from all sides.

1           I will now turn to the impact that subject  
2 imports will likely have on the U.S. industry, particularly  
3 in the light of our industry's vulnerable condition. At the  
4 time of the Commission's original investigation dumped  
5 Brazilian, Chinese, and UAE imports were the primary threat  
6 to the U.S. industry. Subject import volumes from all three  
7 countries were rising, they were systematically undercutting  
8 U.S. producers' prices and the threat of material injury  
9 loomed. The imposition of the order helped mitigate this  
10 pressure although it did not eliminate it.

11           And since the imposition of the orders, the  
12 condition of the U.S. industry, which the Commission  
13 recognized as vulnerable at the time, has deteriorated  
14 although the industry's condition would be much worse if not  
15 for the orders.

16           We've seen decreases in capacity and production  
17 over the last five years and witnessed several instances of  
18 lines being shut down. Individual market segments such as  
19 magnetic film, have all but disappeared, which would in  
20 normal times indicate a need for R&D spending to to develop  
21 new applications for PET film.

22           Since low-priced imports have continued to  
23 pressure margins, it has been very difficult to justify  
24 their R&D expenditures required to ensure the development of  
25 new products. This new product development is crucial, not



1       only to our success, but also our customers' success.  
2       Indeed, increased R&D would be hard to justify given the  
3       current climate. The returns on investment in the U.S. PET  
4       film market are based on the returns we can get across the  
5       full spectrum of products from the commodity product line  
6       all the way up to our newest and highest margin product.

7               The current climate of significant oversupply of  
8       global polyester film has reduced margins on almost all  
9       polyester film products, not just plain packaging and plain  
10      industrial grades.

11             Revoking the orders now would severely harm the  
12      already vulnerable domestic industry. Revoking the orders  
13      would vastly expand the available supply of film to the U.S.  
14      purchasers which itself would depress prices. Moreover,  
15      this additional supply would be low-priced dumped film.  
16      We've seen film from the subject countries undercutting us  
17      even with the orders in effect. If the orders were revoked,  
18      we would see them here at even higher levels.

19             This dumped film would drag down PET film prices  
20      across all market segments. Such prices are broadly based  
21      on commodity grade film. Revoking the orders would put  
22      incredible strain on us. We'd be forced to close lines, lay  
23      off workers, and our ability to reinvest in our product and  
24      develop new uses for PET film would be greatly compromised.  
25      The flood of low-cost imports would likely overwhelm us in

1 short order.

2 Thank you.

3 CHAIRMAN BROADBENT:: Does that conclude your  
4 testimony?

5 Okay. Great.

6 MR. McLAIN: Sure does, Madam Chair.

7 CHAIRMAN BROADBENT:: Good. Let's see, I'm  
8 trying to get a handle on what drives demand in this  
9 industry. It just seems like there are so many different  
10 factors and the use of the product is changing and so forth.  
11 How do you all estimate what demand is going to be in a  
12 given year?

13 MR. WINN: Well, I'll start. Yeah, we do in our  
14 region in North America, we do have a full sales force. So  
15 we're a total self-contained company. So we'd have a sales  
16 force, marketing group. We know all of our customers and we  
17 put together detailed analysis each year with budgets and we  
18 go out to the customers and we do the best job we can to  
19 discuss with them how they see the market and how they see  
20 growth with their products and that information is basically  
21 put together once or twice a year and we base our estimates  
22 on that type of information.

23 CHAIRMAN BROADBENT:: Okay. So do you track GDP  
24 growth, or are there any other sort of outside indicators  
25 that you look at?

1                   MR. WINN: We have a -- what is called a CEO's  
2 office. There's a group of people that understand that is a  
3 person from each of our regions that meet together.

4                   CHAIRMAN BROADBENT:: Regions meaning domestic  
5 regions, or international?

6                   MR. WINN: Well, when we do our estimates, we do  
7 a global estimate. Each region does their region's estimate  
8 and the CEO office combines the information together. And  
9 so there is a global impact and we do understand how the  
10 growth in other regions and GDP and frankly oil prices and  
11 the cost of our raw materials, how these types of things  
12 will impact the cost of polyester film in the future.

13                   CHAIRMAN BROADBENT:: Okay. Good. Thank you.  
14 Is it seasonal demand at all?

15                   MR. KASOFF: There are some seasonal time  
16 periods, yes. And particularly now we're getting into a  
17 period. Quite often it's when factories shut down. Our  
18 customers' factories shut down and then do -- they send  
19 people home, they don't need as much film, so the demand is  
20 low. There are also certain markets where that happens,  
21 where there's say packaging markets where getting reading  
22 for the Super Bowl, for instance, and there's an excess or  
23 solar control films, in the spring, when the summer starts  
24 approaching, it picks up a bit. But those are fairly small.

25                   CHAIRMAN BROADBENT:: Is the PET film that's used

1 in the packaging end-use segment a commodity grade product?

2 MR. KASOFF: Well, there's many different  
3 products and on the most part it is commodity grade; yes.  
4 There are some specialty products though.

5 CHAIRMAN BROADBENT: Okay. And then what end use  
6 segments use greater amounts of the specialty grade?

7 MR. KASOFF: I don't know that I could put a  
8 specific one. For instance, a stand-up pouch is in like the  
9 little tablets for your dishwasher, for instance, some of  
10 those come in a stand-up pouch.

11 CHAIRMAN BROADBENT: Right.

12 MR. KASOFF: That's requires some special films.  
13 And it sort of depends on the technology of the packaging  
14 design.

15 MR. WINN: What I'd like to add in some of the  
16 specialty packaging markets there are certain adhesives and  
17 certain laminations and other composites that require  
18 specialty coatings and specialty surfaces that would entail  
19 a specialty type packaging product.

20 CHAIRMAN BROADBENT: Okay. To what extent have  
21 new PET polymer production technology changed the industry  
22 over the period of investigation, 2008 to 2014?

23 MR. KASOFF: I'm not sure that it has changed a  
24 lot in that period of time. You're talking about the PET  
25 polymer technology; is that right?

1                   CHAIRMAN BROADBENT: I guess there's different  
2 batch or continuous processes, relative use of purified PTA  
3 compared to DMT.

4                   MR. KASOFF: Right.

5                   CHAIRMAN BROADBENT: Are there trends in there I  
6 should understand?

7                   MR. KASOFF: Yeah, I think maybe the one  
8 significant issue is the raw material some plants run DMT,  
9 dimethylteric palate and switch to PTA, the purified  
10 terethalic acid as a raw material. That's not a significant  
11 factor although it is a change, you know, a major change in  
12 raw materials. The other additives that you mentioned there  
13 and there are many that can be added -- that the base  
14 polymers to get different properties have been around for a  
15 while.

16                   CHAIRMAN BROADBENT: Okay. And then what's  
17 happening in sort of the biodegradable sector? I mean, what  
18 changes are you all seeing in demand in that area and so  
19 forth for biodegradable packaging products, and do you  
20 supply that?

21                   MR. KASOFF: We do not supply that nor do we know  
22 of any PET film manufacturing that is out there and selling  
23 that in the market. We do have some recycled products that  
24 contain recycled materials.

25                   CHAIRMAN BROADBENT: But these sort of

1 bioplastics and stuff are competitors to the PET film; is  
2 that right, the bioplastics that kind of degrade?

3 MR. KASOFF: I guess there's applications where  
4 that is the case, but on the most part, that's not the case.

5 MR. WINN: Yeah, I'll agree with that statement.  
6 I think in recent years there have been developments in some  
7 of the raw materials. They're not biodegradable, but  
8 they're different sources of ways to produce MEG. For  
9 instance, you have the green bottle from Coca-Cola, that's  
10 made from non-oil type products.

11 CHAIRMAN BROADBENT: Wait, the green bottle from?

12 MR. WINN: There's the Coca-Cola water bottle,  
13 the green top, that's produced from a bio -- not a  
14 biodegradable, but a bio MEG, that comes from, I believe  
15 it's from sugar cane. So that is one difference that is out  
16 in the market. But it's more of a marketing, branding a pr  
17 that Coca-Cola has opposed to really anything else.

18 CHAIRMAN BROADBENT: Okay. All right. So just  
19 to make sure that I understand, there aren't any sort of  
20 major PET film production process technologies that have  
21 been brought on line in the last five years that kind of  
22 changed the competitive big picture of this industry.

23 MR. WINN: Well, what I would like to add, you  
24 know, we discussed briefly about resin, DMT versus PTA.

25 CHAIRMAN BROADBENT: Right.

1           MR. WINN: But in terms of the production  
2           equipment for making the film itself, really beginning  
3           before the period of investigation, but it really solidified  
4           during this period of time, it was very easy for a person to  
5           add capital to go buy a turn-key film line. If they had  
6           money, they could go to multiple sources and simply buy --  
7           pay money, buy the equipment, start it up and very quickly  
8           be producing polyester film.

9           Let's say 15 years ago there were only, I don't  
10          know, six or seven producers that had the knowledge to put a  
11          film line together. So maybe 2005 to present it's a little  
12          unfair to say this happened in that time period, but  
13          certainly five years before that and solidified in the last  
14          five years, that turn-key technology just, you know, the  
15          advantage that the big players had, understanding the  
16          process so well, we were the only ones that could build a  
17          film line producing equipment and that's dramatically  
18          changed today.

19          CHAIRMAN BROADBENT: Okay. So you had sort of  
20          stagnant U.S. consumption between 2011 and 2013 and that  
21          sort of followed a peak demand year of 2010; is that right?

22          (No audible response.)

23          CHAIRMAN BROADBENT:: Okay.

24          MR. KASOFF: Yes, that's correct.

25          CHAIRMAN BROADBENT:: And what were kind of the

1 causes of that stagnant period in terms of demand?

2 MR. KASOFF: Well, the real aberration is  
3 probably the peak period which was after the recession. And  
4 people were refilling pipelines and whatnot.

5 CHAIRMAN BROADBENT:: Right.

6 MR. KASOFF: So the growth has been continuing.  
7 It's sort of come back down to a modest level and growth has  
8 been continuing at some low level. But it's just there's a  
9 lot of sectors that just do follow our economy in general.  
10 And when the economy is not growing that quickly, our  
11 sectors don't follow. So we have firms that go into housing  
12 built, and cars, and whatnot, and when those are going up,  
13 we see that as well. Packaging is sort of usually stable,  
14 but there are some ups and downs there as well.

15 CHAIRMAN BROADBENT:: Okay. Thank you. It's  
16 amazing the end uses for all of this -- this product.

17 VICE CHAIRMAN PINKERT: Thank you Madam Chairman  
18 and I thank all of you for being here today to help us  
19 understand these issues. I am particularly interested in  
20 the question of what Terphane, Brazil is likely to do in the  
21 event of revocation and I am wondering if you could speak  
22 specifically to the question of whether Terphane, Brazil is  
23 likely to ship subject commodity product to the United  
24 States in the event of revocation.

25 MR. KASOFF: In my opinion it is likely that



1 that's the case. They will have excess capacity because  
2 the market is not big enough to absorb all the capacity from  
3 the line. The commodity special or non-subject projects  
4 and the special subject products have some limited market  
5 opportunities. If they want to sell out the line there  
6 will be other products basically a plain and are corona  
7 treated that will -- that are more readily available.  
8 People will buy that our customers will buy that product  
9 based on price and really no differences in quality that  
10 sort of thing.

11 So we would expect that it's likely that subject  
12 material would be shipped from the line.

13 MR. WINN: What I would like to add going back in  
14 2007 we discussed the economic viability of our new film  
15 line that we installed in 2003. It was not a very big  
16 success. So we found ourselves even in our domestic market  
17 unable to sell out the film line and so we worked very, very  
18 hard not just on the specialty products but the full wide  
19 spectrum that that film line could make and we sold it  
20 everywhere that we could get an economic return in a fair  
21 way.

22 I just have to feel that any person in the  
23 region, and we consider the Americas kind of our region,  
24 they will find themselves in the same condition and they  
25 will be looking for any product that they can sell that is

1 done in a fair way and they would get an economic return.

2 MR. McLAIN: And I would Vice Chairman Pinkert, I  
3 would draw your attention to the trend in subject imports  
4 leading up to the order, I think it's dramatic and then it's  
5 a night and day difference once that 42% anti-dumping duty  
6 comes on. So their product mix is distorted by the effects  
7 of the order and then you know, it sort of the traditional  
8 factors you look at. Did they have the ability -- yes they  
9 have got just way more capacity than they can sell out in  
10 their home market in their regional market.

11 And do they have the incentive? Now there is  
12 the general incentive to maximize your capacity utilization  
13 as you have just heard the subject films, the corona  
14 treated, the chemical treated, the plain film, those are  
15 such high volume films that they are prime candidates to  
16 fill outlines but then there is the additional attraction  
17 the U.S. market of there's a, and I think you just heard  
18 from our clients the synergy of being able to be a one stop  
19 shop.

20 Right now Terphane in the U.S. market going out  
21 to its customers is constrained in what it can supply unlike  
22 some of its competitors. Take the order away and they have  
23 the ability and then they have the incentive to say to their  
24 customers yeah if you want Co-ex we can get you Co-ex if you  
25 want low priced corona treated, chemical treated film we can

1 do that too so we think that's likely based on traditional  
2 factors of ability and incentive and their pre-order  
3 behavior.

4 VICE CHAIRMAN PINKERT: Thank you for the  
5 post-hearing I think it would be helpful if you attempted to  
6 estimate the volume of subject commodity product that's  
7 likely to come from Brazil in the event of revocation and  
8 then also whether or not there will be a price incentive for  
9 Terphane to ship that product, that subject commodity  
10 product from Brazil to the United States because of a  
11 difference in prices in the United States and Brazil.

12 MR. McLAIN: We'd be happy to do that.

13 VICE CHAIRMAN PINKERT: Thank you very much.  
14 Now why wouldn't Terphane's U.S. production operation act as  
15 a disincentive for shipping that product to the United  
16 States?

17 MR. WINN: Well as I have said in my testimony  
18 the volume of their local facility in the U.S. is very small  
19 so I don't know what there is to protect. Maybe I don't  
20 understand the total question or exactly what you know, the  
21 answer here or the explanation you are looking for but just  
22 from my viewpoint the facility and the volume is so small  
23 you know there's nothing to protect.

24 In our case in our company we have regional  
25 companies, we have large capacities in each of the regions

1 and in that case it probably would not make sense for other  
2 regions to export large quantities of product into the U.S.  
3 we would have to shut our facilities down then.

4 MR. McLAIN: I would just point out that it's not  
5 a disincentive right now with respect to non-subject PET  
6 film, why would it be a disincentive to subject PET film,  
7 particularly as you just said the difference in size. If  
8 there was a Terphane, USA similar in scale to Terphane,  
9 Brazil that's a much closer question but that's not the case  
10 here.

11 VICE CHAIRMAN PINKERT: Thank you. How do you  
12 respond to the notion or to the argument that Terphane's  
13 export shipments to all countries have shrunk to a level  
14 that represents a small percentage of its total shipments.  
15 Doesn't that demonstrate a focus on the home market?

16 MR. McLAIN: There has been a decline but they  
17 have and I think part of that is as the Brazilian home  
18 market has been growing and their capacity had been stable  
19 but they just have taken the lid off that with the capacity  
20 expansion and they have explicitly said more than once that  
21 it's for home market and export and it's one thing to say  
22 you are focused on your home market but when you have way  
23 more capacity than your home market could absorb as  
24 independent sources confirm, you have to find something to  
25 do with that if you want to stay in business and so that's

1       why we don't think that the you know, 2011-2012-2013 export  
2       levels are indicative of what has likely been -- we've given  
3       you data on the capacity situation and the supply demand  
4       imbalance 2014 and 2015 so it's not speculative, it's based  
5       on corroborated data and Terphane's own data.

6                   VICE CHAIRMAN PINKERT:   But what's holding them  
7       back from shipping to those other export markets, I  
8       understand your argument about what's going on in this  
9       market because of the orders but what's holding them back  
10      with respect to the other export market?

11                   MR. McLAIN:   I think in terms of the what you see  
12      in their questionnaire data you know that table that runs  
13      through 2013 and partial year 2014 you do see the proportion  
14      of home market sales increasing but I guess I would go back  
15      to that is now they are not freed up to increase exports to  
16      all markets.   But the U.S. market is particularly important  
17      because it has an affiliate here and if you look -- if you  
18      look at the relative proportions in 2007, taking that piece  
19      of U.S. exports away not only -- U.S. subject imports away,  
20      not only changes the product mix significantly between  
21      non-subject and subject, it significantly changes the  
22      difference between home market and export sales so I think  
23      there's multiple factors here to indicate that what we have  
24      seen in the past few years is not indicative of what's  
25      likely to occur in the reasonable foreseeable future.

1                   VICE CHAIRMAN PINKERT: Thank you very much,  
2                   thank you Madam Chairman.

3                   CHAIRMAN BROADBENT: Commissioner Williamson?

4                   COMMISSIONER WILLIAMSON: Thank you I do want to  
5                   thank the witnesses for their testimony today. Just  
6                   continuing on the line of questioning Commissioner Pinkert  
7                   raised I was wondering if you could maybe post-hearing sort  
8                   of clarify, expand on that argument that you are making  
9                   about why they would -- Terphane's shipments basically,  
10                  globally would change in particularly with respect to the  
11                  U.S. market.

12                  MR. McLAIN: We would be happy to do that and I  
13                  would just say that we think the record evidence including  
14                  documents that Terphane relies on heavily very clearly show  
15                  that there is an across-the-board focus on boosting exports.

16                  COMMISSIONER WILLIAMSON: Okay thank you. I am  
17                  going to ask some of these questions this afternoon but I  
18                  was wondering if you all had any thoughts on why did they  
19                  build such a small plant here?

20                  MR. KASOFF: That plant was originally built by  
21                  Kodak and they had a very specific use in mind. Kodak did  
22                  have many other of their own PEG film lines and there is a  
23                  very specific use. I'm not exactly sure what that use was  
24                  but it's up in Rochester or nearby there and they had it  
25                  sort of zoned in just for this one area.

1                   COMMISSIONER WILLIAMSON: So Turphane just picked  
2 up an available plant?

3                   MR. KASOFF: That's correct.

4                   COMMISSIONER WILLIAMSON: Okay thank you. Just  
5 switching, what are the relative advantages and  
6 disadvantages of buying polymer or feedstock resins from  
7 related parties rather than from unrelated suppliers?  
8 You're all looking at me, do you want to try to do it  
9 post-hearing?

10                  MR. WINN: I'll try but would you mind repeating  
11 the question again?

12                  COMMISSIONER WILLIAMSON: What are the relative  
13 advantages and disadvantages of buying polymer feedstock  
14 resin from related parties rather than from unrelated  
15 suppliers?

16                  MR. WINN: In our case the primary resin is  
17 produced on site so perhaps the Mitsubishi Group in North  
18 America, I think maybe Dupont as well makes their own resin  
19 and so the base resin that we use in our operation we do not  
20 buy from related parties or unrelated parties. The  
21 advantages that we see in the opposite is that we can  
22 customize our polymers for our customers. There are small  
23 volumes of very specialty polymers that we can't make on our  
24 resin producing machines that we are really forced to buy  
25 from in our case, non-related parties. It's made by a

1 different process and we can't make it ourselves.

2 COMMISSIONER WILLIAMSON: Okay Mr. Kasoff?

3 MR. KASOFF: Yeah I'll add to that. We do make  
4 some of our polymers ourselves and we purchase some  
5 externally. We also do buy some polymers from our sister  
6 companies, those are specialty products that we don't make,  
7 don't know how to make or don't have the technology at this  
8 point for some reason, on the sister companies.

9 Most of the -- a lot of the products that we make  
10 polymers that we make by ourselves are special products,  
11 although we do make some commodity products as well. The  
12 outside market, large volume PET's polymer producers have  
13 some economic advantages just from size and scale and that  
14 type of thing but they are very limited as Carlton said in  
15 the ability to provide special products.

16 So we can buy pretty good volume products but  
17 very few of those.

18 COMMISSIONER WILLIAMSON: Okay, thank you. I'm  
19 just trying to get a better handle on the various market  
20 segments and which market segments are growing and where  
21 competition with subject imports is taking place. So I was  
22 wondering what is according to the staff report, most of the  
23 shipments go to industrial packaging and energy sectors.  
24 But I was wondering what are the primary PET film products  
25 in the industrial sector, which ones are the most dynamic?



1                   MR. KASOFF: Well the fact that it's industrial  
2                   and you don't know exactly what that means is you know, a  
3                   good indicator and it's a lot of little different  
4                   applications.

5                   COMMISSIONER WILLIAMSON: Okay.

6                   MR. KASOFF: Well maybe not little but there's a  
7                   lot of commodity type applications, hot stamping foil,  
8                   window films, laminations like you laminate your paper so it  
9                   doesn't get destroyed over time. There's also FRP  
10                  applications.

11                  COMMISSIONER WILLIAMSON: FRP?

12                  MR. KASOFF: FRP fiberglass reinforced panel.

13                  COMMISSIONER WILLIAMSON: Okay thanks.

14                  MR. KASOFF: So if you go into McDonald's.

15                  COMMISSIONER WILLIAMSON: Go ahead I'm sorry.

16                  MR. KASOFF: So if you go into a McDonald's  
17                  bathroom, the wall has this funny kind of panel that's  
18                  pebbly looking it was FRP was used for the manufacturing  
19                  that cast that panel on it and it was stripped away and  
20                  rolled up and recycled but not certified. So those are  
21                  some examples of it but that industry is not really an  
22                  industry, it's a collection of many different industries and  
23                  there's new ones popping up all the time.

24                  MR. WINN: And I would like to add that you know  
25                  certainly one of the larger segments of the industrial is

1 something called release films. In our case we put in line  
2 coat specialty coatings like silicone and we provide to  
3 various companies that make labels, pressure release labels  
4 and that type of thing and that's a place where we add value  
5 to the film in a way that's very difficult to do off-line  
6 but that's a very large market segment, it's called release  
7 films.

8 COMMISSIONER WILLIAMSON: Okay so I guess were  
9 you running a big plant, because I guess each one of these  
10 products seem to be slightly different, it seemed like a big  
11 scheduling challenge?

12 MR. KASOFF: Yes it is. But there are overlaps  
13 though, there are certain products that are very similar we  
14 can make at the same time so it can be commodity-type  
15 products.

16 MR. WINN: But it is very interesting in our  
17 process that the same equipment is used to make the  
18 commodity film as a specialty film so it's not uncommon for  
19 one of our film lines to be making commodity films in the  
20 morning and thirty minutes later we are making one of our  
21 specialty films on the same film line with the same people  
22 just different types of coatings and maybe slightly  
23 different polymer fillers that we have within the power.

24 COMMISSIONER WILLIAMSON: Okay is the PET film,  
25 is the PET film industrial imaging market segment typically

1 thin or thick? And when you say commodity grade or  
2 specialty grade or is it all of the above?

3 MR. KASOFF: Well the imaging market is mostly  
4 thick. Now what's left in the imaging market are a lot of  
5 display types of things, like if you go to the airport and  
6 you have one of those big signs that say come see the ITC  
7 you know that would be an example of one.

8 The industrial markets are both thick and thin, I  
9 guess it weights probably I would guess 60% thin though, 40%  
10 thick.

11 COMMISSIONER WILLIAMSON: Okay what about the  
12 commodity grade versus specialty grade? Or does this kind  
13 of continue more, I picture one stops and the other picks  
14 up?

15 MR. KASOFF: I would say in the imaging market  
16 most of the products now are specialty of some sort. There  
17 are still some commodities though so maybe it weights a  
18 little bit heavier to the specialties in the industrial I'd  
19 say it weights the other way around it's more of the  
20 commodity but there are some specialties.

21 COMMISSIONER WILLIAMSON: Okay can you say which  
22 market segments are supplied by Terphane's U.S. production  
23 and which are supplied by the Terphane's Brazilian  
24 production and how this changed -- how this has changed  
25 since the last review?

1                   MR. KASOFF: Terphane participates mostly in the  
2 packaging market and a little bit in the industrial that we  
3 know of. I don't know the split from off-shore or not.

4                   MR. WINN: We can't add anything to the split but  
5 remember the local production is a very small volume to  
6 begin with.

7                   COMMISSIONER WILLIAMSON: Okay, thank you for  
8 those answers.

9                   CHAIRMAN BROADBENT: Commissioner Johanson?

10                  COMMISSIONER JOHANSON: Thank you Chairman  
11 Broadbent and I would like to thank all of the witnesses for  
12 appearing here today. Domestic industry parties site raw  
13 material costs as representing the single largest component  
14 of overall production during 2008 and 2013 and this is found  
15 at the staff report at page 323. Do current U.S. low oil  
16 and gas prices give U.S. manufacturers an advantage over  
17 Terphane's production in Brazil, given the large -- given  
18 that PET film was produced, the primary input is a petroleum  
19 product?

20                  MR. WINN: We don't think so. Most of these  
21 products are priced globally and most players are paying  
22 reasonably the same price.

23                  COMMISSIONER JOHANSON: Thank you. Why is  
24 global supply increasing rapidly and apparently outpacing  
25 demand and what competitive pressures in the U.S. market

1 will the situation have on the domestic industry?

2 MR. KASOFF: I think the spike in demand in 2010  
3 led to a number of film lines being built and that really  
4 increased the supply dramatically. Some here in the U.S.  
5 more so than in other parts of the world so we see that as  
6 hey things are picking up but not as I mentioned before it  
7 was sort of the aberration where it is now it's back to the  
8 steady state slow growth and we don't have the demand in the  
9 entire market to really fill all those film lines.

10 MR. WINN: I would like to add with the explosion  
11 of capacity I had mentioned earlier that you can buy a  
12 turn-key film line easily today and there was a period of  
13 time in certain parts of the world that money was very free,  
14 the margins were very high as Ron said during the peak  
15 period and lots of people wanted to jump in and take  
16 advantage of the high margins, it was easy to do it.

17 COMMISSIONER JOHANSON: What role should the fact  
18 that Brazil is a net importer of PET film play in our  
19 cumulation analysis?

20 MR. McLAIN: I don't think it has a significant  
21 role to play because the Commission has cumulated countries  
22 that were net importers of film and I think even the record  
23 here shows that China is a net importer of PET film but I  
24 don't think anyone is arguing that that is any sort of  
25 relevant indicator that they wouldn't come here in large

1 volumes if the China order were revoked.

2 COMMISSIONER JOHANSON: All right thank you Mr.  
3 McLain. Looking to the staff report I have a question that  
4 that raised for me, why is PET film produced in so many  
5 countries? If you look in particular at the staff report  
6 at page 416 this lays out a large number of countries in  
7 which this product is manufactured?

8 MR. KASOFF: Many of the original PET film lines  
9 and in the early -- up to maybe the early 2000's were built  
10 to supply the regions. After that time then the market it  
11 was more of a regional market. After that time it's really  
12 opened up to be more of a global market and people --  
13 companies were building lines for one to skirt the dumping  
14 laws here in the U.S. but we are looking for the markets,  
15 the biggest markets to go to and how could they best go to  
16 that market.

17 In Egypt, in the United Arab Emirates those are  
18 very small markets for PET film. They were produced --  
19 those plants were produced to export to Europe and now also  
20 to the U.S. and to other regions as well. The same thing  
21 goes for many of the other lines that we have seen built in  
22 the last ten years or so.

23 MR. McLAIN: Just to add, we have seen a  
24 significant whack-a-mole problem here. You know you can  
25 see the -- thanks to your help the order comes on India and

1 Taiwan and then you start to see Indian capital spreading  
2 from country to country and then we get an order on UAE and  
3 now there is significant PET film production in Bahrain and  
4 there is similar situations occurring in other countries so  
5 we have worked hard to you know, follow that and address  
6 that as it happens but yet it still remains a problem.

7 COMMISSIONER JOHANSON: Thank you and along the  
8 lines of that question regarding production in a large  
9 number of countries, please discuss the role of non-subject  
10 imports in the U.S. market. How does the competition they  
11 create for the domestic industry differ from competition  
12 that U.S. producers face from the subject importers or  
13 subject suppliers?

14 MR. McLAIN: I think there is a lot of overlap of  
15 competition from non-subject imports, subject imports and  
16 the domestic-like product but I think the most critical  
17 aspect when thinking about non-subject imports is just for  
18 the sheer scale of supply that is in the global market that  
19 has restricted access to the U.S. market thanks to these  
20 orders. And if those orders come off the amount of supply  
21 increases dramatically and China was already big before the  
22 order now they are much, much bigger and so the impact of  
23 them returning in force where now most Chinese producers  
24 face a 70 plus percent anti-dumping duty rate, that's going  
25 to be dramatic and I don't know if you guys want to comment

1 at all.

2 COMMISSIONER JOHANSON: No? Okay, you know  
3 looking around the world what are the major drivers of  
4 demand for PET film in other markets around the world?

5 MR. KASOFF: There's -- packaging is the biggest  
6 global growth driver so all around the world packaging  
7 applications for PET film are growing in all regions but  
8 there's other spot markets that pop up for instance, LCD  
9 panels for computers and TV's popped up, it's grown and it's  
10 now in a stable mature sort of phase and the fault of the  
11 Photovoltaic cells have had ups and downs. They have  
12 grown, they have fallen back, they are growing again, that  
13 type of thing so there are various applications that really  
14 drive it. There's not a lot of switching from one  
15 substrate to another although there is some of that but it's  
16 not, that's not the main driver, it's really the new  
17 applications that occur.

18 COMMISSIONER JOHANSON: And how is overall  
19 situation of the world economy affecting the band? The  
20 United States appears to be on the uptick at least compared  
21 to some other major economies. Japan is possibly falling  
22 back in recession, European Union might be the same and you  
23 all know there's quite a bit of production in Japan and in  
24 the EU.

25 MR. KASOFF: Right those economies are not doing



1 as well. I mean some economists think the U.S. economy is  
2 growing a lot on the back of fracking and the new  
3 exploration of oil and gas that helps some industries, it  
4 doesn't necessarily add to the number of homes being sold or  
5 the number of cars being sold or the numbers of packages of  
6 cereal being sold, that type of thing so there's very sort  
7 of micro-market demands that really affect each of the  
8 growth markets in the different areas.

9 COMMISSIONER JOHANSON: Do you anticipate the  
10 increased imports from non-subject countries given the  
11 situation around the world?

12 MR. KASOFF: That's very likely that that will be  
13 the case, yes.

14 COMMISSIONER JOHANSON: Okay in the experience of  
15 domestic producers, what do you all see as an adequate  
16 financial return in the industry and also in terms of an  
17 operating margin?

18 MR. KASOFF: I couldn't answer for the industry,  
19 I could answer for ourselves but I would rather do that  
20 post-hearing.

21 COMMISSIONER JOHANSON: Okay I would appreciate  
22 that.

23 MR. WINN: Same here as well.

24 COMMISSIONER JOHANSON: Okay thank you Mr. Winn  
25 and Mr. Kasoff. My time is about to expire so thank you

1 for your responses.

2 CHAIRMAN BROADBENT: Commissioner Kieff?

3 COMMISSIONER KIEFF: Thank you very much Madam  
4 Chairman and thank you very much to the panelists on both  
5 sides for coming today to present more information. These  
6 live exchanges are provided to add to the more sterile  
7 record that a brief or a sworn written statement can provide  
8 but I -- we all also recognize that the formality of the  
9 live process itself is hard because conversations come in  
10 ten minute increments and then of course change topics as  
11 they change person.

12 So with that in mind let me ask some general  
13 questions directed to this particular panel but of course  
14 invite both panels to contribute in the post-hearing briefs  
15 to the extent they would like about any of the discussion we  
16 have with either of the panels. So let me if I am hearing  
17 where the two sides today seem to touch each other the most  
18 in points of departure if you will.

19 One of those key points of departures seems to be  
20 on the question of cumulation. So Commissioner Pinkert had  
21 compared in his questions with you the relative size of the  
22 domestic Brazilian production capacity and the production  
23 capacity of the domestic U.S. affiliations of the Brazilian  
24 entity and you had compared and contrasted those sizes.

25 But I wonder if you could compare and contrast

1 the relative sizes of the capacities in Brazil and China and  
2 help us understand if there is any significance to the  
3 relevant sizes of Brazil and China capacities to the  
4 question of cumulation and in particular is there a big  
5 enough difference that it signals something about the  
6 conditions of competition are they different?

7 MR. McLAIN: We'd be delighted to discuss that  
8 thanks. I think the starting point should be what is the  
9 purpose of cumulation? Why did Congress give you the  
10 authority to cumulate and that's to guard against the  
11 hammering effect. So that's the way I think about it that's  
12 the touchstone so any punitive condition of competition to  
13 be relevant would at least have to have some sort of  
14 plausible effect of mitigating or cutting off that that  
15 hammering effect.

16 COMMISSIONER KIEFF: But just to follow up on  
17 that, and to purposefully mix metaphor are you making a  
18 death by a thousand pinpricks argument or a multiple hammer  
19 argument and do we have pin in the hammer?

20 MR. McLAIN: I would say it is -- its different  
21 sized hammers. I don't think this is the case you know  
22 Terphane is a major global player and so what I wanted to  
23 say is size in this case -- size in the aggregate comparing  
24 total China, multiple firms in China added together versus  
25 Terphane on its own, that doesn't really mean anything in

1 terms of competition, in terms of the way things are on the  
2 ground, it's much more useful to think of if you have a  
3 significant account here in the U.S. and Terphane is or a  
4 Chinese producer is taking a run at them to sell them at  
5 high volumes of commodity packaging film, is that something  
6 Terphane can do?

7 Are they in the mix to get that business -- yes  
8 are the U.S. producers in the mix to get that business --  
9 yes, are the Chinese in the mix to get that business -- yes.

10 So you could see a situation where size would be relevant  
11 for instance if I have a backyard PET film production  
12 machinery and I go to a major packaging purchaser and I say  
13 I would like to sell you PET film too and they say we are  
14 going to -- you are not serious you are just not -- we are  
15 not going to source from you.

16 COMMISSIONER KIEFF: That might be interstate  
17 commerce, but not relevant to a condition of competition  
18 here.

19 MR. McLAIN: Right but -- or a situation where  
20 you had a you know a very niche specialty supplier that is  
21 doing a boutique thing and then you have got sort of a  
22 different country, big commodity guys and that's not what we  
23 have here so I don't see and something that would be  
24 instructive is look at the size of the individual Chinese  
25 companies and look at Terphane's size.

1                   COMMISSIONER KIEFF:  Should the relevant question  
2                   be the total unused capacity of China compared to the unused  
3                   capacity in Brazil?

4                   MR. McLAIN:  I don't know that that is a relevant  
5                   difference in conditions of competition.  I think that our  
6                   view is that there is significant excess capacity in both  
7                   countries which is a strong reason they will both come and  
8                   they will both hammer the U.S. industry so the fact that  
9                   China has more excess capacity in the aggregate I don't see  
10                  as a relevant distinction.

11                  COMMISSIONER KIEFF:  Okay I get the point and  
12                  just if each side could help us understand more in the  
13                  post-hearing if there is precedent that suggests that  
14                  differences of that type matter or don't and that will help.  
15                  Relatedly if it turns out the Commission were to see the  
16                  conditions of competition to be different enough that the  
17                  Commission decumulated, would I guess the next point of  
18                  departure between the two sides' view of the case seems to  
19                  then become what evidence we have about the degree of excess  
20                  capacity.

21                  What if it turns out the Commission somehow comes  
22                  to the view that your arguments about the degree of likely  
23                  unused capacity in the foreseeable future in Brazil, what if  
24                  we somehow have a more modest view of the degree of that  
25                  likely foreseeable capacity.  In the end we then would have

1 to ask ourselves what are going to be the likely volume of  
2 the subject imports anyway.

3 Do you think the volume of those imports would  
4 still be significant?

5 MR. McLAIN: Yes we do but of course it's a  
6 closer question because we have stipulated that the  
7 available volume is lower but we still think even if you  
8 took Terphane's, which we view as a pretty arbitrary  
9 distinction that A -- you know just sort of capacity that's  
10 not being used by non-subject product that is PET film  
11 production capacity.

12 It's not like its' some machinery that can be  
13 used for creating two really different products. It's  
14 available, unused PET film production capacity. The notion  
15 that that should somehow be taken off the table I don't  
16 think is consistent with the statute but even if you reduce  
17 that the size of the capacity increase is such that if you  
18 take the sort of their version of the subject pro-rata share  
19 of available capacity that is still significant. It's  
20 definitely enough to get you over the no discernable adverse  
21 impact hump.

22 It still shows a commonality with excess capacity  
23 in the UAE in China and we submit that it would also be  
24 enough on its own to cause material injury but I understand  
25 that that's a much weaker case than if it's cumulated with

1 China and the UAE.

2 COMMISSIONER KIEFF: But then in effect just to  
3 roll it all up it sounds like you are basically reminding us  
4 that they would have to show number one -- to work in  
5 reverse order that there would be no discernable adverse  
6 impact because there would not be a significant volume and  
7 there's something sufficiently different about the  
8 conditions of competition that we really should decumulate  
9 and unless they can do all of that we'd in effect have to go  
10 your way.

11 MR. McLAIN: Yes I mean we could get into the  
12 theology of burden, the burdens here but basically yes.  
13 Their case basically blows down onto a discernable adverse  
14 impact which is the -- we won't come back to the U.S.  
15 market. Once you get over that hump the rest of their case  
16 basically collapses because when you look into their  
17 conditions of competition argument it is largely a repeat of  
18 the well we won't come here.

19 Just to recall the way the Commission has set up  
20 its analysis makes sense that final prong of cumulation,  
21 conditions of competition isn't conditions of competition in  
22 general, it is the likely conditions of competition in the  
23 U.S. market so that they inquiry is stated with something of  
24 a presumption that the imports from the different countries  
25 are going to be here in the U.S. market.

1                   So most of their conditions of competition  
2                   argument aren't really addressing that question, they are  
3                   just saying wait, wait, wait, remember we are not going to  
4                   be here in the first place and we don't think that's  
5                   credible but.

6                   COMMISSIONER KIEFF: Thank you very much.

7                   COMMISSIONER SCHMIDTLEIN: Thank you. I'd  
8                   also like to thank the witnesses for coming today. I want  
9                   to start with a question for Mr. Kasoff. You mentioned the  
10                  domino effect of prices in the commodity grades affecting  
11                  prices in the specialty grades, and I wondered if you could  
12                  elaborate on that or sort of explain how does that work  
13                  exactly.

14                  MR. KASOFF: Well, it's in a couple of  
15                  different ways. The major ways, as the commodities are much  
16                  more difficult and the prices are low, producers are all  
17                  looking for a higher price and a higher margin to sell to.  
18                  So there's some niche products here and there that this one  
19                  competitor will pick off and then another competitor will  
20                  pick off, and then they have much more difficult competition  
21                  at that special product, so the price starts coming down for  
22                  that special product. It kind of works its way up the chain  
23                  that way.

24                  COMMISSIONER SCHMIDTLEIN: I see. So it's  
25                  basically supply shifts to the specialty products and that



1 will drive the price down?

2 MR. KASOFF: Yes, yes.

3 COMMISSIONER SCHMIDTLEIN: And I guess that  
4 speaks to your point, Mr. Winn, that you can shift the  
5 production between these products pretty easily on the same  
6 equipment?

7 MR. WINN: Right.

8 COMMISSIONER SCHMIDTLEIN: For the commodity  
9 grade and specialty grade product?

10 MR. WINN: That's correct.

11 COMMISSIONER SCHMIDTLEIN: Thank you very  
12 much. I had a couple of questions for counsel, Mr. McLain.  
13 I wanted to follow up on, I think it was Commissioner  
14 Pinkert, who asked about the fact that Brazil is a net  
15 importer, and your answer was -- and whether that should  
16 affect our analysis here in terms of cumulation, and that  
17 China's also a net importer.

18 You made the point that no one's arguing that  
19 we shouldn't cumulate China, right. I guess my question for  
20 you is but isn't the volume of China's exports and the trend  
21 dramatically different than Brazil's, and would that affect  
22 our analysis in terms of our consideration of the fact that  
23 Brazil's a net importer and even though we have considered  
24 net importers to be cumulated in other cases? So how does  
25 that play into our --

1                   MR. McLAIN: I think that trends in exports as  
2 a proportion of total production can be relevant, but there  
3 has to be something striking about it, and it also has to be  
4 a situation that you find will likely obtain in the  
5 reasonably foreseeable future. So that's a little cryptic;  
6 I will explain.

7                   The key with Terphane is that trend in the  
8 proportion of exports is not indicative because of what we  
9 just mentioned, that right now in 2014 and next year in  
10 2015, there is a significant amount of capacity that is  
11 being brought on line specifically -- or one of the two  
12 primary reasons is to get their export levels back up, and  
13 there is Terphane, I don't want to get into confidential  
14 information.

15                   COMMISSIONER SCHMIDTLEIN: Okay.

16                   MR. McLAIN: And where the Commission has  
17 said, you know, we're going to decumulate that country  
18 because of the patterns of its exports, usually it's a very  
19 marked shift, a noticeable withdrawal, where it says we're  
20 just getting out of the export game. We're just really  
21 focused on the home market.

22                   That's not what the record shows here. So you  
23 know, silica manganese from Venezuela. The Venezuelan  
24 company didn't just have a huge shift out of the U.S.  
25 market, you know, a total withdrawal and then a total

1 withdrawal from other export markets.

2 What you have here is a dramatic shift out of  
3 subject exports to the U.S. market, continued export of  
4 non-subject product to the U.S. market, and now an explicit  
5 policy of bringing on capacity in large part to be able to  
6 increase exports.

7 So that doesn't seem to me to be of a piece  
8 with situations where you've said ahh, changes in the  
9 proportion of exports are a good reason to decumulate.

10 COMMISSIONER SCHMIDTLEIN: So this -- I mean  
11 maybe this could be maybe an unfair question or a difficult  
12 question. But would you agree, I mean given the record we  
13 have with what Brazil's done over the POR, what their net  
14 importers so forth, their exports overall, that this fact  
15 that they're bringing on this massive amount of new  
16 capacity, compared to what they have right now, that that's  
17 -- that really the whole case comes down to that, that  
18 that's a game-changer, in terms of how we analyze this case.

19 MR. McLAIN: Yes, but I think that's more or  
20 less true. The only thing I would add is their -- if you  
21 look at 2007, look at the runup from 2005, 2006, 2007, the  
22 Period of Investigation, look at how important subject  
23 exports were becoming as a share of their total capacity.

24 And that's -- and that's what I mean when I  
25 say that it's the presence of the order and basically being

1 at a prohibitive level is distorting the current mix you see  
2 like in 2013, the mix between subject and non-subject,  
3 between exports and home market sales, and between shipments  
4 to the U.S. market and elsewhere.

5 So you know, to us it's hard to say that it  
6 wasn't the order that worked that change.

7 COMMISSIONER SCHMIDTLEIN: Uh-huh, okay.

8 MR. McLAIN: But yes, the -- sort of the thing  
9 that settles is is this capacity increase.

10 COMMISSIONER SCHMIDTLEIN: Uh-huh. Can you  
11 respond to their argument that if they did come back into  
12 the market, that they would not be under-selling, and that  
13 this is supported by the record in the original  
14 investigation, where there was mixed over-selling and  
15 under-selling, and the margin of under-selling was  
16 relatively small?

17 MR. McLAIN: Umm --

18 COMMISSIONER SCHMIDTLEIN: Do you think that's  
19 probative?

20 MR. McLAIN: I mean I think it's -- I think  
21 it's probative that -- I'd prefer to get into that in the  
22 post-hearing brief, I think.

23 COMMISSIONER SCHMIDTLEIN: Okay. That would  
24 be great. I'd welcome that, and then finally, I wanted to  
25 ask about the financial performance of the U.S. companies.

1 I'm not sure who can respond to this. Again, maybe it's  
2 counsel. You know, we see that over the POR that the U.S.  
3 industry, at least some of the companies are experiencing  
4 operating losses.

5 So I wonder if you could discuss what's  
6 driving that? Is it -- since these companies are under --  
7 you know, the companies from the original investigation are  
8 under order. So it is non-subject import competition? Is  
9 it intra-industry import competition?

10 MR. McLAIN: Do you guys have anything?

11 MR. KASOFF: It's subject -- subject and  
12 non-subject both contribute to that, mostly I would say  
13 subject. There's the industry competition from all  
14 suppliers in some countries that are not under order as  
15 well. So it's a massive over-supply, the price is low, the  
16 raw materials have been up and down. But the prices do not  
17 match enough to cover our margins sufficiently, and that's  
18 the net result.

19 MR. WINN: Well, I'd like to add --

20 COMMISSIONER SCHMIDTLEIN: Mr. Winn, would you  
21 like to add something?

22 MR. WINN: --to this, and I think we've  
23 mentioned this thing several times before, is that our  
24 industry does require very, very high utilization rates,  
25 even though we have a good mix of commodities and specialty

1 products that give us the economic value that we're looking  
2 for.

3 I think the lower spectrum of the product mix,  
4 the pricing has been significantly depressed for a very long  
5 period of time, and those margins that the U.S. producers  
6 can get from the lower end at these lower prices, they're  
7 just too low for us to add into the spectrum of all the  
8 products that we're making, to get a very adequate return.

9 That's one of the big issues that we're  
10 dealing with now, is there's so much capacity coming in from  
11 different places. The pricing has been depressed, as  
12 margins are very, very limited. That does force us to run  
13 the equipment. I don't know how you run at 110 percent, but  
14 that's what we try to do during these periods of time.

15 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I  
16 think I'll wait until the next round. My time is almost up,  
17 thank you.

18 CHAIRMAN BROADBENT: Okay. Let's see. During  
19 the original Period of Investigation, it appears that market  
20 share taken by subject imports came at the expense of  
21 non-subject imports, not domestic producers. If subject  
22 imports were to re-enter the market and take market share,  
23 is it more likely that they would take market share from the  
24 domestic producers or other sources of imports?

25 MR. McLAIN: I think we're already seeing

1 proof from 2010 to 2013, the patterns of subject imports  
2 that are able to come here. They're taking from both, and  
3 given -- so the U.S. industry has lost share, but  
4 non-subject imports have lost share, and I think it is  
5 likely that that will just be magnified if the orders are  
6 revoked, just because of the immense scale of the subject  
7 imports that are likely to come here, given the size of the  
8 industry.

9 CHAIRMAN BROADBENT: Okay. Terphane has  
10 consistently told the Commission that its plan was to sell  
11 non-subject merchandise to the United States, and to sell  
12 subject PET film to its home market and to Latin America.  
13 During the original Period of Investigation, its exports to  
14 the United States were low, and during the POR, the current  
15 Period of Review, it has continued to ship almost  
16 exclusively to its home market and to a much lesser extent  
17 to regional markets.

18 If a foreign producer consistently does what  
19 it says, as we've been working with them through these  
20 different periods of Investigation, why do we expect that  
21 they will shift their strategy upon revocation of the order?

22 MR. McLAIN: Well, I guess I would disagree  
23 with the characterization of what was happening before the  
24 order. I think it's a dramatic increase in subject imports  
25 from Brazil, and then 42 percent anti-dumping duty and the

1 tap gets shut off.

2 So I don't think it's -- basically, what we  
3 are seeing is Terphane rolled out a story the first -- in  
4 the original investigation, and it didn't match the facts  
5 and the Commission didn't buy it, and rightfully so. Then  
6 they are trying to bring out the same story, but the -- you  
7 know, the exit from the U.S. market is a function of the  
8 anti-dumping duty order.

9 CHAIRMAN BROADBENT: Okay. Terphane argues on  
10 page 10 and 11 of its pre-hearing brief that as a result of  
11 several successful Brazilian anti-dumping actions against  
12 third country exporters, that it has secured its own strong  
13 and stable market for PET film in Brazil.

14 Do you agree that these actions make the  
15 Brazilian product more likely to continue focusing on its  
16 home market?

17 MR. McLAIN: No. We see the relative focus  
18 decreasing, simply because they have far more capacity than  
19 their home market can absorb. So yes, in isolation, if you  
20 have trade remedy orders coming up in your home market, yes,  
21 that's likely to give you a benefit from price in the  
22 abstract.

23 But what happens when you're done selling to  
24 your home market? There's no more demand in your home  
25 market. You've filled it, and you have lots of capacity



1 left over, and that's the situation we have here.

2 CHAIRMAN BROADBENT: Okay.

3 MR. McLAIN: Sorry, Madam Chairman. I would  
4 just add, you know, there is a disagreement amongst the  
5 parties in terms of just comparing different country markets  
6 on just a pure price to price basis.

7 CHAIRMAN BROADBENT: Right.

8 MR. McLAIN: We think there's reliable  
9 information in the record that supports our view, and we'd  
10 be happy to get into it in the post-hearing brief, in terms  
11 of just those price comparisons. But I guess our point is  
12 even if you accept Terphane's view of the relative pricing  
13 between Brazil and other markets, that still doesn't get  
14 them where they need to be, just because of the excess  
15 capacity issue.

16 CHAIRMAN BROADBENT: Okay, yeah. If you could  
17 discuss that pricing in the post-hearing, that would be  
18 helpful. What is a reasonably foreseeable future in these  
19 reviews, would you say?

20 MR. McLAIN: I think based on the industry  
21 information that people rely on, and you know, as sort of  
22 for planning purposes, you know, definitely 2015 and then I  
23 think it becomes more speculative after that. But I think  
24 there's a large degree of harmony in terms of everyone's  
25 view of what's going to happen next year, and so you can say

1 that's reasonably foreseeable. I think that's consistent  
2 with the Commission's approach in other cases.

3 CHAIRMAN BROADBENT: So what are you  
4 predicting will happen in 2015 with the Brazilian  
5 production?

6 MR. McLAIN: That just -- and it's really not  
7 -- it's not my prediction. If you look at Terphane's  
8 questionnaire data, they tell you how much capacity will be  
9 added next year, and if you assume that the growth rates in  
10 the Brazilian market will be at very robust levels, sort of  
11 as good as any market around the world, which is a pretty  
12 favorable assumption in their favor, there's still going to  
13 be massive over-capacity, and that PCI Films Consulting,  
14 that public report that I quoted in my opening statement,  
15 they second that view, that there's just too much capacity.

16 CHAIRMAN BROADBENT: Too much capacity for  
17 Terphane?

18 MR. McLAIN: Sorry, for it to be used up just  
19 in terms of selling to Brazilian demand.

20 CHAIRMAN BROADBENT: Okay, and you're citing  
21 this report. I've got to go back and look at that. But in  
22 terms of Terphane's capacity in Brazil and the Brazilian  
23 domestic market, there's just going to be way over-capacity  
24 in 2015?

25 MR. McLAIN: Yeah, and both in terms of

1 Terphane in isolation, but also Terphane is not the only  
2 game in town in the Brazilian market. It's under pressure  
3 from non-Latin America firms and now you've got, you know,  
4 just as Terphane's bringing on a 30,000 kiloton line, OPD  
5 Films in Peru is doing it as well.

6 So I don't think it's fair to characterize  
7 Brazil as this wonderland of, you know, monopoly prices.  
8 That's not really what they're saying, but they're under  
9 pressure there, and the market is over-supplied. So  
10 something will have to be done.

11 CHAIRMAN BROADBENT: Okay. I think I will  
12 yield to Vice Chairman Pinkert.

13 VICE CHAIRMAN PINKERT: Thank you, Madam  
14 Chairman. I just have a couple of follow-up questions.  
15 First of all, given that the affirmative determination in  
16 the investigation was a threat determination rather than a  
17 present injury determination, should we be considering the  
18 facts that we discovered in the underlying investigation at  
19 all in this review?

20 MR. McLAIN: Yes. I mean, those facts shouldn't  
21 be sort of -- they should be kept in the perspective of what  
22 you found that -- which was a finding of threat. But I  
23 still think it's relevant in terms of the volume patterns  
24 that subject imports were showing. The fact that the  
25 Commission found that all industries were export oriented

1 including Brazil. And that competition in the U.S. market  
2 occurs largely on the basis of price between highly  
3 substitutable, subject imports, and the U.S. like products.  
4 So I don't really see much that can't be usefully relied  
5 upon here in terms of wanting to examine or sort of estimate  
6 the likely situation if you took the orders away.

7 VICE CHAIRMAN PINKERT: Thank you. Now, of  
8 course a lot of the discussion today has been focused on  
9 cumulation. And in particular on whether Brazil should be  
10 cumulated with the subject imports from the other countries.  
11 If we do not cumulate, and we consider Brazil on its own,  
12 what should the determination be?

13 MR. McLAIN: We should believe it should be  
14 likely material injury from Brazilian imports and likely  
15 material injury from cumulated Chinese and Emirate imports.  
16 But I freely concede that once you significantly reduce the  
17 size of subject imports that, you know, you have to think  
18 harder about what's going to happen as opposed to the way  
19 the analysis should proceed which is to say that there is no  
20 relative distinction between these three countries in terms  
21 of their ability and their incentive and the hammering  
22 impact they're going to have on the U.S. industry.

23 VICE CHAIRMAN PINKERT: And, again, assuming that  
24 we're not cumulating Brazil, how does the current state of  
25 the domestic industry play into the analysis of whether the

1 imports that would likely be coming in from Brazil would  
2 have a materially injurious impact?

3 MR. McLAIN: I think it's highly relevant. This  
4 is, in our view, an unquestionably vulnerable U.S. industry.  
5 So, if you look at just in isolation, Terphane's excess  
6 capacity in 2015, we think that's enough by itself to  
7 materially injure a vulnerable U.S. industry given that  
8 their product is just going to compete against the U.S.  
9 product on the basis of price in a major segment of the  
10 market. And as we've heard that that will pull down pricing  
11 across the board, taking low-margin commodity stuff  
12 negative, and destroying the margins on the higher end  
13 stuff. So, we still think that applies, but, you know, our  
14 prehearing brief focused on, you know, the cumulative  
15 analysis because we don't think there's any reason to  
16 deviate from that.

17 VICE CHAIRMAN PINKERT: Thank you very much.

18 Thank you, Madam Chairman.

19 CHAIRMAN BROADBENT: Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Thank you. Mr. Kasoff,  
21 Mr. Winn, do most of your customers buy a single PET film  
22 product or a variety of products?

23 MR. WINN: Okay. I'll start. I think there's a  
24 mixture of customers.

25 COMMISSIONER WILLIAMSON: Uh-huh.

1           MR. WINN: We certainly have some large customers  
2           that buy one primary product and a small number of others in  
3           other cases. And usually this is probably less true than  
4           the other type that they'll buy five, ten, 15 different  
5           types of products. Generally they are smaller customers  
6           with smaller volumes.

7           COMMISSIONER WILLIAMSON: Okay. Mr. Kasoff?

8           MR. KASOFF: Yes, we see the same mix type of  
9           effect. Some customers are one product and I would say more  
10          of our customers are a variety of products.

11          COMMISSIONER WILLIAMSON: Uh-huh. Okay. Do your  
12          contract sales usually involve multiple products?

13          MR. WINN: We have various contracts. We do  
14          have, in fact, contracts that have four or five different  
15          products that are included. In other cases we have  
16          contracts that are specific to one particular product.

17          COMMISSIONER WILLIAMSON: Okay.

18          MR. KASOFF: I would say that most of our  
19          contracts cover all the products that that customer does  
20          purchase. I'd also add that the number of contracts that we  
21          have is not -- does not cover the majority of our volume.  
22          Most of it is non-contract.

23          COMMISSIONER WILLIAMSON: Okay.

24          MR. WINN: And just to add to what Ron just said,  
25          we would say the same thing, that we have a significant

1 portion of our sales are not contractually obligated.

2 COMMISSIONER WILLIAMSON: Okay. So this ability  
3 say to provide a wide range of products is not really a  
4 competitive advantage in the sense -- a significant one to  
5 any particular customer, you know, in terms of locking in  
6 particular customers? I'm just trying to get an idea of how  
7 significant that is.

8 MR. KASOFF: I would say that, yeah, we have to  
9 look at it on a customer-by-customer basis.

10 COMMISSIONER WILLIAMSON: Yeah.

11 MR. KASOFF: What are they doing and what do they  
12 need? There are certain customers in say a medical  
13 application where it takes them a long time to qualify and  
14 they don't really want to change a lot. But they have a  
15 very strong need for a specialty product. Whereas some  
16 other ones where there's -- they can use a commodity film,  
17 there's really not a big deal there.

18 And in the specialty case, that is a major  
19 competitive advantage if we do a contract for either party  
20 to have a good reason to do a contract then we will do it.  
21 If there's no good reason to do a contract, we'll just agree  
22 price and move on, that type of thing.

23 Whereas with commodity type films, typically it's  
24 a pricing arrangement sort of deal and it's to lock in and  
25 the competitive advantage is less so in that case.

1                   COMMISSIONER WILLIAMSON: Okay. Thank you.

2                   Can you please comment now, either now or  
3 post-hearing on the data presented in Exhibit 5 of  
4 Terphane's prehearing brief that compares prices of PET film  
5 in the U.S. and Brazilian markets?

6                   MR. KASOFF: Did we address that already?

7                   MR. McLAIN: I think we did touch on it. I  
8 explained that we do have differences with their position on  
9 just the pure comparison of relative prices between  
10 different markets. But, yeah, we will discuss that in our  
11 post-hearing brief. But what we keep coming back to is,  
12 even if Terphane is right, it still doesn't matter because  
13 they'll still have lots of excess capacity even after  
14 they've finished filling demand in the Brazilian market.

15                   COMMISSIONER WILLIAMSON: Okay. Thanks.

16                   You have reported that raw material costs were  
17 the single largest component of the cost of goods sold  
18 during the period. Do you expect domestic feed stock prices  
19 to fall in the reasonably foreseeable future given the fact  
20 that the U.S. was becoming a leading supplier of low-cost  
21 global gas and oil products?

22                   MR. WINN: Yeah, we feel like at Mitsubishi that  
23 there will be and there has been a drop in raw materials in  
24 the last two or three months, and the average it's a drop  
25 all over the world. And so the big drops that we see today



1 in terms of our basic raw materials, the terephthamic acid  
2 and monoethylene glycol, I think all suppliers will see a  
3 drop in that price.

4 The natural gas price has been low for a very  
5 long period of time, so we don't see a real large different  
6 advantage today than we've seen for a very long period of  
7 time.

8 COMMISSIONER WILLIAMSON: Okay. Thank you.

9 This was the question I was wondering about.

10 Thanks.

11 Let's see -- do you think the Commission should  
12 exclude any particular domestic producer from the domestic  
13 industry as a related party? I guess Mr. McLain this is for  
14 .

15 MR. McLAIN: We haven't really worried about that  
16 question. You know, so our view is, you know, we don't  
17 object to keeping everyone in the domestic industry.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. McLAIN: That doesn't change things for us.

20 COMMISSIONER WILLIAMSON: Okay. Thanks.

21 Mr. Winn, in your testimony you mentioned surplus  
22 global capacity. I was wondering, do you think there's a  
23 surplus capacity in the U.S.?

24 MR. WINN: Yeah, I think in the information and  
25 data that's been provided, I think it indicates that the

1 U.S. is a net importer of material.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. WINN: There are cases and there have been  
4 periods of time even though our capacity is lower than the  
5 demand in the market, due to the low depressed prices, we're  
6 having to shut down capacity.

7 COMMISSIONER WILLIAMSON: Okay.

8 MR. McLAIN: Commissioner, I think that's one of  
9 the problems that the U.S. industry is facing is that  
10 they're operating at not great rates of capacity  
11 utilization. And yet the U.S. market doesn't have the same  
12 sort of over supply situation that other markets have. It's  
13 just that the low-priced imports just keep coming here and  
14 that's just been a persistent problem and this is the reason  
15 why we're here to address that.

16 COMMISSIONER WILLIAMSON: Okay. Thank you.

17 And maybe in the post-hearing you can assess how  
18 the industry has adjusted to this situation in addition to  
19 asking for a continuation of the orders.

20 MR. McLAIN: We'd be happy to do that.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.

22 I was just wondering, do you agree with the  
23 merchant market calculations in table C-2 of the staff  
24 report? Do you have any problem with that? If you want to  
25 do that post-hearing, you can.

1                   MR. McLAIN: So I don't take up the Commission's  
2 time, we'll address that post-hearing.

3                   COMMISSIONER WILLIAMSON: That's fine. Thanks.

4                   To what extent do U.S. producers rely on internal  
5 consumption and transfers to relay the firms to maintain  
6 output and profitability? And if you want to do that  
7 post-hearing.

8                   MR. KASOFF: Yes, we're one of those, but we  
9 would like to do it post-hearing, please.

10                  COMMISSIONER WILLIAMSON: Okay. Thank you.  
11 Let's see, did I have any -- okay, Mr. Kasoff, in your  
12 testimony you mentioned PET film use in photovoltaic cells.  
13 Does this end use account for a significant volume of sales?  
14 I think you indicated this sort of goes up and down. But --  
15

16                  MR. KASOFF: Yes, it does go up and down. And it  
17 had peaked back in the 2010-11 period when there was global  
18 legislation. Different countries had legislation that  
19 promoted solar cells. That has waned quite a bit. The  
20 demand is much less than it had been. However, it's still a  
21 very good sized market and it still has some growth to it.

22                  COMMISSIONER WILLIAMSON: Okay. Is it considered  
23 a -- is the PET film used market and considered a commodity  
24 grade or specialty grade?

25                  MR. KASOFF: There's both in the market. So I

1 would say -- well, yeah, there's probably a majority of  
2 commodity grade at this point. But there's a significant  
3 enough share of specialty. Maybe I'd estimate 70/30  
4 commodity to specialty.

5 COMMISSIONER WILLIAMSON: Good. Okay. I thank  
6 you for those answers. Thank you.

7 CHAIRMAN BROADBENT: Commission Johanson.

8 COMMISSIONER JOHANSON: Thank you, Chairman  
9 Broadbent. I have no further questions, but I would like to  
10 thank you all for appearing here today.

11 CHAIRMAN BROADBENT: Commission Kieff.

12 COMMISSIONER KIEFF: I also have no further  
13 questions and appreciate everybody's participation today as  
14 well as the interaction from both sides in the post-hearing  
15 process with our interaction with both sides during the  
16 hearing process. Thank you all very much.

17 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

18 COMMISSIONER SCHMIDTLEIN: I actually have one  
19 additional question. I feel a little bad now. But -- and I  
20 feel like we've talked about this, but I just wonder, before  
21 we leave here, can you, and maybe you can do it in the  
22 post-hearing as well, but it would be helpful for me. In  
23 terms of this question of commodity semi-specialty,  
24 specialty, and how much of each of those -- or I guess I  
25 should say, how much of the subject versus non-subject or

1 the scope versus out of scope -- we can call it that --  
2 those comprise? Can you just -- can you simplify this and  
3 walk me through for subject imports? How much of that is  
4 commodity, specialty, semi-specialty?

5 MR. McLAIN: We certainly would be glad to get  
6 into this in detail in the post-hearing. But, you know, the  
7 Commission has typically found that the -- you know, just  
8 talking about subject PET film, that the PET film tends to  
9 be divided between commodity and, you know, higher than  
10 commodity.

11 COMMISSIONER SCHMIDTLEIN: Right.

12 MR. McLAIN: Roughly at 60/40 or at a 70/30  
13 split. You know, just referring to prior findings in  
14 Commission PET film cases.

15 COMMISSIONER SCHMIDTLEIN: In the U.S.?

16 MR. McLAIN: In the U.S.

17 COMMISSIONER SCHMIDTLEIN: That's U.S.  
18 consumption you're talking about?

19 MR. McLAIN: Yes.

20 COMMISSIONER SCHMIDTLEIN: Okay.

21 MR. McLAIN: And if you guys want to add to that.

22 MR. WINN: I'd just like to add that in our  
23 facility in the United States we make only subject film.  
24 And we make a wide spectrum. We don't make every single  
25 product that's subject, but we make a very wide spectrum of

1 the product from thin, thick, specialty, nonspecialty,  
2 semi-specialty, it's all made on the same equipment, the  
3 same people operate the same equipment to make those  
4 particular products.

5 COMMISSIONER SCHMIDTLEIN: Okay.

6 MR. WINN: So it's very confusing and frankly  
7 even within our industry within Mitsubishi, there are  
8 arguments about well, what specialty, what semi-specialty,  
9 and I can understand how difficult it is to understand.

10 A point that I would like to make about the  
11 commodity specialty split is that we are very willing to  
12 participate in higher levels of either one of those, but we  
13 have to follow an economic model that has a payback for  
14 those products that we make. And that's the driver. It's  
15 not that we don't want to make commodity, or we don't want  
16 to make a specialty, it's all driven by the pricing model  
17 that's there. The equipment is there. It's very easy for  
18 us to make a commodity grade packaging film.

19 We would love to make high volumes of this  
20 material and expand every two or three years. We would like  
21 to do that.

22 COMMISSIONER SCHMIDTLEIN: So for product that is  
23 out of scope, that includes both commodity and specialty,  
24 what could be considered commodity type products and  
25 specialty type products as well?

1                   MR. McLAIN: Under Terphane's view of the world,  
2                   and the Commerce scope decision that is under challenge by  
3                   us at the Court of International Trade right now, yes.  
4                   Because that was the departure that we see there is that  
5                   they said that Terphane's commodity coextruded films can be  
6                   considered equivalent PET film when we don't think there's  
7                   any resemblance to the prototypical type of equivalent PET  
8                   film which is Cronar and estar which is a very different  
9                   film from these Terphane commodity packaging films. But --  
10                  and we will hope to clarify all of this in the post-hearing  
11                  brief.

12                  COMMISSIONER SCHMIDTLEIN: Okay.

13                  MR. McLAIN: But the point I would like to leave  
14                  you with is I think it's incorrect for Terphane to at least  
15                  imply that there is a significant value difference between  
16                  the non-subject space and the subject space and that that's  
17                  one more reason why it would focus on non-subject because  
18                  better to be in the higher-valued space. I ask that you --  
19                  and we will present this in our post-hearing brief but it's  
20                  instructive to compare the average unit values of their  
21                  subject and non-subject home market shipments during the  
22                  period of review. I think that's quite revealing that that  
23                  conception of the relative values doesn't hold water.

24                  COMMISSIONER SCHMIDTLEIN: Okay. And so just two  
25                  follow ups. So when we talk about there being a global

1 glut, a global oversupply, since these products can be  
2 shifted between commodity versus specialty, you're not  
3 trying to distinguish -- you can correct me if I'm wrong,  
4 right, are you trying to distinguish or not trying to  
5 distinguish between those two when we say, there's an  
6 oversupply of capacity, it covers it all; is that --

7 MR. McLAIN: It does. It does because the  
8 subject versus non-subject is mostly a legal construct in  
9 the U.S. trade remedies world --

10 COMMISSIONER SCHMIDTLEIN: Right.

11 MR. McLAIN: -- rather than -- you know, it's not  
12 like you will read a widely used industry publication and  
13 they'll say now we'll talk about non-subject.

14 COMMISSIONER SCHMIDTLEIN: Uh-huh. Right.

15 MR. McLAIN: It's just -- so we're talking about  
16 the whole enchilada, but when we say Terphane is going to  
17 have significant excess capacity for subject film, that is  
18 assuming that non-subject demand grows at robust rates and  
19 not-subject demand grows at robust rates, there is still  
20 significant excess demand that is readily available to use  
21 to make subject product.

22 COMMISSIONER SCHMIDTLEIN: Okay. All right.  
23 That's helpful. All right. I don't have any further  
24 questions. Thank you.

25 CHAIRMAN BROADBENT: Okay. If Commissioners have



1 no further questions, does the staff have any questions for  
2 this panel?

3 MR. McCLURE: Thank you, Madam Chairman. Jim  
4 McClure, Office of Investigations. Staff has no questions.  
5 We would like to thank all the panel participants for  
6 coming. The best information we get is from the folks who  
7 are really on the ground.

8 CHAIRMAN BROADBENT: Do those in opposition have  
9 any questions for this panel?

10 MR. JONES: No questions, Madam Chairman, thank  
11 you.

12 CHAIRMAN BROADBENT: Thank you. In that case I  
13 would like to congratulate the panel on a succinct,  
14 to-the-point presentation. We appreciate your well-chosen  
15 words. In that case I think it's time for our lunch break.

16 We will resume at 12:30. The hearing room is not  
17 secure. So please do not leave confidential business  
18 information out. And I want to again thank all the  
19 witnesses for coming today.

20 (Whereupon, at 11:30 a.m., the hearing was  
21 recessed to resume this same day at 12:30 p.m.)

22

23

24

25

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

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

3                   CHAIRMAN BROADBENT:    Thank you Mr. Secretary.

4                   I want to welcome the afternoon panel to the ITC.  I would  
5                   like to again remind all the witnesses to speak clearly into  
6                   the microphone and state your name for the record for the  
7                   benefit of the court reporter.  You may begin when you are  
8                   ready.

9                   MR. JONES:    Thank you Madam Chairman.  My name  
10                  is Steve Jones.  I'm with the law firm of King & Spalding  
11                  and I'm here today on behalf of Terphane Incorporated and  
12                  Terphane, Ltda.  I'm accompanied by Mike Taylor of King &  
13                  Spalding and I'd like to introduce our industry witness, Mr.  
14                  Dan Roy the General Manager of Terphane.  Dan?

15                  STATEMENT OF DANIS J. ROY

16                  MR. ROY:    Thank you.  Good afternoon.  My name  
17                  is Dan Roy I'm the General Manager of Terphane, Inc. in  
18                  Bloomfield, New York.  I've worked in the PET film business  
19                  for about 25 years and for Rhone Poulenc Films and Terpahne  
20                  for a total of about 16 years.  Starting as a Product  
21                  Manager before holding positions in the U.S. and Europe as a  
22                  Sales and Marketing Manager and then as a Sales and  
23                  Marketing Director.  I assumed my current position in 2006.

24                  As General Manager of Terphane, I am  
25                  responsible for production, marketing and sales of

1 Terphane's PET film in Brazil, the United States and in all  
2 of our export markets. In other words, I coordinate and  
3 manage Terphane's production and sales strategies in all  
4 markets.

5 Terphane's production facility in Cabo de Santo  
6 Agostinho, Brazil was established in 1979 under the  
7 management of Rhodia, and Terphane was founded in 1998 when  
8 Rhone Poulenc spun off that business. Terphane's U.S.  
9 production facility was acquired from Kodak in 1988. The  
10 company was acquired by Tredegar Corporation, which is  
11 headquartered in Richmond, Virginia in 2011.

12 At the outset, I would like to say that Terphane  
13 understands that the Commission found a disconnect between  
14 the positions we took in the original investigation and the  
15 evidence we placed on the record to support those positions.  
16 That certainly was not intentional, but we have endeavored  
17 through our counsel in this proceeding to provide the  
18 Commission with as much information as possible to support  
19 our positions.

20 Furthermore, the evidence on the record  
21 demonstrates that Terphane has followed the strategy it  
22 described during the original investigation. Terphane has  
23 increased its focus on sales in the Brazilian home market  
24 and regional export markets, while exports to the United  
25 States have been non-subject, value-added and specialty

1 films.

2 In that light, my intent today is to explain  
3 Terphane's strategy and goals for producing and selling PET  
4 film and to demonstrate why Terphane poses no threat to the  
5 U.S. industry producing PET film if the Brazil order is  
6 revoked. We have provided copies of our current business  
7 plans and future forecasts to the Commission and for  
8 competitive reasons I will not be able to discuss the  
9 specific details of those plans.

10 But I can outline our strategy in a general way  
11 for you today. In short, our strategy is to increase and  
12 maximize our market share in Brazil and in our regional  
13 export markets, and to continue to supply a relatively small  
14 volume of non-subject specialty products to customers in the  
15 United States.

16 Before I proceed further, it might be helpful to  
17 define some of the terms I will use in this presentation.  
18 I will call products that are subject to the scope of the  
19 order "subject" films. These films are almost entirely  
20 basic, commodity films, such as the products for which the  
21 Commission collected pricing information -- plain films,  
22 corona treated films, and chemically treated films.

23 These are types of films that producers in China  
24 and the UAE focus on and export in significant quantities to  
25 the United States. I also will be referring to "commodity"

1 films and "specialty" films. This is how we categorize the  
2 products at Terphane.

3 Commodity films include subject films, but they  
4 also include some films that are not subject such as some of  
5 our copolymer resinous surface films that Commerce  
6 determined were outside the scope of the order. For  
7 example, our 10.21 product is a commodity film that is  
8 non-subject merchandise. Also, it is important to  
9 understand that while we at Terphane refer to such copolymer  
10 resinous surface films as commodity films, in the  
11 marketplace they are reviewed by many as specialty films.

12 Specialty films include products with special  
13 performance attributes that can be added in several ways  
14 such as in-line during the extrusion and casting process or  
15 during the stretching and annealing processes. Attributes  
16 can also be added off-line using secondary process  
17 equipment, such as various types of coating and metallizing.

18 Therefore, with very few exceptions, subject film  
19 is commodity film, but very little subject film is specialty  
20 film. Not all of commodity film is subject film. In other  
21 words, subject film is essentially a subset within the  
22 commodity film category. So "commodity" versus "specialty"  
23 is not the same thing as "subject" versus "non-subject".

24 Last month, Terphane's Brazilian plant started  
25 its fourth PET line which we call P4. Prior to starting

1       this new line, our plant in Brazil had a nameplate capacity  
2       of about 34,000 tons. That capacity included production of  
3       both subject and non-subject films. We have been  
4       essentially sold out and have been losing business  
5       opportunities in the Brazilian home market and South  
6       American export markets that are the focus of our business  
7       due to this lack of capacity.

8                 The public import and export data in the  
9       pre-hearing report show Brazil's exports of PET film  
10      declining over the period as the home market consumed  
11      increasing portions of our production. We therefore  
12      requested and received approval from Tredegar in 2012 to  
13      install the new P4 production line. Because it is  
14      impossible immediately to produce to full capacity, we hope  
15      to ramp P4 up to its capacity of about 28,000 tons over the  
16      next 18 months or so. This ramp up period is necessary for  
17      technical reasons but it also has the benefit of allowing  
18      Terphane gradually to ramp up production so that we do not  
19      flood the market with new product.

20                In addition, it is important to recognize that  
21      when we started P4 production last month, we stopped  
22      production of our oldest line, which had annual production  
23      capacity of 3,300 tons. We have no plan to restart that  
24      line. As part of the expansion project in Brazil, we also  
25      added a new metalizer with the capacity of 3,700 metric tons

1 per year.

2 Whether and when we utilize our full P4 capacity  
3 in Brazil will depend primarily on demand and growth in the  
4 Brazilian market and in our regional export markets such as  
5 Argentina and Chili. Based on our current projections, we  
6 expect to be able to use all of our available capacity by  
7 2017.

8 Terphane's strategy is to maintain and strengthen  
9 its leadership position in Brazil by offering a broad range  
10 of products and services, namely destined for flexible  
11 packaging applications as well as growing opportunities for  
12 industrial applications as these markets continue to grow.

13 Having a production facility in Brazil enables us  
14 to offer short lead times and the ability to be a responsive  
15 partner to our Brazilian customers. Our long-term  
16 relationships with Brazilian converters and end users  
17 reflect our commitment to promote the use of PET film, to  
18 develop new products and continue to invest in our  
19 production assets to meet the growing demand of PET film in  
20 Brazil.

21 In other Latin American countries our strategy  
22 also is to be the preferred supplier of PET film with the  
23 focus in the last few years on specialty PET film sales.  
24 This focus is a result of capacity constraints and a lack of  
25 availability to offer the full range of products needed by

1 these customers.

2 The new P4 line will enable us to increase our  
3 market share in Latin America and regain the leadership  
4 position we once held by being able to offer the same range  
5 of products to customers in those markets as we currently  
6 offer in Brazil. We have been servicing the Latin American  
7 market for over 30 years and have maintained an extensive  
8 distribution network in place to service our customers and  
9 take advantage of the growth opportunity offered by these  
10 important markets for our products as we increase our  
11 capacity.

12 Our North American market strategy differs from  
13 our strategy in Latin America as our focus in North America  
14 is to be a niche player and offer specialty PET film mainly  
15 for flexible packaging applications. The target segments  
16 are clear barrier, heat sealable, peelable and modified  
17 surface films such as high and low COF and matte which are  
18 augmented by sales of high performance print grade PET film  
19 required for some applications. These types of films are  
20 non-subject merchandise. We do not intend to export  
21 subject merchandise to the United States.

22 Therefore, our intent is to use our new capacity  
23 primarily to serve Brazilian customers with commodity film  
24 and it is important to emphasize that Terphane sales in  
25 Brazil and in the regional export markets are primarily



1 commodity film, including subject film. Whereas, our sales  
2 in the United States are primarily non-subject commodity  
3 film and specialty film.

4 Our ability to use our new capacity primarily to  
5 serve Brazilian purchasers of commodity film will free up  
6 capacity from our other lines to focus on increasing sales  
7 of specialty products in Brazil and other markets including  
8 the United States.

9 In Brazil we are the market leader and we have  
10 relationships with all the major purchasers. Many of them  
11 have been purchasing film from us for decades. We supply  
12 many of these customers with all of their film needs from  
13 subject film to specialty film. Although the specialty  
14 film market in Brazil is not as large as in the United  
15 States, it is growing quickly as the Brazilian economy  
16 develops.

17 We expect this trend to continue and for the  
18 specialty film side of our business to grow faster than the  
19 commodity side of the business.

20 Aside from one small, accidental shipment in  
21 2009, we have not imported subject film from Brazil into the  
22 United States since the order was imposed. Instead, at our  
23 U.S. manufacturing facility, we have manufactured some  
24 subject film in the United States and we will continue to do  
25 that to serve relatively small customer demand. But we have

1 no intention to import subject film from Brazil into the  
2 United States. That is simply not the market we target.  
3 Specialty non-subject film is our target market in the  
4 United States.

5           There are several reasons for this. First, our  
6 production capacity in Brazil is primarily intended to  
7 supply customers in Brazil. This has always been the case  
8 and it is even more so today than it was during the original  
9 period of investigation. Since the order was imposed, our  
10 product mix has changed and we are producing far less  
11 subject merchandise than we did at that time.

12           Second, we have never added capacity in Brazil  
13 with the intent of increasing exports of subject merchandise  
14 to the United States. If all goes well with our new P4  
15 line, we hope to use it primarily to make commodity film for  
16 customers in Brazil. All of the data behind this business  
17 goal are confidential we made them available to you as an  
18 exhibit in our foreign producers questionnaire response. I  
19 am able to say now however, that the Brazilian markets  
20 product mix is tipped much more toward the commodity end of  
21 the spectrum than the United States where value added  
22 specialty films are a focus, this will continue for the  
23 foreseeable future.

24           While we plan to produce commodity film on the  
25 new line we are not planning to produce subject merchandise

1 on this line, thus far we have not produced any and we have  
2 no plans to produce any. Instead we intend to produce the  
3 non-subject films like our copolymer resinous surface films  
4 on P4. We also hope it will free up some capacity to make  
5 and export non-subject, specialty film for customers in the  
6 United States.

7 Third, there will be sufficient market demand in  
8 Brazil and in Latin American export markets to absorb this  
9 new capacity. In fact, we are extremely excited to have  
10 new capacity available to market to our customers in Brazil  
11 and other Latin American markets. We have been forced to  
12 forego business opportunities in Brazil over the past three  
13 years due to lack of capacity. Having this new capacity  
14 will enable us to increase our sales and achieve our market  
15 share goals in Brazil and other Latin American markets.

16 It is important to remember, however, that our  
17 new capacity is not coming on line all at once. We intent  
18 to bring the new P4 line up to full speed gradually,  
19 hopefully reaching full capacity utilization over the next  
20 18 months or so. It is also important when considering our  
21 capacity, to keep in mind that production machinery must  
22 routinely be taken down for maintenance. Thus, practical  
23 capacity is always somewhat lower than nameplate capacity.

24 Fourth, commodity film prices are higher in  
25 Brazil than they are in the United States. This difference

1 is not a sudden development -- commodity film prices have  
2 been higher in Brazil for many years, and we expect that  
3 they will continue to be higher in the future. Thus, we  
4 have a strong incentive to maximize our sales in Brazil.  
5 Prices are higher in Brazil for a number of reasons  
6 including anti-dumping duty orders covering imports from  
7 Mexico, UAE and Turkey and pending investigations that  
8 should be completed by March 2015 against imports from  
9 China, Egypt and India.

10 We expect those investigations to be successful  
11 and for orders to be imposed. We seek to ensure that  
12 import pricing in the Brazilian market is fair, and we will  
13 monitor import competition carefully and not hesitate to  
14 seek relief under the Brazilian anti-dumping law if we are  
15 being injured by unfair pricing.

16 Fifth, we are not set up, either from a  
17 production or a marketing standpoint to compete for sale in  
18 the United States of subject merchandise with large  
19 producers such as the petitioning companies, the new plants  
20 installed in the United States by Polyplex and Uflex, or  
21 imports from China and the UAE.

22 In fact, because of the substantial new capacity  
23 installed in the United States since the order was imposed,  
24 which was intended primarily to produce subject film, we are  
25 far less capable of competing in this segment of the market

1 than we were during the original period of investigation  
2 when we held an extremely low market share.

3 We are not interested in this relatively high  
4 volume, low margin sales of subject film. Frankly, it  
5 would not be economically practical for us to compete in  
6 that segment of the market. Instead, our focus in the  
7 United States is on specialty, niche, non-subject products  
8 that require a high degree of technical support and service  
9 -- places where we believe we bring value.

10 This is where we can be competitive in the U.S.  
11 market and this is where our focus will be. In the rare  
12 instances where we sell merchandise that meets the scope  
13 language to U.S. customers, it is a specialty film that is  
14 made in our U.S. facility.

15 In contrast with our situation, producers in  
16 China and the UAE are highly export-oriented and focus on  
17 the production and sale of subject merchandise. They have  
18 the type of production facilities in scale to be competitive  
19 for sales of subject merchandise in the U.S. market.

20 In fact, whereas Terphane had just one incidental  
21 import shipment of subject merchandise from Brazil after the  
22 order was imposed, imports of subject film from China and  
23 the UAE continued at significant and increasing volumes.  
24 The interest of the Chinese and UAE producers to compete for  
25 the subject film business in the United States could not be

1 clearer. In contrast, Terphane has neither the interest  
2 nor the ability to compete for this business.

3 In short, Terphane is not interested in selling  
4 subject film in the United States. We have not done it, do  
5 not intent to do it and have strong incentives not to do it.

6 In all of these ways we are different than the Chinese and  
7 UAE producers. We hope you will conclude that there are  
8 significant differences between Brazil on the one hand and  
9 China and the UAE on the other and that you will consider  
10 imports from Brazil in isolation and make a negative  
11 determination in this review.

12 Thank you for your attention and I look forward  
13 to answering your questions.

14 STATEMENT OF STEPHEN A. JONES

15 MR. JONES: Thank you, Dan. This is Steve  
16 Jones on behalf of Terphane. I would like to discuss  
17 Terphane's position that imports from Brazil should not be  
18 cumulated with imports of subject merchandise from China and  
19 the UAE.

20 The statute gives the Commission discretion to  
21 cumulate in sunset reviews, if certain statutory conditions  
22 are met, but prohibits cumulation if the Commission  
23 determines that imports are likely to have no discernible  
24 adverse impact on the domestic industry.

25 If the statutory conditions are met and

1 imports are likely to have a discernible adverse impact on  
2 the domestic industry, the Commission still may exercise its  
3 discretion not to cumulate, if it finds that the imports in  
4 question are likely to compete under different conditions of  
5 competition after revocation of the orders.

6 In this case, imports from Brazil are likely  
7 to have no discernible adverse impact on the domestic  
8 industry. But regardless, the Commission's precedent also  
9 demonstrates that cumulation would be inappropriate in this  
10 case, due to likely differences in the conditions of  
11 competition.

12 Imports from Brazil are not likely to have any  
13 discernible adverse impact on the domestic industry, because  
14 Terphane is home market oriented, ceased its exports of  
15 subject merchandise to the United States six years ago, and  
16 is not going to resume exports of subject merchandise if the  
17 order is revoked.

18 Petitioners have argued that Terphane ceased  
19 exports of subject merchandise because of the order. That  
20 assertion is inconsistent with the record evidence, which  
21 shows that Terphane's business plan for sales of the subject  
22 merchandise is to focus on the Brazilian market and regional  
23 export markets.

24 Terphane's confidential data show that its  
25 export activity has been minimal compared to its sales in

1 Brazil, and to the extent exports occurred, they went  
2 primarily to other markets in South America. In short, the  
3 Brazilian home market drives Terphane's business strategy,  
4 and this emphasis will continue in the future.

5 As Mr. Roy testified, execution of the  
6 business plan is closely coordinated by Terphane's Brazilian  
7 and U.S. operations. The plan does not envision exports of  
8 subject merchandise to the United States, and Terphane  
9 Limitada can ship to the U.S. market only through Terphane,  
10 Incorporated.

11 The Commission has previously relied on close  
12 regional coordination in finding that imports were unlikely  
13 to have -- were likely to have no discernible adverse impact  
14 on the domestic industry. To reach a contrary conclusion in  
15 this case, the Commission would need to determine that it is  
16 likely to Terphane will either change its business plan, or  
17 act in ways that are contrary to its business plan, and  
18 there is no evidence to support either conclusion.

19 Terphane's demonstrated lack of interest in  
20 the U.S. market and focus on home market supply are similar  
21 to the situation in Carbon and Certain Alloy Steel Wire Rod  
22 from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago  
23 and Ukraine, where the Commission made a finding of no  
24 likely discernible adverse impact with respect to imports  
25 from the Ukraine, based on the industry's demonstrated lack



1 of interest in the U.S. market, and its focus on supplying  
2 the home market. The Commission should reach the same  
3 conclusion here.

4 The record of this review also confirms that  
5 Terphane Limitada has strong economic incentives not to  
6 export subject film to the United States. In other words,  
7 its business plan makes sense. While much of that evidence  
8 is confidential, the public record confirms that the growth  
9 of PET film demand in Brazil has been the highest in Central  
10 and South America. Available third party forecasts indicate  
11 that this will continue through 2018.

12 Terphane could not meet this increasing demand  
13 in Brazil and elsewhere in Latin America at its current  
14 production levels, as Terphane Limitada has installed, or is  
15 in the process of installing and has installed its new P4  
16 film line to serve those markets.

17 As Mr. Roy explained in his testimony,  
18 Terphane does not intend to use its new P4 line to produce  
19 subject film for the U.S. market. Instead, by serving  
20 primarily commodity film producers at home, this new line  
21 will free up other capacity to produce non-subject products,  
22 some of which will be exported to the United States. There  
23 is no evidence to suggest, however, that Terphane will not  
24 faithfully execute its plan.

25 Terphane's home market has numerous

1 advantages, including growing demand, higher sales prices,  
2 tariff advantages, anti-dumping protection and strong  
3 customer relationships. Together, these factors create  
4 strong economic incentives for Terphane to remain focused on  
5 its Brazilian home market and regional export markets, and  
6 not to try to export subject merchandise to the U.S.

7 Terphane provided the Commission with  
8 confidential data, for example, comparing its commodity PET  
9 film prices in Brazil and North America. There is no  
10 question that Brazil is more favorable market for Terphane  
11 for commodity film. Prices in Brazil are likely to remain  
12 favorable, based on a number of factors we discussed in our  
13 brief.

14 Because Terphane Limitada has not exported  
15 subject merchandise to the United States since 2009,  
16 coordinates its business plan with its U.S. affiliate  
17 Terphane, Incorporated, which controls all imports from  
18 Brazil, and has strong economic incentives to focus on  
19 developing its home and regional markets, revocation of the  
20 order on PET film from Brazil would likely have no  
21 discernible adverse impact on the domestic industry.

22 Accordingly, the Commission should determine  
23 that cumulation of imports from Brazil with those from China  
24 and the UAE is prohibited in this case. Even if the  
25 Commission finds that cumulation is permissible under the

1 statute, however, it should exercise its discretion not to  
2 cumulate, because imports from Brazil are likely to compete  
3 under different conditions of competition.

4 In contrast with Brazil, the industries in  
5 both China and the UAE are likely to play a substantial and  
6 increasing role in supplying the U.S. market for subject  
7 film if the orders are revoked. In addition, Terphane's  
8 product mix is completely different from producers in China  
9 and the UAE because Terphane focuses on non-subject PET film  
10 in the U.S. market.

11 The company's strategy is to focus on the  
12 Brazilian and regional export markets, for sales of subject  
13 and commodity film. This case is therefore similar to  
14 Helical Spring Lock Washers From China and Taiwan and  
15 Magnesium From China and Russia.

16 In Helical Spring Lock Washers, the Commission  
17 identified a difference in product mix, which constituted a  
18 difference in conditions of competition, such that the  
19 imports should not be cumulated. Similarly, in Magnesium  
20 From China and Russia, product mix was a factor in the  
21 decision to decumulate Russia, where the Commission found  
22 that "Imports from Russia have been and are likely to remain  
23 primarily pure magnesium, whereas the scope of the order  
24 with respect to China is limited to alloy magnesium."

25 In these cases and others, the Commission has

1 found that a producer's focus on a different mix of products  
2 than producers in other subject countries may constitute a  
3 difference in conditions of competition, such that imports  
4 should not be cumulated.

5 Terphane Limitada has focused and will  
6 continue to focus on non-subject and specialty PET film with  
7 respect to the United States, making imports to the United  
8 States of subject film -- making -- is likely to focus on  
9 exports of non-subject and specialty PET film to the United  
10 States, making any imports to the United States unlikely to  
11 compete with imports from China and the UAE if the orders  
12 are revoked.

13 The Commission should also decline to cumulate  
14 imports from Brazil on the basis of differences in the  
15 conditions of competition, in cases where Brazil's export  
16 orientation differed significantly from other subject  
17 countries. See, for example, Hot-Rolled, Flat-Rolled Carbon  
18 Quality Steel Products From Brazil, Japan and Russia, where  
19 the Commission did not cumulate subject imports from Brazil,  
20 because during the review period the Respondent's home  
21 market shipments ranged between 85 and 95 percent of total  
22 shipments, and the Commission found it unlikely that this  
23 trend would change.

24 Similarly, in Silica Manganese From Brazil,  
25 China and Ukraine, the record in that case showed that the

1 Respondent shipped the majority of its merchandise  
2 domestically during the review period, and otherwise focused  
3 on Central and South America, American or European markets.  
4 The Commission determined not to cumulate imports from  
5 Brazil with the other subject countries.

6           Again, the record in this case demonstrates a  
7 near-exclusive focus on home and regional markets, and there  
8 is no evidence that Terphane has any incentive to abandon  
9 that approach and shift to an export orientation of subject  
10 merchandise to the United States, to compete with subject  
11 imports from China and the UAE.

12           Finally, in light of the significant  
13 differences in capacity and export orientation between  
14 Brazil on the one hand and China and the UAE on the other,  
15 the prehearing report confirms that Chinese PET film  
16 producers possess "the capability to respond to changes in  
17 demand with large changes in the quantity shipped to the  
18 U.S. market," and the "main contributing factors to this  
19 degree of responsiveness of supply are available capacity  
20 and the existence of alternate markets."

21           Chinese producers' capability to quickly  
22 respond to changes in demand with large changes in the  
23 quantity shipped to the United States is evidenced by the  
24 fact that China's exports increased from 204 million pounds  
25 in 2008 to 404 million pounds in 2013.

1                   With respect to the UAE, the Commission staff  
2 likewise concluded that "UAE producers likely have the  
3 capability to respond to changes in demand with large  
4 changes in the quantity shipped to the U.S. market." In  
5 contrast, the staff found that Terphane Limitada "likely has  
6 the capability to respond to changes in demand with small  
7 changes in the quantity shipped to the U.S. market."

8                   The size and ability of producers in China and  
9 the UAE to flood the U.S. market with imports if the orders  
10 are revoked are clearly distinct from Brazil's inability and  
11 lack of interest in exporting significant quantities of  
12 subject film to the United States.

13                   Terphane's new P4 line will not enable it  
14 compete with imports of subject merchandise from China and  
15 the UAE in the U.S. market. Terphane's capacity growth is  
16 specified and targeted for sale in Brazil and in regional  
17 export markets, and it will not enable Terphane Limitada to  
18 compete on anywhere close to equal footing with producers in  
19 China and the UAE in the United States.

20                   Terphane's small share of global PET film  
21 production will not change significantly when the new  
22 production capacity associated with Terphane Limitada's P4  
23 line, which is estimated to add only 28,000 metric tons of  
24 new nameplate capacity, and again which is not intended to  
25 produce subject merchandise.

1                   Moreover, the capacity will not be fully  
2                   available for 18 months or so, and the net increase will be  
3                   lower than the new capacity, as noted earlier.

4                   In conclusion, compared to China and the UAE,  
5                   Brazil's capacity to produce subject merchandise is small  
6                   and will remain small. The abilities of Terphane Limitada  
7                   on the one hand and the producers in China and the UAE on  
8                   the other, to export significant quantities of subject  
9                   merchandise to the United States if the orders were revoked  
10                  are simply not comparable.

11                  The evidence clearly demonstrates that Brazil  
12                  operates under significantly different conditions of  
13                  competition than China and the UAE, and that cumulation is  
14                  not appropriate in this case.

15                  We have just a couple more points in our  
16                  presentation, a couple more issues to discuss briefly.  
17                  First on capacity and then I'll have Mike Taylor speak about  
18                  scope.

19                  The capacity -- Terphane's capacity is a  
20                  central issue in the case. I think, as I said in my opening  
21                  statement, I think that the Petitioners' case here against  
22                  Terphane hinges on the Commission's acceptance of what we  
23                  think is an unreasonable estimate of Terphane's capacity to  
24                  produce subject merchandise.

25                  We submit that Petitioners' capacity

1 calculations are incorrect for the following reasons.  
2 Terphane properly allocated its capacity between subject and  
3 non-subject film based on relative production volumes in  
4 each period. This is a methodology that the Commission  
5 commonly uses, and in fact the Commission's instructions  
6 expressly require capacity be allocated based on  
7 representative product mix. Terphane complied with those  
8 instructions in its questionnaire response.

9 It would be particularly inappropriate to  
10 assign all unused capacity to subject merchandise, given  
11 that subject merchandise accounted for a small and declining  
12 portion of total capacity and production during the Period  
13 of Review.

14 Furthermore, particularly in recent periods,  
15 Terphane has been effectively operating at full capacity, or  
16 at least very high capacity utilization. Mr. Roy testified  
17 that the decision to add capacity was made because Terphane  
18 was unable to take advantage of business opportunities in  
19 the Brazilian home market and the Latin American regional  
20 export markets.

21 With respect to the new capacity added by the  
22 P4 line, which again is 28,000 tons, which we would submit  
23 is not massive by any standard, it is incorrect and  
24 distortive to allocate all of that capacity to the  
25 production of subject film. This disregards again



1 Terphane's relative production volumes during the Period of  
2 Review, and Terphane's representative product mix, as well  
3 as the business plan information submitted by Terphane.

4           Petitioners make the assumption that the P4  
5 line will be operating at full nameplate capacity in 2015.  
6 However, Terphane is starting up the new machines gradually,  
7 and will reach full capacity -- hopes to reach full capacity  
8 within the next 18 months or so.

9           In addition, as P4 is brought up, Terphane may  
10 replace older capacity. As Mr. Roy testified, that's  
11 already been done to some extent. So the net increase will  
12 be less than the amount of new nameplate capacity associated  
13 with P4.

14           The Petitioners also argue that all of the  
15 expected market growth in Brazil and elsewhere will be in  
16 subject film, and that there will be zero growth in sales of  
17 Terphane's other products. Well now that assumption is just  
18 unreasonable. There's no evidence to suggest that demand  
19 for subject film will be greater than demand for non-subject  
20 film.

21           In fact, the evidence indicates that demand  
22 for non-subject film is growing in Brazil and in Terphane's  
23 regional export markets, and Terphane's relative production  
24 of subject film has declined during the period.

25           Finally, the Commission cannot determine what

1 is likely based on an assumption that is not tied to reality  
2 in any way. Capacity projections for Terphane must be based  
3 on Terphane's historical experience and its business plan.  
4 Now I'd like to give the floor to Mr. Taylor.

5 STATEMENT OF MICHAEL TAYLOR

6 MR. TAYLOR: Good afternoon. Thank you very  
7 much for having us today, and very quickly I would just like  
8 to address the scope issues, which were raised this morning.  
9 They weren't a big focus of the brief, the original  
10 pre-hearing briefs. But we would like just to clarify and  
11 would be happy to answer additional questions.

12 But as Petitioner's counsel recognized, scope  
13 is a legal construct, and the scope definition that is put  
14 forward in the second sentence, and I'm quoting, "excluded  
15 are metallized films and other finished films that have had  
16 at least one of their surfaces modified by the application  
17 of a performance-enhancing resinous or inorganic layer more  
18 than 0.00001 inches thick."

19 Terphane has never considered its copolymer  
20 resinous surface films, as 1021 and other serious films are  
21 set out in the scope ruling, which was attached to our  
22 pre-hearing brief, to be subject merchandise. They didn't  
23 include -- inspect them and treat them as subject  
24 merchandise in the original investigation. They never  
25 treated them as subject merchandise, and in fact we have a

1 scope ruling now from the Commerce Department.

2 It is under appeal. Petitioners have appealed  
3 that, but it makes very clear that those films are not  
4 subject merchandise. What we heard today was that the  
5 competition is focused on commodity films. Well, 1021 and  
6 the other copolymer surface films, they do compete to some  
7 extent with some commodity films, but they also compete with  
8 specialty films.

9 It's a product that has a -- at the  
10 co-extrusion stage, has a copolymer surface layer on top of  
11 the surface layer is known as a copolymer layer that is  
12 greater than 0.00001 inches thick, which adds additional  
13 enhancing qualities, that helps with printing and heat  
14 sealability and a bunch of other aspects that go to that.

15 So it is not a pure -- it is not a simple  
16 commodity film. It is a higher specialty film. Terphane  
17 treats it in its reports, has called it commodity films, as  
18 Mr. Roy talks about, because this is what they use in the  
19 U.S. market for their products, but it is not subject film.

20 We'll be happy to go into additional detail in  
21 answering questions. But in looking in their business model  
22 and their activities, we believe that's important for the  
23 Commission to understand as well.

24 MR. JONES: Madam Chairman, that concludes our  
25 presentation and we'd be happy to entertain your questions.

1 Thank you.

2 CHAIRMAN BROADBENT: Thank you. I want to thank  
3 the witnesses for taking time from their businesses to be  
4 with us. We appreciate your statement, Mr. Roy.

5 This afternoon we'll begin our questioning with  
6 Vice Chairman Pinkert.

7 VICE CHAIRMAN PINKERT: Thank you, Madam  
8 Chairman. And I join the Chairman in thanking Mr. Roy for  
9 being here today to help us understand these issues.

10 You talked in the testimony today about how  
11 Terphane, Inc. controls any exports to the United States  
12 market by its Brazilian affiliate. And I'm wondering if you  
13 can give us some idea of what circumstances would cause  
14 Terphane, Inc. to permit that exportation to the U.S.  
15 market? Is there a policy on that?

16 MR. ROY: There is no written policy. It's a  
17 strategy that all of our planning is done. We have a global  
18 planning environment which includes the preparation of  
19 budgets, the business plan, all the way through planning how  
20 we will use our capacity. It also involves our supply chain  
21 people because we need materials to do this. So to answer  
22 your question, it is following a plan that we have set. And  
23 this plan is not a short-term plan. It's a plan that  
24 evolves over a period of time that we constantly work at.  
25 But it is essential when we started going into the specialty

1 film business to stay true to that strategy. There's a lot  
2 of investment in R&D. We are vertically integrated, so we  
3 make our own specialty resin, so we don't depend on outside  
4 suppliers for a lot of this value or performance enhancement  
5 that we add. So it is critical that we control how we use  
6 the equipment and what we market in the different markets  
7 very closely. And that it stays in line with the strategy  
8 that we have put in place. I hope this answers your  
9 question, sir.

10 VICE CHAIRMAN PINKERT: Well, more specifically,  
11 what I'm trying to get at is, what would be the logic of  
12 Terphane, Inc. blocking exports of commodity product if the  
13 domestic company is focused more on the specialty side? Why  
14 wouldn't the company simply permit any commodity product  
15 from Brazil to come into the U.S. market?

16 MR. ROY: Because our primary goal is to grow the  
17 market in Brazil. Over the last two or three years as our  
18 capacity was fixed, and the market continued to grow, we  
19 actually lost market share in Brazil. This was not by  
20 choice. This is what happened. So the focus is to -- once  
21 again, is to take that new capacity we're adding, okay, and  
22 regain that market share that we had to let go.

23 Second to that is the regional markets. We  
24 consider the regional markets those countries surrounding or  
25 bordering Brazil to almost like our home market. We've had

1 such a long relationship with these people, we've been  
2 supplying them for over 30 years, that in essence they are  
3 our home market. And a lot of the converter customers we  
4 have in Brazil, in fact have operations also in surrounding  
5 countries.

6 So what's blocking us from sending commodities to  
7 the U.S. is first and foremost that strategy is to regain  
8 that market share that we let go in Brazil and, two, to  
9 regain that leadership position we once had in those  
10 surrounding countries.

11 We have no interest to sell commodity films, no,  
12 I'll call commodity low -- high-volume, low price into the  
13 United States. It just doesn't make sense. And on that  
14 basis, I will add that it would have been rather difficult  
15 to justify the massive investment that we just made in  
16 Brazil, to our new leadership, new ownership at Tredegar.

17 VICE CHAIRMAN PINKERT: Okay. But is there  
18 anything about the operations in the U.S. that would make it  
19 disadvantageous for the operations in the U.S. to have  
20 exports coming from Brazil of the commodity product?

21 MR. ROY: Absolutely. And I'll refer back to  
22 something that was mentioned this morning. This domino  
23 effect that was discussed where the pricing structure in  
24 polyester much like other products is dependent on a  
25 foundation. And the foundation price, I'll call it, is

1 really that commodity film. That is really a support film  
2 that is predominantly used by most converters in the  
3 industry.

4           And when I say this, I talk about packaging.  
5 We're in a packaging market, so I can't comment on the other  
6 segments. So if we allow that base pricing to go down in  
7 the market, it impacts everything else we're doing. It  
8 impacts the focus of our business which is specialty  
9 products.

10           So it would be contrary to just business logic to  
11 say we're going to bring in film at lower prices so that all  
12 of our existing pricing structure for value add specialty  
13 products will have to follow suit and then collapse or  
14 decrease as a result of it. It just doesn't make sense.

15           MR. TAYLOR: Commissioner Pinkert, if I could  
16 also add. Mr. Winn this morning testified that low-end  
17 products prevent even U.S. producers today, with the order  
18 in place, from competing at the subject -- with the subject  
19 merchandise on price in many instances. So with the domino  
20 effect, when you're going and you're coming to the market  
21 and you're bringing in a set of products, if you're coming  
22 in with a subject merchandize product that's a very  
23 low-priced product, that's going to -- because and as the  
24 Commission found during the original investigation, the  
25 pricing is all linked together -- you're going to be

1 bringing down your higher-end prices as well because you  
2 have a lower floor.

3 So what Terphane does and it makes it very clear  
4 in its business plan, and you asked about business plans,  
5 Exhibit 4 to our brief has excerpts of the business plan  
6 that they put forward. It is proprietary, but there's a  
7 discussion there about commodity films and grades. Their  
8 commodity film, as we've talked about for the U.S. market is  
9 their non-subject copolymer resin surface film. So that  
10 higher-grade film is what they're coming into the U.S.  
11 market at so that their floor is actually a higher floor  
12 than what you would have in the subject films that are being  
13 sold. So they're not affecting their pricing and they don't  
14 want to -- all the hard work they're doing in the United  
15 States bringing specialty films and targeting that specialty  
16 market, they don't want to cause price erosion to their own  
17 product mix.

18 VICE CHAIRMAN PINKERT: Thank you.

19 Now, Mr. Roy, you talked about regional export  
20 markets and I want to direct your attention to the article  
21 attached to the domestic industry's prehearing brief at  
22 Exhibit 1 which states that, "it is likely Terphane will  
23 target non-regional export markets to fill capacity." Are  
24 you looking for that?

25 Okay. So that is when you bring the new



1 production line into operation, is that an accurate  
2 statement?

3 MR. ROY: Just give me one second just to read  
4 it. Thank you.

5 (Pause.)

6 MR. ROY: The reference that is being made there  
7 is already something that we're doing. We are exporting  
8 specialty products to other countries outside the United  
9 States as well. This is something that we've done over time  
10 that has been growing. As our product range expands, there  
11 is more and more interest on the part of some of the -- some  
12 U.S. base converters, but also some global converters to  
13 look at buying very specific products from us.

14 I talked earlier about barrier films, heat  
15 sealable films, peel able films, those are films that some  
16 are made in the the United States, some are made in Brazil  
17 that have become increasingly attractive to participants or  
18 converters in other markets.

19 Some of our films are also ready to use as is.  
20 Contrary to what was testified this morning, not all  
21 polyester film needs to be printed or laminated or combined  
22 with something else. There's an increasingly -- an  
23 increasing volume of business that is direct to use.  
24 Polyester's inherent characteristics in using some of our  
25 proprietary resins and processes were able to build in some

1 performance attributes, where in facility the polyester we  
2 produced replaces a combination of other materials. So  
3 there's been interest outside of regional export markets for  
4 some of those products. So this is what this is referring  
5 to.

6 MR. JONES: If I could also add, Vice Chairman  
7 Pinkert, to that. The PCI article also makes a couple of  
8 assumptions that we would disagree with. One is that the  
9 new capacity from P4 is going to be available all at once.  
10 As we've testified today, it's going to be brought on line  
11 gradually and it's not available all at once. It's a  
12 gradual process.

13 And two, as Mr. Roy testified, the addition of P4  
14 is an effort to right size Terphane's capacity for the  
15 Brazilian market. So we would not agree with the notion  
16 that adding P4 all of a sudden creates a significant amount  
17 of excess capacity. We disagree with that. And it's based  
18 on what we think are unreasonable estimates of Terphane's  
19 capacity and we just think it's incorrect -- an incorrect  
20 conclusion.

21 VICE CHAIRMAN PINKERT: Thank you.

22 Thank you, Madam Chairman.

23 CHAIRMAN BROADBENT: Commissioner Williamson.

24 COMMISSIONER WILLIAMSON: Thank you. I do want  
25 to thank Mr. Roy for coming today and presenting his

1 testimony.

2 I've heard this word "accident" a lot of times.  
3 Do you all want to explain what an accident is, particularly  
4 in relationship to this case? Did somebody miss, put the  
5 wrong address on, did they -- was it a rogue person out  
6 there? What was going on?

7 MR. ROY: It was an accident that took place when  
8 they were loading the containers. We have at the plant --  
9 at the facility in Brazil, we have a shipping department  
10 that has multiple bays. So we're loading containers, many  
11 containers at the same time. In this particular case in  
12 2009, there was one pallet consisting of four rolls of  
13 subject material that was cross-loaded. In other words, it  
14 was put in the container that was destined to the U.S.  
15 rather than where it was supposed to go. So when we  
16 received it, we received what we call the resume which is a  
17 breakdown of the packing slip. And we realized that they  
18 had made an error. So upon receiving the materials in the  
19 U.S., we contacted U.S. customs, our broker --

20 COMMISSIONER WILLIAMSON: Yeah.

21 MR. ROY: -- and we advised U.S. customs that  
22 there was in fact some merchandise on that particular  
23 container that was subject and we paid the duties and we did  
24 all the paperwork that we needed to do.

25 That film, by the way, we never sold. It was

1 actually ground up in our facility in Bloomfield and used as  
2 resin.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. ROY: Because we had no use for it.

5 COMMISSIONER WILLIAMSON: All right. Thanks. I  
6 was just wondering.

7 MR. ROY: That's why we called it an accident.

8 COMMISSIONER WILLIAMSON: Okay. Yeah, go ahead.

9 MR. TAYLOR: Commissioner Williamson, if I can  
10 make a follow up. As Mr. Jones testified in his opening,  
11 part of the reason that Terphane is here though is because  
12 the order does create issues like this where an inadvertent  
13 shipment creates a potential for being subject to an  
14 antidumping -- or administrative review and as part of the  
15 scope proceeding they have the burden of demonstrating if  
16 customs ever asked, they're actually importing this  
17 copolymer resin as film which is all they're intending to  
18 import. But they sample each product and they have an  
19 actual -- they send for a lab reading every time it comes  
20 in. So there's costs to them even though they don't have an  
21 intent to ever ship the subject merchandise to the United  
22 States, maintaining and being caught up in the order is  
23 relevant which is why they're here today.

24 COMMISSIONER WILLIAMSON: Okay. I was wondering,  
25 this morning the petitioners testified that, you know, this

1 distinction between specialty and commodity can be vague and  
2 the other people sometimes argue about it. And yet, a lot  
3 of your presentation is basically -- you've announced, we're  
4 going to be in this category and not in that category. And  
5 yet there's such a wide variety of products here and at some  
6 point, you know, one thing may be specialty and winds up  
7 being commodity because it's used in that prize zone. So I  
8 was just wondering, why in the sense -- why should we kind  
9 of rely on this assertion that we're going to do this and  
10 not that when we know we have kind of a fluid set of  
11 products? I mean, there are a whole lot of different uses  
12 and a variety of products here and not everybody agrees on  
13 what goes in what category.

14 MR. ROY: Yeah, there is a gray area. We'll call  
15 those semi-specialty. I think the reference was made this  
16 morning to that definition. And this is where it gets  
17 really, really -- I mean, there are clear cases. For  
18 example, if you produce a film onto which you put a coating  
19 that enhances the barrier, the gas barrier, there is no  
20 distinction, it is a specialty.

21 If you take a film and you metalize it, and,  
22 again, you increase the barrier properties of the film, it's  
23 a specialty. It's something that converter cannot just buy  
24 a film off the street from one of the 50 polyester producers  
25 out there, bring it to their factory, and easily add that

1 particular characteristic to the film. It also requires  
2 these specialty films specific know-how. And that know-how  
3 can either come from the processes that you built into the  
4 polyester line or what you do secondary. It also includes  
5 the chemistries that we use when we talk about coatings or  
6 the resins that we develop and produce. So there is a fine  
7 line.

8           Where there's the gray area is let's take, for  
9 example, the film that is clear, 48-gauge, corona treated,  
10 but has isotropic properties. Now, isotropic properties is  
11 what gives the film dimensional stability so that if you  
12 tear it at angle, it will not shred. It's typically used in  
13 yogurt lidding. If you buy the four/six pack configuration,  
14 that is an isotropic metalized polyester that is used there.  
15 By definition it's a subject film. By definition by some  
16 manufacturers who routinely make this film, they consider  
17 this to be a commodity because they make it every day. But  
18 when you start talking to some of the new entrants into the  
19 polyester world in terms of manufacturing, making films with  
20 these different characteristics is a specialty.

21           We consider that particular item I just described  
22 as kind of in that gray area. It's a semi-specialty. It is  
23 definitely a commodity film. Okay. With regards to a  
24 certain segment of the market, but for certain applications  
25 it is a specialty. It's not something that the converter

1       could add through his processes in terms of performance  
2       attribute. So and it's subject. So this is where it gets  
3       rather confusing as to what films fit where.

4                If you look at our product range, there's a  
5       split. And you're welcome to look at the catalogue. But  
6       when you look at what we call specialty, it is specialty.  
7       We are doing something, we're enhancing characteristics.  
8       We're at times doing something rather unique to the film.  
9       And the key when we talk about developing films and going  
10      toward the value add and specialty is really to try to add  
11      attributes to the film, okay, and obviously meet needs of  
12      the end use, but also that is something that the converter  
13      cannot easily do themselves. Because if they could do it,  
14      they would do it. So the trick is for us to develop these  
15      chemistries and coatings and resins and process enhancing  
16      our processes to develop films that give us that advantage.

17               In other words, it's better for the converter,  
18      the customer to buy it from us than to try to do it  
19      themselves. And really that has been our focus. When we  
20      talk about R&D at Terphane, this really has been the focus  
21      of our efforts. And that's why we've shifted -- we've  
22      shifted over the years our business not only in the United  
23      States but over all more and more towards these value-added  
24      films.

25               MR. JONES: Commissioner Williamson, if I could

1 add to that?

2 COMMISSIONER WILLIAMSON: Uh-huh.

3 MR. JONES: The category of subject merchandise  
4 does contain some of these specialty products. But it's a  
5 relatively low volume compared to the bulk of the subject  
6 film market which is your plain film, your Corona treated  
7 film, your chemically treated film, products one through  
8 three, or one through four for again, we're talking about  
9 the packaging market because that's what Terphane does.

10 So we just hope there's a recognition there that  
11 when we talk about subject -- the subject film market, we  
12 recognize that there's some relatively low volume specialty  
13 products and Terphane makes some of these in New York and  
14 the production that was reported in the questionnaire  
15 response is subject merchandise. So Terphane did report  
16 some production. But the -- you know, the vast majority,  
17 substantial majority of the quantity of subject product is  
18 relatively low value commodity products, very low price that  
19 Terphane has absolutely no interest in and really cannot  
20 compete with the larger large scale producers that focus on  
21 that.

22 (Simultaneous conversation.)

23 COMMISSIONER WILLIAMSON: In the U.S. or in the  
24 global markets?

25 MR. JONES: Well, I'm talking about in the U.S.,



1 but I'm talking about -- really talking about the U.S. here.  
2 And that's -- you know, and that's why their business plan  
3 does not envision exports of subject merchandise to the  
4 United States.

5 COMMISSIONER WILLIAMSON: I guess the new plant  
6 is going to make copolymer resins sort of film. Now, is  
7 that a product that is sold in the U.S.?

8 MR. ROY: It is a product we do sell in the U.S.;  
9 yes.

10 COMMISSIONER WILLIAMSON: The one you will be  
11 making in the --

12 MR. ROY: It's a product we make in the U.S., we  
13 sell in the U.S., we also make in Brazil and sell in Brazil  
14 regional markets and in the U.S. as well.

15 It is, when we talk about adding that resinous  
16 layer that resinous layer can do many different things.

17 COMMISSIONER WILLIAMSON: Okay. Do you agree  
18 with the -- the petitioners this morning said, you know,  
19 very common, I guess you might make one film in the morning,  
20 you might on the same line make a different film that  
21 afternoon. Do you agree with that flexibility?

22 MR. ROY: It depends what you make. Again, if  
23 you're making subject commodity that would apply. So you  
24 could make a plain film in the morning, turn on the switch  
25 to corona treat in the afternoon and have a very, very easy

1 transition.

2           If you make engineered films where you're  
3 changing resins, it's not a 15-minute transition. I'll go  
4 as far as saying, that when we make pigmented films, our  
5 transition time is roughly 12 hours where we have to purge  
6 the line, completely clean the line before we can go on to  
7 the next product.

8           So, depending on what you're doing, okay, it can  
9 be a very quick transition. You're going from one gauge  
10 thickness to another, it's a quick transition. Staying with  
11 the same resin but changing a coating or enhancing the  
12 surface with corona is a quick transition. But when you  
13 start playing around with changing resins using multiple  
14 extruders and different blends of resins, it's a little bit  
15 more complicated than that.

16           So the new equipment, the turnkey equipment that  
17 is out there is designed to make plain corona and chem  
18 treated. So it is by design, because of the products that  
19 it's engineered to make, you know, designed to have quick  
20 changeover because their output is the key.

21           COMMISSIONER WILLIAMSON: Okay. Thank you for  
22 that answer.

23           Thank you.

24           CHAIRMAN BROADBENT: Commissioner Johanson.

25           COMMISSIONER JOHANSON: Thank you, Chairman

1 Broadbent. And I would also like to thank the witnesses for  
2 appearing here today.

3 I would appreciate it if you all would explain  
4 the support you have for the statement in the Terphane brief  
5 at page 19, that quote, "Indeed, there's no way Terphane  
6 Limitada can sell subject film in the United States without  
7 the consent and active support of Terphane, Inc." Does that  
8 mean that there's a veto power held by Terphane, Inc. over  
9 Terphane Limitada?

10 MR. ROY: Yes, we control all the films that are  
11 sold in the United States.

12 COMMISSIONER JOHANSON: Do you have any  
13 documentation by chance to reflect this veto power?

14 MR. ROY: I don't know if I would call it "veto  
15 power".

16 COMMISSIONER JOHANSON: Okay.

17 MR. ROY: We can look for -- for post-hearing  
18 brief let's see what we can put together.

19 COMMISSIONER JOHANSON: Okay. All right. Thank  
20 you, I appreciate it.

21 MR. TAYLOR: Commissioner, just to be clear  
22 though, Mr. Roy is responsible for Terphane U.S., and  
23 Terphane Limitada. So from a reporting standpoint, Brazil  
24 has to go through -- from a decision standpoint, through  
25 Terphane Inc.'s decision process for distribution as well.

1                   COMMISSIONER JOHANSON: Okay. Thank you.

2                    Could one of you please explain the status of  
3 Terphane's capacity expansion in Brazil and the timeline for  
4 this expansion?

5                   MR. ROY: The line started last month -- is when  
6 we started production. And, again, we're hoping to get up  
7 to full speed within 18 months. So 18 months or so is when  
8 we're going to be at full capacity.

9                    When you start a polyester line, you don't just  
10 turn on a switch and, you know, it's not like buying a car  
11 where you get it from the dealer, put the key in the  
12 ignition and away you go. There's a lot of debugging that  
13 has to go on. And because of the complexity of some of the  
14 products that we make on that line, that's a period of  
15 qualification that has to take place as well. So we have to  
16 qualify some raw materials. We also have to qualify some of  
17 the products we make with the target customers for those  
18 products.

19                   And typically, a line of this size will take  
20 about 18 months. And there may be bumps along the way. We  
21 may stop the machine to do maintenance. If we find that  
22 some of the equipment -- processing equipment is not  
23 operating as advertised, typically we will stop and then  
24 involve the manufacturer's suppliers of these items to come  
25 in and work with us to resolve these issues.

1                   So we're taking this one step at a time. There's  
2                   no fast rule as to it has to be done, you know, within 12  
3                   months or 15 months. But based on our experience, because  
4                   we have other lines, this is a realistic time table. And  
5                   remember that this is not a turnkey line. We did not buy a  
6                   piece of equipment as is. Contacted the supplier and said  
7                   that's what we want. We designed this piece of equipment  
8                   from one end to the other. Because, again, we needed to put  
9                   on there some of our own proprietary technology. When it  
10                  comes to stretching, for example, the coextrusion we use is  
11                  vastly different than what our competitors use. So we have  
12                  to work with many different suppliers when we built this  
13                  line. That's why it took so long to build it. We got  
14                  permission in 2012 and there we are now at the end of 2014  
15                  and finally we're able to start the line.

16                  So it's a laborious process to get this line up  
17                  and running.

18                  MR. JONES:    Commissioner Johanson it's also  
19                  important to keep in mind that as the new capacity is  
20                  brought on line consistent with demand in the market that  
21                  some older capacity is likely to be taken off line as well  
22                  as Mr. Roy testified.

23                  COMMISSIONER JOHANSON:    I'm sorry do you think  
24                  that capacity will come off in Brazil?

25                  MR. ROY:     The 3,300 tons?

1                   COMMISSIONER JOHANSON:    Right.

2                   MR. ROY:    Yeah that is a machine that is in  
3                   Brazil that is being taken out.

4                   COMMISSIONER JOHANSON:    Okay and talking about  
5                   Brazil, Brazil's economy is cooling down while the U.S.  
6                   economy is growing, would this not make it more likely that  
7                   increased production in Brazil might end up in the U.S.  
8                   market?

9                   MR. ROY:    Although the economy in Brazil is  
10                  perceived to be slowing down when you look at the demand for  
11                  food items and for the items that use our polyester film  
12                  either as part of the packaging that they use, that is still  
13                  continuing to grow.    There's continuing investment on the  
14                  part of end users.    When I talk about end users those are  
15                  the brand owners to continue to invest in Brazil.  
16                  Companies like Kraft Unelever continue to invest because  
17                  that emerging middle class is growing and with that growth  
18                  comes demand for products that demand film to package them.

19                  So the Brazilian economy is slowing down also  
20                  because of infrastructure issues, there was tremendous  
21                  investment in the past to prepare for the World Cup, the  
22                  oncoming Olympics, there was huge social programs that have  
23                  also slowed down.    The currency also has an impact on the  
24                  numbers that we see, but overall when we look at the demand,  
25                  the consumer demand for food items that is healthy, that is

1 not slowing down.

2 COMMISSIONER JOHANSON: What about the  
3 construction of the plant improved by OPP films will that  
4 not take up some of the growing demand in South America?

5 MR. ROY: Certainly, they are another player in  
6 that market. I mean we have many other participants in  
7 what we call the Latin American market. OPP produces BOPP  
8 which is another film so they have experience in the  
9 converting area so I can't talk about why they built a  
10 polyester line but to answer your question there is a room  
11 for everybody in the market and there will be displacement  
12 of some of the players that -- we see a lot of guys come in  
13 and come out of these markets constantly, mainly coming from  
14 India and some of the other countries so I think that OPP  
15 will play a role in that market.  
16 They have proximity to some of the markets and they will  
17 just be another competitor that we have to deal with.

18 It's not changing and will not change the way we  
19 do our business. We believe that the products we may are  
20 somewhat unique than what they are currently making,  
21 planning or make are those very commodity subject type  
22 materials, that's what they are geared up to do so although  
23 there is that increase in capacity, it's not changing, it's  
24 not really changing you know what we are doing.

25 And we also feel that you know they will also be

1 targeting other imports or other exports sorry -- with their  
2 BOPP business they also send the material to the United  
3 States, they ship to Europe, they ship all over the world so  
4 it would only make sense that they would do the same with  
5 the PET capacity that they have just installed.

6 MR. JONES: If I could just add to that briefly  
7 OPP has announced that -- has shown an intention to export  
8 to North America. They have set up a warehouse in Texas  
9 and are planning to ship to the United States and through  
10 the NAFTA region and in addition I think what we have seen  
11 so far is that OPP is basically taking the market share from  
12 other subject -- other imports into Brazil basically low end  
13 imports that are focusing on the low end commodity products  
14 like they are. But as Mr. Roy said they are a relatively  
15 new competitor in Brazil.

16 COMMISSIONER JOHANSON: What's the transport  
17 situation between that part of Peru where that plant is  
18 located and the major population centers of Brazil, do you  
19 know?

20 MR. ROY: I mean it's mainly done by ship.  
21 Everything --

22 COMMISSIONER JOHANSON: Iquitos are down the  
23 river?

24 MR. ROY: No it's quite complicated and very  
25 expensive to do it but yeah typically they have to get to a



1 seaport, a deep seaport and then containerize material up  
2 and down the coast with multiple stops so the lead times can  
3 be lengthy depending on the voyage, depending on the routing  
4 that you take.

5 The shorter you want the journey to be the more  
6 expensive it is, that's basically the rule of thumb of  
7 logistics. But shipping in Latin America is a challenge,  
8 it's not easy, there's a lot of documentation that needs to  
9 be prepared so it's -- it's all done by sea to answer your  
10 question.

11 COMMISSIONER JOHANSON: Okay thanks, it's  
12 interesting to think about that, the geography there. I  
13 know the furthest port up the Amazon is Iquitos, Peru for  
14 ocean-going ships and that's only part of the year. So I  
15 went to Manaus once so I learned all about it in Brazil.

16 MR. ROY: We don't use the Amazon to transport  
17 our material.

18 COMMISSIONER JOHANSON: Okay I just didn't know  
19 and I think I have time for one more question. Talking  
20 about the construction of the plant in Peru and also in  
21 Brazil, global supply is increasing rapidly and apparently  
22 outpacing demand, do you know why that is the case?

23 MR. ROY: I mean we had a shortage situation  
24 dating back just after the global recession and why we had  
25 this shortage was because investment stopped. There was no

1 new capacity coming on stream and with emerging markets  
2 growing at the pace they were, very quickly demand exceeded  
3 supply. Once the situation settled and I'll just a make a  
4 parenthesis and say earlier I think there was testimony or a  
5 question as to why did the U.S. market stop growing. It's  
6 very simple there was no film available so we had a shift of  
7 people that traditionally would use polyester in some  
8 structures to other materials because none was available.

9           There was a displacement of even destination of  
10 film coming into the U.S. for example, we had exports coming  
11 in or imports coming into the U.S. that stopped and put a  
12 lot of converters in the U.S. at risk because simply there  
13 was no film available so right after this all of a sudden  
14 all the valves opened and all these plants that had been put  
15 on hold all of a sudden happened so we had a huge amount of  
16 polyester machines come on stream all at once because of the  
17 delay or postponement of some of the investments and then  
18 also commitments in terms of contractual commitments some of  
19 the polyester -- the new polyester manufacturer that made  
20 with some of the polyester line manufacturers that they had  
21 to buy so many machines over a certain period of time, that  
22 also took place.

23           So there was some cancellation of equipment,  
24 there was some postponement of equipment but then once the  
25 economy started to pick up and credit was once again

1 available we saw a huge amount of these investment plants  
2 just go to fruition.

3 COMMISSIONER JOHANSON: Okay thank you for your  
4 responses.

5 CHAIRMAN BROADBENT: Commissioner Kieff?

6 COMMISSIONER KIEFF: Thank you very much. I  
7 joint my colleagues in thanking you for the presentation and  
8 we look forward of course as well to your post-hearing  
9 submissions. Maybe it's the -- my former life as a  
10 professor that's living on too much but as I look back at  
11 our conditions of competition cases and I try to put them  
12 into buckets or bins my understanding is that many of them  
13 focus on some structural aspect of the market in the U.S.  
14 that would be different.

15 So for example the different distribution  
16 channel, the different set of relationships with customers,  
17 something structural about the U.S. market and what I am  
18 trying to figure out is if your product did come into the  
19 United States, and I get that you are telling us you don't  
20 think it will, but if it did -- wouldn't it be experienced  
21 by those who end up buying it and selling it and using it  
22 and consuming it just in exactly the same way that they  
23 would experience that product if it had originated in China,  
24 UAE or the U.S.?

25 MR. JONES: I'll start out and if anybody else

1 wants to jump in please do but Commissioner Kieff you know  
2 we do not dispute that subject film, the low end commodity  
3 subject film is interchangeable or that it is sold on the  
4 basis of price. In fact it's -- we're a domestic producer  
5 and we support the continuation of the orders from China and  
6 the UAE and those are conditions of competition that are  
7 relevant.

8 The Commission's precedents as we understand them  
9 focus on a number of different factors that are present in  
10 the market that will affect competition in the United -- a  
11 number of different factors that will affect competition in  
12 the U.S. market.

13 COMMISSIONER KIEFF: So then your dominant  
14 factor is in effect your plan in Brazil is that you really  
15 want to get out of the segment of the market for  
16 non-specialty, you want to be much more focused on specialty  
17 and it is that focus that makes your condition of  
18 competition different?

19 MR. JONES: Well I think that you know that  
20 there have been changes since the order was imposed in 2008,  
21 changes in the way that Terphane is operating. Terphane  
22 does not ship subject film anymore and you know the  
23 Commission looks at likely conditions of competition and a  
24 likely condition of competition, not the only one here is  
25 that there are significant differences in product mix

1 between what Terphane does and is interested in doing and in  
2 what the imports from China and the UAE are likely to do.  
3 It's not the only difference but the Commission has  
4 certainly relied on that in previous cases in concluding  
5 that imports from a certain country should not be cumulated  
6 with others.

7 We cited the magnesium cases as an example where  
8 there was -- the Commission found that there was likely to  
9 be limited competition between the imports from Russia and  
10 the imports from China. I actually worked on that and  
11 happened to disagree with that conclusion from based on the  
12 facts of that case but the Commission made that finding and  
13 there are several cases we think that rely on a demonstrated  
14 fact, a difference of change since the original  
15 investigation that shows an absence of a likelihood that  
16 imports from countries that could be cumulated are not  
17 likely to compete with each other.

18 COMMISSIONER KIEFF: Okay so I guess in the  
19 post-hearing please kind of recollect those and summarize  
20 how you feel that they compel that decision in this case.  
21 I mean if it turns out the Commission does not agree with  
22 you that the conditions of competition are not that  
23 different, does that mean that your case then boils down to  
24 how much impact there would be?

25 MR. JONES: Well I think it does we have looked

1 at it in the opposite way that you know the Commission would  
2 first determine whether the statute permits cumulation and  
3 then if so it would determine whether it should exercise its  
4 discretion to cumulate so I -- but I suppose it could be  
5 done in reverse as well.

6 COMMISSIONER KIEFF: I'm not suggesting that the  
7 structure of our coming to the conclusion would follow that  
8 order, I'm just sacrificed to the shortness of time that we  
9 have at the moment. We assume that it turns out that the  
10 Commission is not going with you on the conditions of  
11 competition part of the argument are you done or do you  
12 still have something to hang to and is what you have to hang  
13 on to something with respect to in effect, come on the most  
14 that we could offer the U.S. market would be a tiny amount  
15 and it would have no discernable adverse effect.

16 MR. JONES: Exactly. We have two cumulation  
17 arguments, discernable adverse impact, differences in  
18 conditions of competition so yes.

19 COMMISSIONER KIEFF: Okay so I think I  
20 understand the arguments and I have no further questions, I  
21 really appreciate very much everyone coming and look forward  
22 to the post-hearing on both sides, thanks a lot.

23 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

24 COMMISSIONER SCHMIDTLEIN: Thank you. Mr. Roy I  
25 want to thank you for coming, it's a little bit -- you are

1 on the hot seat a little bit when you know you are the only  
2 Respondent here and the case turns on what would happen if  
3 we were to revoke the order as to Brazil so following up a  
4 little bit on Commissioner Kieff's line of questioning and a  
5 couple things that were said in the answers to some previous  
6 questions and what you said in your testimony this morning  
7 that you provided to us in writing.

8 So the notion or the idea that there's a  
9 coordinated strategy between the U.S. company and the  
10 Brazilian company and I think you were just asked a question  
11 does that mean there's a veto and you said well sort of and  
12 you clarified that you are basically making all of the  
13 decisions because you coordinate the sales strategy for both  
14 Latin America and North America and so --

15 MR. ROY: That's correct.

16 COMMISSIONER SCHMIDTLEIN: That's right okay.  
17 So this morning we heard Mr. McLain point us to the quantity  
18 that Brazil was exporting to the United States in subject  
19 merchandise in the run up to the original investigation and  
20 if you look at the staff report at Roman numeral I-6 which  
21 is where this information is reported, the numbers are  
22 confidential but there is a fairly substantial increase over  
23 those three years from '05 to '07, '05-'06-'07, over 500%  
24 increase.

25 So my first question is I assume that back then

1 there was also this coordinated strategy between the U.S.  
2 company and the Brazilian company where the U.S. company was  
3 consenting to those imports?

4 MR. ROY: Our structure back then was slightly  
5 different. The commercial -- more of the commercial  
6 decisions were centered in Sau Paulo, Brazil at the time.  
7 We have shifted the way we are structured since then so  
8 probably around 2000 -- I can on in this position 2006, I  
9 would say 2007 or there-about is when we changed the way we  
10 do our planning. We also changed the way that we  
11 coordinate the business in terms of aligning with the  
12 strategy.

13 What's also different just to add a foot note  
14 here between then and now is also our product range is  
15 vastly different, has evolved so much since then that the  
16 focus of the business has been shifting as evolved over time  
17 towards where we are today in terms of the way we  
18 differentiate the markets with regards to our commercial  
19 strategies.

20 COMMISSIONER SCHMIDTLEIN: Mr. Jones?

21 MR. JONES: Commissioner Schmidtlein another  
22 significant change in the way that Terphane does business  
23 and Mr. Roy might be able to elaborate more on this is that  
24 their ownership changed in 2011. They are now owned by  
25 Tredegar Corporation, they were owned by someone else during



1 the original investigation and that changes the way a  
2 company does business.

3 What I'm getting at is the business planning and  
4 so on and the rigor that's been introduced.

5 MR. ROY: That's true.

6 COMMISSIONER SCHMIDTLEIN: So the long-term  
7 business plan that you have been referring to Mr. Jones and  
8 that there's a reference to Exhibit 4 that you have attached  
9 which is a document that seems to reference a long-term  
10 business plan so my question is when was the long-term  
11 business plan put in place?

12 MR. ROY: We do this every September-October, so  
13 the one that's being referred to would have been put  
14 together last year.

15 COMMISSIONER SCHMIDTLEIN: Last year.

16 MR. ROY: I think that's the one that's in  
17 there, we need to check, but it's an exercise we do every  
18 year.

19 COMMISSIONER SCHMIDTLEIN: I see.

20 MR. ROY: We call it strap. The strap process  
21 is you don't renew the plan every year, it's something that  
22 you look at and we make sure that we are still in line or  
23 still true to the strategy that was put in place. What may  
24 change is market dynamics for example. We may look at the  
25 new market dynamics if something changed substantially that

1 is material enough that we need to review the plan. If you  
2 look at the plan and you say listen we are still going in  
3 the right direction.

4 Things are happening pretty much as we have  
5 expected them to happen then we just continue so it becomes  
6 more than a financial exercise, obviously our finance people  
7 putting together the numbers that are required for approval  
8 like that but in terms of strategy per se we don't change  
9 our strategy every year. This is something that started  
10 that keep evolving and all we are making sure there are  
11 checkmarks along the way that we make sure that we are  
12 hitting those landmarks as we move forward and if there is a  
13 significant shift then it is something that we need  
14 obviously to talk about and make decisions about.

15 COMMISSIONER SCHMIDTLEIN: So was there a shift  
16 in the business plan then back in '07-08 because when you  
17 look at the numbers and the large increase that was  
18 happening and then there was an order imposed and the number  
19 declines quite substantially and then of course drops off  
20 except for the accident that you talked about earlier. So  
21 it looks as if the product mix shift was really because the  
22 order was put in place.

23 MR. ROY: No the product shift took place mainly  
24 because our products changed themselves. We can go into a  
25 little more details in the post-hearing but we had a

1 significant -- we had a significant amount of new business  
2 come our way, brand new business with a brand new product  
3 that happened at that time.

4 COMMISSIONER SCHMIDTLEIN: So it's just a  
5 coincidence that we see this. So your company was pulling  
6 out of the U.S. market?

7 MR. ROY: More or less yes.

8 COMMISSIONER SCHMIDTLEIN: And do you all, I'm  
9 not sure if there is anything on the record to that fact but  
10 do you have any contemporaneous documents that you could  
11 submit on the record to be consistent with that?

12 MR. ROY: Well look at the sales, I think you  
13 would just be looking at the sales, just the way the sales  
14 evolved in that time and looking at that shift in product  
15 and looking at historical -- what new products had come to  
16 market in that particular period of time.

17 COMMISSIONER SCHMIDTLEIN: But if there was a  
18 change in business strategy would you have documents  
19 internally that would document?

20 MR. ROY: Well the basic strategy was always to  
21 move towards value add. This has been documented and it is  
22 still documented. The goal is always to move towards one  
23 more value add and the pace at which we do this is the pace  
24 at which we develop these products and we get acceptance of  
25 those products in the marketplace okay. So this is one of

1 the things that we test every year when we look at this is  
2 how are we doing in terms of launching, developing and  
3 launching these new products into the marketplace. We keep  
4 investing in R&D and we are still investing in R&D, we are  
5 augmenting our resources in that area constantly for that  
6 reason, because we know that we cannot compete for that high  
7 volume, in that low price, high volume, low price business.

8 We absolutely need, because of our size, we need to be  
9 moving more and more towards the value add specialty  
10 business.

11 COMMISSIONER SCHMIDTLEIN: Okay. Well I would  
12 just ask if your position is that the record is complete  
13 with that, since it does look quite coincidental to me, I  
14 don't know about the other Commissioners, but that you have  
15 an order in place.

16 The margin is a lot higher than the other  
17 countries. Suddenly, your numbers drop off the map, and  
18 that you're telling me this is just a coincidence, that your  
19 strategy was actually changing.

20 My request is if you have any contemporaneous  
21 business documents that support that, that would certainly  
22 be helpful in being able to credit that position. And if  
23 you don't, you don't. I understand. But I'm must giving  
24 you the opportunity.

25 MR. JONES: Commissioner Schmidtlein, we'll

1 certainly work on that and provide what we can in our  
2 post-hearing brief.

3 COMMISSIONER SCHMIDTLEIN: Okay, because of  
4 course, just to be completely transparent, I mean if your  
5 position is that this is the condition of competition that  
6 Commissioner Kieff was referring to, that things have  
7 changed, the product mix has changed, our shift has changed,  
8 and what we're looking at here is what would happen if the  
9 order was revoked.

10 Well, if you'll look at what was happening  
11 before the order was in place, it's not completely  
12 supportive of what you're asserting. Do you see what I'm  
13 saying?

14 MR. JONES: Yes.

15 COMMISSIONER SCHMIDTLEIN: So okay.

16 MR. JONES: Yeah, just thank you, Commissioner  
17 Schmidtlein. Just to clarify, you know, our position is not  
18 simply that, you know, cumulation, we should be decumulated  
19 because of what we say in our business plan. And that's an  
20 important part of it, but it's supported by the economics of  
21 the business. It's supported by what's going on in the  
22 market and supported by what's going on in the global  
23 market.

24 So the business plan in the abstract is not  
25 all we're relying on. We're relying on that in the context

1 of what's going on in the economics of this industry, and  
2 you know, we think that the arguments of why Brazil is  
3 different than China and the UAE are very compelling.

4 We also think that it's, you know, it's very  
5 strong argument that they're going to -- they're not going  
6 to ship subject merchandise, because it's just not good  
7 business for them to do that. So it's -- we'll certainly  
8 look for documentation showing, you know, that --

9 COMMISSIONER SCHMIDTLEIN: Well, it's a change  
10 in strategy?

11 MR. JONES: That proves the negative a little  
12 bit, that proves that we're not going to ship. But that's  
13 what the company's consistent position has been now for many  
14 years.

15 MR. TAYLOR: And Commissioner, just as also a  
16 practical matter, we will look, and thank you. I think it's  
17 a very good question you've asked. But the investment  
18 they've made.

19 There was a lot of discussion about turnkey  
20 operations, and they did not buy -- they made a very  
21 significant investment in a very sophisticated set of  
22 machinery. So if they were intending to look at the subject  
23 merchandise market in the U.S. as hey, we want to send here,  
24 they would have made a different investment decision.

25 The equipment they bought and the line they

1 put in place is not producing subject merchandise. It's  
2 producing higher end products. So that capacity and the  
3 investment they made reconfirms the decision they've made.

4 COMMISSIONER SCHMIDTLEIN: Okay. All right,  
5 thank you.

6 CHAIRMAN BROADBENT: Okay. I think you may  
7 have answered this for Commissioner Pinkert, but on page 36  
8 of the domestic parties' prehearing brief, they rely on the  
9 statement from PCI Films Consulting, that states that  
10 Terphane's new film line will increase regional capacity to  
11 an extent beyond regional demand, meaning that Brazil will  
12 rely on non-regional and export markets in order to fill  
13 capacity. Do you agree with that statement?

14 MR. ROY: No. That is Simon King's opinion.

15 CHAIRMAN BROADBENT: Who's Simon King?

16 MR. ROY: Simon King is the editor and  
17 publisher of PCI, and he writes a quarterly review. He does  
18 various market reports, and again he -- you know, we found  
19 over time that I think, you know, a lot of this stuff that  
20 he does is what he's able to find out and dig up. But in  
21 this particular case, it's not an accurate statement. I  
22 don't agree with it.

23 CHAIRMAN BROADBENT: Okay. Terphane reported  
24 difficulty in shifting sales between markets because of  
25 different product mixes demanded by customers in various

1 markets, time-consuming qualification processes with new  
2 customers and more complex logistics involved in serving  
3 non-local customers. That was the prehearing report at 2-7.

4 Can you please discuss the qualification  
5 process for new customers, and the more complex logistics in  
6 serving potential U.S. customers?

7 MR. ROY: I mean again, depending on the type  
8 of film that's being qualified will more or less dictate how  
9 much effort and time is put into it. They're lower on the  
10 food chain, so your corona-treated typically is a very -- is  
11 not a very complex qualification period, because the true  
12 value is added by the converter.

13 They're buying a base sheet onto which they  
14 will add their own -- their own value add. So this is a  
15 film where even if you have some -- a wider range of  
16 performance attributes, it's not that critical. But as you  
17 move up towards the more specialized products, qualification  
18 can become lengthy, rather lengthy.

19 In barrier applications, if you have to do  
20 extended shelf life studies, it can be as long as two years.  
21 So when we start dealing with some sensitive food products,  
22 they will do an accelerated shelf life test, a bench test.  
23 But then they will actually put the product through the  
24 actual shelf life testing, and look over time at how, you  
25 know, the type of packaging and how the product performs



1 with regards to the target shelf life that they have.

2 So the more complex, the more sophisticated  
3 the product, the longer qualification can take. This is why  
4 it takes time to take some of these products to market. The  
5 more complex, the longer it takes, and the more cautious  
6 customers tend to be. Not only the converter customer, but  
7 also the brand owner, because there's higher risk.

8 CHAIRMAN BROADBENT: Okay. In your prehearing  
9 brief at Exhibit 6, you talked about the anti-dumping  
10 actions that are imposed on several countries, including  
11 China, Egypt and India -- I think it's a prelim on India --  
12 together with the UAE, Turkey and Mexico.

13 According to -- now wait a second. I want to  
14 make sure I'm asking about -- oh yeah, okay. According to  
15 data presented, certain companies in India and Thailand are  
16 subject only to the mercosur rate of 16 percent in Brazil,  
17 and then there's some sense that there may be some Indian  
18 companies that are exempted. Can you kind of describe to me  
19 how the dumping picture looks for you in Brazil?

20 MR. ROY: At the moment? At the moment we  
21 have -- we have favorable action against UAE, Turkey and  
22 Mexico. The actions or what was against India and Thailand  
23 actually sunsetted back in '13. So this is a new action  
24 that we're doing.

25 But with regards to today, as we sit here,

1 it's UAE, Turkey and Mexico, and you see that in UAE flex,  
2 flex was really the target there. They were -- they were  
3 the largest importing to Brazil from UAE, and polyflex was  
4 from Turkey. So that was more or less the focus of these  
5 investigations.

6 So with regards to your comment about some of  
7 them only have the 16 percent, I don't see that here. Most  
8 of them have the regular, the standard 16 percent inbound  
9 plus AD on top of that, some more than others.

10 CHAIRMAN BROADBENT: Okay, but Thailand, it  
11 sunsetted and you've refiled to renew that?

12 MR. ROY: That's correct.

13 CHAIRMAN BROADBENT: Along with India?

14 MR. ROY: We did India -- right now, we're  
15 right in the midst of India, China and Egypt.

16 CHAIRMAN BROADBENT: Okay, all right. So  
17 their general practice is that these orders sunset after  
18 five years. Then you have to file a completely new case to  
19 get them extended?

20 MR. ROY: Correct, correct.

21 CHAIRMAN BROADBENT: Okay, all right. Then  
22 what's -- sorry if I missed this, but what's going on with  
23 China in the Brazilian market?

24 MR. ROY: They're trying to come into the  
25 market with some of these high volume, low-price

1 commodities, mainly in the plain film area. We're seeing  
2 them mainly in the industrial market segments. We have not  
3 seen them that much, as of yet, in the packaging area. We  
4 see mainly, somebody referred to hot-stamping earlier.

5 This is an area that is growing in Brazil, and  
6 this is an area where it's a rather simplistic film, very  
7 commoditized film that you can bring in. We're seeing them  
8 in that area, of trying to come in at some very low prices.

9 CHAIRMAN BROADBENT: But they're -- and  
10 they're not under order currently?

11 MR. ROY: No, not at the moment.

12 CHAIRMAN BROADBENT: All right, but has  
13 anybody filed against them?

14 MR. ROY: Yeah. We have filed against China.

15 CHAIRMAN BROADBENT: So that investigation is  
16 proceeding in Brazil?

17 MR. ROY: That's correct. Right now we have  
18 -- we filed against China, Egypt and India.

19 CHAIRMAN BROADBENT: Okay, got it.

20 MR. JONES: And Chairman Broadbent, there are  
21 preliminary determinations of high margins of dumping  
22 against those three countries.

23 CHAIRMAN BROADBENT: Got it, okay.

24 MR. JONES: And the final determinations are  
25 expected in March of next year.

1 MR. ROY: First quarter.

2 MR. JONES: First quarter, end of first  
3 quarter of next year.

4 MR. ROY: Correct.

5 MR. JONES: That's the timing.

6 CHAIRMAN BROADBENT: And once the dumping  
7 duties started going into place in Brazil, how much market  
8 share did Terphane gain?

9 MR. JONES: Chairman Broadbent, that would  
10 probably call for a little bit too much speculation. We'd  
11 be happy to look at the import statistics and look at  
12 Terphane's numbers, and give you an answer to that in our  
13 post-hearing brief.

14 CHAIRMAN BROADBENT: Yeah, that would be  
15 helpful. If you could just estimate that in the  
16 post-hearing. Why do you think there's so much global  
17 over-supply in this product and dumped prices in various  
18 markets?

19 MR. ROY: As I said earlier, there was a huge  
20 amount of investment that took place post-global recession,  
21 specifically in China. I'm not sure why they installed all  
22 that capacity. One can only guess.

23 But with regards to the Indian producers, what  
24 we've seen them do as described earlier is position  
25 themselves with manufacturing capabilities all over the

1 world, and a lot of times it's to circumvent some of the  
2 actions, the anti-dumping actions that are in place, and  
3 that's their strategy. They want to be global, and  
4 consequently they're adding capacity that puts them in  
5 proximity to the target markets that they've identified.

6 The second reason why there's over-capacity is  
7 the size of the equipment that's being commissioned now.  
8 These are big lines. They're 8.7 meter lines. They may,  
9 you know, anywhere from 25 to 32,000 metric tons a year. So  
10 this is the newest generation equipment, and the higher that  
11 capacity I quoted is those turnkey, those turnkey machines.

12 In these -- in some markets, the huge volume  
13 opportunity is in the commodity market. Emerging markets  
14 and newer markets are not as sophisticated as mature markets  
15 like the U.S. and Europe. So there tends to be a tendency  
16 to consume a huge amount of these commodity films.

17 So you tag that with big machines, big  
18 capacity, and everybody wanting to get into the action, you  
19 have where we are today. In polyester, we've seen cycles.  
20 Typically, a polyester cycle, if you look at history, is  
21 seven to eight years.

22 What's happening now with especially the  
23 Chinese adding capacity and starting to consume a lot of  
24 polyester, is we've seen that that cycle is much shorter,  
25 and the amplitude is much bigger. In other words, the

1 impact of these big machines coming on has a bigger effect  
2 on the imbalance between demand and supply.

3 Older lines, if you look at lines that were  
4 but probably at the turn of the millennium, these were  
5 20,000 metric ton lines. Now you're talking 30,000 metric  
6 ton lines. So that's a 50 percent increase in output  
7 capacity. So I think it's a combination of things.

8 CHAIRMAN BROADBENT: Okay, and for demand for your company's  
9 product, what do you see the big uses in the future that  
10 will expand demand for Terphane's product?

11 MR. ROY: Packaging. Packaging is where we  
12 see the growth opportunity. Barrier packaging, film, film  
13 that have attributes that bring convenience to the consumer  
14 is where we see the growth opportunity, and these are the  
15 types of products we're developing and are putting in the  
16 market today.

17 CHAIRMAN BROADBENT: Okay, thank you. Vice  
18 Chairman Pinkert.

19 VICE CHAIRMAN PINKERT: Thank you, Madam  
20 Chairman. I just have a couple of follow-up questions. As  
21 you know, earlier this year, the Commission found that the  
22 domestic industry is vulnerable to injury from imports, and  
23 I read your brief to not take issue with that. But I want  
24 to give you the opportunity to state formally whether or not  
25 you agree that the domestic industry continues to be

1 vulnerable.

2 MR. JONES: Vice Chairman Pinkert, we're part  
3 of the domestic industry, and you know, we think that the  
4 findings in China -- in the India and Taiwan case were  
5 correct, and you know, the industry, I think that the  
6 evidence would demonstrate that the industry is vulnerable.

7 VICE CHAIRMAN PINKERT: Thank you. Now Mr.  
8 Roy, you testified about some of the competition from  
9 imports that Terphane is facing in Brazil. Does that give  
10 the Brazilian affiliate more of an incentive to export?

11 MR. ROY: No. On the contrary, I think the  
12 actions we're taking is to put in place barriers, to make  
13 sure that the Brazilian market is fair market.

14 Now that we have capacity coming on stream, we  
15 have the ability to catch up in essence to the growth that  
16 we missed, as well as continuing to grow and taking  
17 advantage of some of these actions being put in place, to  
18 accelerate regaining that market share we believe is our  
19 target. That is our target. It's part of our plan, and  
20 those have been very successful in the past, the actions  
21 that were put in place.

22 VICE CHAIRMAN PINKERT: Do you agree with the  
23 domestic industry's characterization of the Latin American  
24 market, that it will be over-supplied with the merchandise,  
25 say in 2015?

1                   MR. ROY: No, no, because again, it's  
2 specifically talking about OPP. I mean it's known that  
3 their target is not Latin America. Their target is much  
4 bigger than that, and they're practicing that now. I mean  
5 by investing in Texas, putting a distribution center in  
6 place, to me at least is indicative that these guys have  
7 aspirations of targeting the NAFTA countries.

8                   So the capacity that's being installed in --  
9 the total capacity of Latin America is -- I don't believe is  
10 an over-supply situation, because not all of it is destined  
11 to stay in Latin America. If we follow the logic that OPP  
12 -- by what they're doing, by the behavior that we're seeing,  
13 definitely they're going outside of that area.

14                  VICE CHAIRMAN PINKERT: So do you have a  
15 projection over the next few years of when the Latin  
16 American market is likely to become over-supplied, or is it  
17 your view that it's just not likely in the next few years?

18                  MR. ROY: It's my view.

19                  VICE CHAIRMAN PINKERT: Thank you. Do you  
20 have anything to add to that, Mr. Jones?

21                  MR. JONES: Vice Chairman Pinkert, I would  
22 just point to our earlier testimony, that Terphane's  
23 addition of P4, as Mr. Roy testified, was an effort to  
24 right-size capacity for available demand in Brazil and the  
25 Latin American regional markets.



1                   So our position is that -- is not as the  
2 demand, as the capacity is gradually brought up, and as the  
3 demand continues to increase in Brazil and Latin America,  
4 that the capacity, Terphane's capacity will be right-sized  
5 for what it intends to do, which is focus on Brazil.

6                   VICE CHAIRMAN PINKERT: Thank you very much.  
7 For the post-hearing, if you could give us some projection  
8 of what the supply situation in the Latin American markets  
9 will be in 2015, I think that would be helpful.

10                  MR. JONES: We'd be happy to do that, Vice  
11 Chairman Pinkert.

12                  VICE CHAIRMAN PINKERT: Thank you, and with  
13 that, I have no further questions.

14                  CHAIRMAN BROADBENT: Commissioner Williamson.

15                  COMMISSIONER WILLIAMSON: Thank you, and if  
16 you want to make some predictions on 2016, that would be  
17 interesting to see too.

18                  MR. JONES: We'll make a guess as to 2016 as  
19 well.

20                  COMMISSIONER WILLIAMSON: Okay, thank you.  
21 What is biaxial oriented PET film or BOPET, and does it  
22 encompass in scope PET film? Does BOPET include out of  
23 scope PET film?

24                  MR. ROY: Let's start with the definition of  
25 biaxial oriented polyester.

1                   COMMISSIONER WILLIAMSON: Good, in terms I can  
2 understand.

3                   MR. ROY: Okay, yes. In the process of making  
4 polyester, first you take -- we take a resin. It's a chip.  
5 You melt that and through the extrusion process we cast that  
6 onto a chair wheel. So this is when the polymer, which is  
7 now molten, becomes a solid again.

8                   At this point what you have is what we call an  
9 amorphous polyester sheet, and there is a market for that.  
10 There are people that actually produce amorphous polyester,  
11 APET is what it's called. Then you start the stretching  
12 process, where you build in some of the mechanical  
13 characteristics to the film, and by --

14                   So we first stretch it in the machine  
15 direction, okay. So you reheat the film to glass transition  
16 temperature; you stretch it machine direction, and then we  
17 stretch it transfers direction, sorry, okay. And what this  
18 does is it orients the carbon chains in such a way that you  
19 have a very ^^^^ a film with very high tensile strength.

20                   That's why polyester film is so tough. If you  
21 try to puncture it, if you try to rip it, it's very, very  
22 tough. The logic behind that at least is that you can have  
23 a very thin film with very high mechanical properties, and  
24 this is what differentiates polyester from the polyolefins,  
25 which is your polypropylenes, polyethylenes, is those

1 dimensional characteristics.

2                   It also through the process, because we also  
3 anneal the film while we're stretching it or at the tail end  
4 of the stretching, we build in the thermal resistance to the  
5 film. So it has very high melt point, and so it doesn't get  
6 easily distorted as you're processing the film, especially  
7 in printing and laminating when you have to dry.

8                   So you're using heat. You don't want the film  
9 to shrink. Otherwise, the printing is not going to be the  
10 end result that you're looking for. So by orienting the  
11 film, we can build in -- we build in different  
12 characteristics, and those are mainly the mechanical,  
13 dimensional stability properties of the polyester.

14                   COMMISSIONER WILLIAMSON: Now is some of that  
15 film in scope and some of it not?

16                   MR. ROY: Well actually BOPET is -- can be in  
17 scope or out of scope, because even when we talk about our  
18 CO-EX film that has that layer, that performance-enhancing  
19 layer, it is a B-O-P-E-T. The difference is during this,  
20 the casting process or the extrusion process, we're able to  
21 add some -- using resins, we're able to add some performance  
22 enhancement to the product.

23                   COMMISSIONER WILLIAMSON: Okay. So what you'd  
24 be doing -- the new plant's going to be making this kind of  
25 stuff?

1                   MR. ROY: The new line makes B-O-P-E-T. It's  
2 a B-O-P-E--T line, and it has the ability to make a wide  
3 range of products. Why we didn't buy a turnkey again is we  
4 added some of those other processes or other auxiliary  
5 equipment, in order to make films that have unique  
6 characteristics, I'll put it that way. But it is still a  
7 B-O-P-E-T.

8                   COMMISSIONER WILLIAMSON: Okay, and is this a  
9 significant part of the production? What's the role of the  
10 B-O-P-E-T film in the market relative? Just give me an  
11 idea.

12                   MR. ROY: Well film -- the role of PET first  
13 and foremost is as a support sheet, and because of its high  
14 dimensional stability and high thermal resistance, it is the  
15 preferred substrate to put on the outside of packages that  
16 need to be heat-sealed. Because to heat seal, you need  
17 three things. You need temperature, dwell time and  
18 pressure.

19                   And if -- and depending on the speed of the  
20 packaging equipment, the higher speed machines tend to have  
21 very high temperature at sealing, very short dwell time and  
22 high pressure. So you need something on the outside of the  
23 package that can withstand high temperature and a lot of  
24 pressure.

25                   COMMISSIONER WILLIAMSON: Okay.

1                   MR. ROY: Okay, so that's why, if you look at  
2 stand-up pouches for example, polyester is the preferred  
3 substrate to use on the outer layer of those packages. If  
4 you were to use a polyolefin, what you will see if you look  
5 at potato chip bags, you can see that in the seal area, it's  
6 very crinkled.

7                   Okay. That's because polypropylene has a very  
8 -- has a lower melt point than polyester, and because of the  
9 high speed lines, this is what you get. It's not  
10 aesthetically pleasing, and a lot of the brand owners demand  
11 that their package be very pristine on the shelf, because  
12 this is what the consumer looks for, and it's a direct  
13 reflection of the quality of the product that's inside the  
14 package.

15                   COMMISSIONER WILLIAMSON: Nothing to do with  
16 this case. Which is easier to open?

17                   MR. ROY: I'm biased. I'll say polyester.  
18 But if you notch it. You know, there's ways now. You can  
19 laser score polyester now so it's easy open, and you can  
20 direct the tear.

21                   COMMISSIONER WILLIAMSON: Okay, thanks.  
22 Petitioners have argued that even if the Brazilian market is  
23 more attractive than the U.S. market, there's no reason why  
24 Terphane would not sell its excess supply in the U.S. market  
25 after it's met the Brazilian demand.

1                   They also argue that if you did export  
2 commodity-grade products to the U.S., you would not be  
3 undercutting the factory in the U.S. Why should the  
4 Commission disregard these arguments, you know? Shall we  
5 take those arguments seriously I guess is what I'm saying?

6                   MR. ROY: Well let's -- so the argument you're  
7 saying is that there's interest in our part to bring in  
8 products from Brazil into the U.S. market, and that it will  
9 not impact --

10                   COMMISSIONER WILLIAMSON: Well, that say if  
11 you're able to satisfy your demand in Brazil and in a new  
12 region, and you've got the capacity, you would also just go  
13 on and ship here.

14                   MR. ROY: I mean --

15                   COMMISSIONER WILLIAMSON: Now you said that's  
16 not your intention, that's not your plan. But if you've got  
17 stuff, if you've got the capacity.

18                   MR. JONES: Commissioner Williamson, I'll take  
19 a stab at that. I think as we've discussed, you know, the  
20 Petitioner's argument hinges on acceptance of the assertion  
21 that Terphane will have a significant amount of excess  
22 capacity, and frankly the numbers in their brief are  
23 ridiculous. Those estimates are way out of line, and  
24 inconsistent with the Commission's practice of calculating  
25 capacity as we understand it.

1                   COMMISSIONER WILLIAMSON: So what you're  
2 saying, this is unrealistic or hypothetical, so why --

3                   MR. JONES: Well, we're happy to entertain the  
4 hypothetical, if it helps the Commission with its  
5 determination. But specifically on that point, on the  
6 excess capacity, we don't think there will be significant  
7 excess capacity, and you know, we're certainly willing to  
8 address that post-hearing.

9                   But we think the reasonable calculation and  
10 estimate of Terphane's existing capacity and its future  
11 capacity after the P4 line, really during it's ramping up  
12 period --

13                   (Simultaneous speaking.)

14                   COMMISSIONER WILLIAMSON: Okay.  
15 You're saying that's not going to happen.

16  
17                   MR. JONES: --in 2015, will show that there is  
18 not significant excess capacity. I think the other point  
19 on, you know, affecting the U.S. -- affecting the U.S.  
20 operation's business, Mr. Roy got into this a little bit.  
21 But our point there is that Terphane's focus in the United  
22 States is on non-subject and specialty products, and  
23 importing low end subject merchandise would be inconsistent  
24 with that, and would actually undercut that business. It  
25 would undermine what they're trying to do in the other

1 areas. So would it

2 COMMISSIONER WILLIAMSON: Because you mean  
3 you're saying low end, you bring in low price things, you're  
4 bringing the price down?

5 MR. JONES: Correct.

6 COMMISSIONER WILLIAMSON: Okay. Now you're  
7 free to disagree, but I just --

8 MR. TAYLOR: And Commissioner Williamson, and  
9 again Mr. Winn testified to that point as well, that the low  
10 end pricing, the commodity products are the anchor, and  
11 there is a connection, the domino effect between the pricing  
12 again on your products.

13 So as they fought hard to get these high end  
14 products into the market, they come in and they have a  
15 product offering of the low end subject merchandise, they're  
16 going to be undercutting their own pricing.

17 COMMISSIONER WILLIAMSON: I was wondering, are  
18 there differences in what's driving the market in the U.S.  
19 and what's driving it in South America and Asia? I mean  
20 y'all focus primarily on packaging, and I guess that is in  
21 both markets. But are there other differences --

22 MR. ROY: You know, in Latin America, I think  
23 packaging was really where we saw growth. We continue to  
24 see growth. I mean this is what we're basing our plan on.  
25 But there's also new opportunities for polyester. I



1 mentioned that in my testimony, is that we're now seeing  
2 some of the industrial markets starting to growth.

3                   Some of the finished products were being  
4 imported into Brazil and some of the other Latin American  
5 countries. But the volume is getting interesting enough now  
6 where there's local production. So there's local  
7 manufacturing taking place. So there will be demand  
8 obviously for film to support web or film as a raw material  
9 for what these guys do from a conversion point of view.

10                   So this is a market we're looking at. I mean  
11 case in point is the label market. It's mainly paper in  
12 Brazil. Now we're seeing a shift towards film-based labels.  
13 Very traditional in what they do, and sometimes it takes  
14 them a while to move. But we are seeing some shifting.

15                   In the U.S., packaging has steadily grown, and  
16 usually it follows GDP. But what's happened in the U.S.,  
17 where you see ups and downs, is you do have other segments  
18 of the market that come and go, mainly in the industrial  
19 area. We talked about photovoltaic. We've seen the flat  
20 screen, window film.

21                   These are businesses that tend to be more  
22 cyclical. The industrial market as a whole tends to be more  
23 cyclical when you look at the demand and supply side of  
24 those subsegments. But the packaging market is just more  
25 steady, and there's more opportunity, the way we see it, to

1 value add.

2 Thus, the reason why we made the decision to  
3 focus our efforts in that segment, not only in Brazil but  
4 also in the U.S.

5 COMMISSIONER WILLIAMSON: Okay. Thank you for  
6 those answers.

7 CHAIRMAN BROADBENT: Commissioner Johanson?

8 COMMISSIONER JOHANSON: Thank you Chairman  
9 Broadbent. I would like to go back to where I left off a  
10 while ago talking about capacity or possibly over-capacity  
11 in the world market. In light of current global  
12 over-supply what drove the decision making behind Terphane's  
13 Brazil growth plans in capacity?

14 MR. ROY: The domestic market. We saw  
15 continued growth opportunity in Brazil first and foremost  
16 and we capped out. We just capped out in capacity back in  
17 2010 and 2011 is when we capped out and we found ourselves  
18 in the situation where we simply could not keep pace with  
19 the growth opportunity in the marketplace.

20 The timing of our investment also had to do with  
21 the change of ownership. Obviously I would have liked to  
22 have done this investment earlier but timing is what it is  
23 and Tredegar acquired us in '11 and we went to the board and  
24 got the approved to do it in 2012, but it was always to have  
25 to bring on capacity to keep pace to keep pace with the

1 organic growth of the market for existing applications but  
2 also with the forecast and the expectation that there would  
3 be other opportunities for growth using polyester and that's  
4 what justified the investment that we made.

5 COMMISSIONER JOHANSON: Thanks, and could you  
6 please respond to the domestic industry's parties argument  
7 that this investigation is different from other cases in  
8 which the Commission has found a regional supply strategy  
9 because among other things, the very different supply  
10 capacities of Terphane's U.S. and Brazil plants?

11 MR. JONES: Commissioner Johanson I'll respond  
12 to that. This case is not -- the Commission in previous  
13 cases has found a regional strategy to indicate that there  
14 is an unlikelihood that there would be significant imports  
15 in the United States and in the cases that the Commission  
16 has looked at that has been primarily based on a  
17 substitution of domestic production for imports. So that  
18 applies to some extent here but not to the extent that it  
19 might in the case involving steel where I believe  
20 ThyssenKrupp argued that it was not going to export to the  
21 United States because it's production facility in the U.S.  
22 was going to supply all of that demand.

23 So the coordinated regional strategy cases are  
24 not exactly what we have here but we think they are  
25 analogous because what we have here is a situation where

1       there is a control, there's a break on what is likely to be  
2       imported.    The steel cases I believe we've argued that  
3       there was a veto and you asked earlier whether Terphane  
4       Incorporated has veto authority, essentially they do.    I  
5       mean this is the gentleman Dan Roy is the gentleman who  
6       makes that decision.

7                   And so Terphane, Mr. Roy in conjunction with his  
8       management at Tredegar is going to come up with a business  
9       plan and Mr. Roy is going to follow it and that plan gives  
10      him the authority to regulate what comes in from Brazil and  
11      it is within his authority, within his discretion to do  
12      what's right for the business within the confines of the  
13      business plan.    And so it's not precisely like those steel  
14      cases but we think it's analogous enough that it provides  
15      some support for what's going on here but this is different  
16      than what you see with respect to UAE and China.

17                   COMMISSIONER JOHANSON:    Thank you for your  
18      response and that concludes my questions.    I would like to  
19      thank you all for appearing here today.    I have to admit  
20      that while I was in private practice I always wondered what  
21      PET film was, I read about it and over the past few months I  
22      have learned about it, seeing as it is almost everywhere  
23      surprisingly.

24                   MR. ROY:    It is and growing.

25                   COMMISSIONER JOHANSON:    And growing okay, well

1       thank you a lot.    I appreciate you informing me further  
2       today.

3                   CHAIRMAN BROADBENT:    Any questions?

4                   COMMISSIONER KIEFF:    No I thank my colleagues  
5       and the panelists for their great back and forth and a  
6       reminder that I should once again go watch the graduate  
7       plastics is what it's all about.

8                   CHAIRMAN BROADBENT:    Commissioner Schmidtlein?

9                   COMMISSIONER SCHMIDTLEIN:   Thank you I had a few  
10       follow-up questions.   Mr. Taylor in response to  
11       Commissioner Williamson a few minutes ago, you indicated  
12       that you agree with the Petitioners that there is a link  
13       between commodity prices and prices for specialty grade PET  
14       film?

15                  MR. TAYLOR:    Sure, and the Commission found this  
16       as well in the investigation.   And Mr. Roy I'm sure can talk  
17       to us more about that.   But there is a connection between  
18       price and structure.   So when you're pricing your own  
19       product types which you are putting in the market there's  
20       going to be a link between them.   And so the specialty  
21       products are somewhat capped because of the commodity price  
22       coming in.   But one can buy a commodity product and do  
23       something to it.   Then the specialty products are going to  
24       have a lower price because their feedstock is going to be  
25       lower too.   So the pricing coming in on the initial product

1 offering you make is going to be relevant to your own  
2 pricing and also what's available in the market.

3 COMMISSIONER SCHMIDTLEIN: I see so that was  
4 going to be my question is if you could elaborate on what  
5 the basis for that is because it was either you or Mr. Roy  
6 because I wanted to see if you agree with what the  
7 Petitioner said this morning as to why they thought they  
8 were linked so -- and from what I understand in you, it's  
9 because the commodity product is an input to the specialty  
10 product that's what you are saying so if you flood the U.S.  
11 market or some into the U.S. market with commodity products  
12 that's going to potentially bring down the prices of your  
13 specialty products because the input price that a lot of  
14 producers would be using would be dropping, is that right?

15 MR. TAYLOR: That's correct. I'll let Mr. Roy  
16 explain because he has more of the background on the  
17 technical. Just to make one clarification, this is -- I  
18 think as well -- just to be aware of subject merchandise  
19 versus commodity merchandise versus specialty merchandise.  
20 What Terphane would be entering the market with is not the  
21 subject merchandise. It is going to be the sub-special or  
22 the semi-special product. It's co-polymer resin films are  
23 going to already be coming in and entering. Some people can  
24 do more to them but they already have a lot of specialty  
25 aspects to get started with.

1                   COMMISSIONER SCHMIDTLEIN:    Okay well I'm really  
2                   talking about subject because this is going to the argument  
3                   that there is a disincentive to export to the United States  
4                   because of U.S. affiliate or link between what would then be  
5                   subject but commodity grade, right and the specialty product  
6                   that they are producing here in the U.S.

7                   MR. TAYLOR:     That's correct.

8                   COMMISSIONER SCHMIDTLEIN:    Okay so if you want  
9                   to just explain what the basis for that link is that would  
10                  be helpful.

11                  MR. ROY:     It's based on the perceived value of  
12                  the performance enhancement that you make to that we'll call  
13                  it the platform film, as the bottom film.    For example if  
14                  you take a plain film and you put a primer on it and the  
15                  primer's purpose is to improve in cohesion or when you are  
16                  laminating to another substrate to improve the bond between  
17                  the two sheets, that has a certain value, inherent value to  
18                  the converter.    The value is as follows.

19                  He has a printing press with five colors, five  
20                  stations that he can use to put color on to the film.    Now  
21                  he has a choice, he can buy plain film, vanilla grade plain  
22                  film and use one of the five print stations to put the  
23                  primer on that film, okay.    And then he has four decks left  
24                  to put four colors to make the nice printing.

25                  Or he can buy a pre-treated chemically coated

1 film already primed and then he gains an extra deck to put  
2 in extra color so the decision the converter has to make is  
3 what is best in terms of the economics. If I can buy the  
4 chem-treat film and use my fifth deck and make more money  
5 than buying a plain Jane film and using one deck to put the  
6 primer to enhance adhesion of my aches and only have colors,  
7 that will be what -- that's how he is going to make the  
8 decision so there's a fine line as to how much a converter  
9 is willing to pay for that enhancement.

10 Okay and that's a very simple example. As you go  
11 up the food chain to more complex products, it becomes  
12 obviously the economics become a little more complicated  
13 because the converter reaches the certain point where he  
14 doesn't have the capabilities, nor does he have in-house  
15 assets to be able to add the value that we could do with  
16 in-line products but in some cases he can look at alternate  
17 structures to achieve the same desired end product.

18 Barrier films for example, you can put the  
19 barrier on the polyester or you can put the barrier in one  
20 of the other substrates that you use in what we call the  
21 structure okay? If it's cheaper, more economic for him to  
22 buy plain Jane polyester film okay, put the primer, print  
23 and buy a barrier sealant film that he laminates to it,  
24 that's what he is going to do. So when we price our  
25 products we know or we figured out over time how much that



1 value should be or how much the converter is willing to pay  
2 for that additional performance attribute that we are  
3 building into the film.

4           So that's why we call it the domino effect  
5 because if the bottom, that base film, that vanilla grade  
6 starts dropping, everything else follows and in the mind of  
7 the converter says wait a minute, maybe I should re-look at  
8 this and see is it better for me to buy that plain film and  
9 add that value rather than buy a film that already has it  
10 and that's the danger of these you know, low price, high  
11 volume, plain Jane products coming into this market, into  
12 the U.S. and this is where it impacts us the most because we  
13 are in that specialty area so every time there is a shift in  
14 that vanilla grade bottom, call it the platform film, the  
15 whole market starts to shift.

16           The same thing goes with metalizing. There are  
17 what we call merchant metalizers these are guys that  
18 metalize many different types of products okay and they have  
19 capacity and a lot of the other polyester manufacturers sell  
20 metalized film. We metalize our own film in house and sell  
21 a finished or semi-finished metalized product it is the same  
22 discussion or the same logic.

23           If the converter says wait a minute I can buy a  
24 plain film, tool out to a merchant metalizer and get the  
25 film metalized and bring it back to my plain cheaper than it

1 is costing me to buy an already metalized BOPT from one of  
2 my BOPT suppliers that's what he is going to do so we need  
3 to be, we need to monitor this constantly and say what is  
4 that value proposition, how much is that value add, that  
5 enhancement that we are putting on to the film worth to the  
6 marketplace.

7 COMMISSIONER SCHMIDTLEIN: So I don't know if  
8 you were listening this morning but I understood and maybe  
9 you know the Petitioners you may also address this in  
10 post-hearing that the link was more based on if commodity  
11 priced, commodity grade prices are dropping because there's  
12 too much supply right, because we have got too many imports  
13 or whatever reason so that means that producers potentially  
14 shift to a different grade and from what I'm hearing you say  
15 that's not what you understand to be the basis of the link  
16 is that right?

17 And maybe I misunderstood this morning and you  
18 could address that.

19 MR. ROY: Well if you insist on maintaining for  
20 those value add films, we'll call them value add films for  
21 the sake of this discussion, if you insist on maintaining  
22 that price level while the market is going this way for the  
23 commodity products, there's a high risk yeah, the converter,  
24 the customer, the user will look at alternatives, okay.

25 So we have to be not we -- the market, the

1 producers always have to be careful that there is some logic  
2 behind the pricing of these products because yeah the  
3 converter does have choices in some cases in terms of what  
4 structures he can put together, what value or what  
5 performance enhancement he can add in house and everybody is  
6 trying to catch that value add.

7           The converter is trying to catch a lot of it, we  
8 as film producers obviously are trying to catch as much of  
9 it as we can because that's good business. To do that you  
10 need to have a structure in place, an organization you know  
11 that's investing in R&D, developing products, always trying  
12 to stay ahead of the curve here and that's what's critical.

13           MR. TAYLOR: So Commissioner the low end cap  
14 brings the prices down on the specialty products  
15 potentially. And that last thing that Terphane wants to do  
16 now that it is, in this high end specialty products is one  
17 -- add to that volume that's going to bring down the prices  
18 on a broad basis, and then two -- with its own specific  
19 product line, it has its own and you've heard testimony this  
20 morning there are customers out there that most producers  
21 sell groups of products to -- they are not going to go in  
22 with their base films or those groups of products and then  
23 lower their own higher end products from that, as well,  
24 because everybody in the industry knows that there is some  
25 correlation between your entrance level film and the higher

1 level film.

2 COMMISSIONER SCHMIDTLEIN: Yes, so this is sort  
3 of in the same vein. Do you agree with the Petitioners  
4 that the product mix can be easily shifted on the same  
5 equipment?

6 MR. ROY: No there is some shift, depending on  
7 the kit that you have, if you have -- every polyester  
8 machine has some capabilities, I mean there is a certain  
9 parameter in which you need to operate so again it's when  
10 you buy these machines and you design or engineer these  
11 machines, you need to know what it is you want to make with  
12 them because that's what you have got to build in right up  
13 front. You can add later but it's very expensive to modify  
14 polyester lines which we saw a lot of that happening back in  
15 2010 and '11 when there was a shift from thin film to  
16 intermediate and there was flat screen, there was polyester  
17 being used for IPAD's and smart phones inside the screen.

18 Some of the polyester producers, thin film  
19 producers made a decision to modify thin film equipment to  
20 make what we call intermediate thickness machines that also  
21 put a lot more pressure on the supply side of the equation.

22 Demand was going up and not only was demand exceeding  
23 supply because of no investment but also there was thin film  
24 capacity taken out and modified to make intermediate  
25 thickness films.

1                   MR. JONES:   Commissioner Schmidtlein I think  
2                   what Mr. Roy said earlier and what he just reiterated is  
3                   correct.   It really depends on the type of film that you  
4                   are switching in and out.   It can be easy or not depending  
5                   on what you are trying to do I think is the correct answer  
6                   so.   It's not always easy, sometimes it is.

7                   COMMISSIONER SCHMIDTLEIN:   Okay I mean I have a  
8                   couple more follow-up but my time is up.

9                   CHAIRMAN BROADBENT:   Okay I think we are done  
10                  with questions if you wanted to continue.

11                  COMMISSIONER SCHMIDTLEIN:   All right so we can  
12                  continue I just want to make sure I understand.   So -- well  
13                  this goes to your point that you made at the end of my last  
14                  round of questions with regard to the new capacity that's  
15                  coming on line and that the company would have purchased  
16                  different equipment -- would have invested in different  
17                  equipment.

18                  And so I guess can you be more specific, either  
19                  now or in the post-hearing brief in terms of the equipment  
20                  that you have purchased for the new P4 line is it impossible  
21                  to shift to product that would be within scope or is it just  
22                  uneconomical?

23                  MR. ROY:   Yeah I think we'll comment on that in  
24                  post-hearing, that's what I was going to say.   Post-hearing  
25                  I think we can lay it down so it'll be more helpful to you

1 than just talking now.

2 COMMISSIONER SCHMIDTLEIN: Okay and there has  
3 been some discussion already about obviously the capacity  
4 but I guess I wanted to make sure I understood whether you  
5 all agreed or disagreed with the Petitioners position that  
6 this is a capital intensive business and that in order to  
7 remain profitable a company in this business needs to run at  
8 full capacity or as close to full capacity as possible, do  
9 you agree with that or no?

10 MR. ROY: We agree with that.

11 COMMISSIONER SCHMIDTLEIN: You do agree with  
12 that?

13 MR. ROY: Yes.

14 COMMISSIONER SCHMIDTLEIN: Okay, I don't have  
15 any further questions, thank you.

16 CHAIRMAN BROADBENT: Okay if the Commissioners  
17 have no further questions does the staff have any questions  
18 for this panel? You could just shake your head Jim.

19 MR. MCCLURE: I will allow them the moment. My  
20 children would say that is the first time anybody said they  
21 couldn't hear me. Anyway, Jim McClure Office of  
22 Investigations I wanted to thank this panel for their very  
23 useful testimony. I have done four of these cases and I  
24 learn something new every time, with that said staff has no  
25 questions.

1                   CHAIRMAN BROADBENT:    Thank you Mr. McClure.    Do  
2                   those in support of continuation of the order have any  
3                   questions for this panel?

4                   MR. McLAIN:    No Madam Chairman.

5                   CHAIRMAN BROADBENT:    Okay, well thank you in  
6                   that case I want to thank the panel again for all of their  
7                   testimony.    I was very enlightened that film is not  
8                   something that your dog uses to take a picture of you, I  
9                   have learned a lot more today and really appreciate all of  
10                  your insights and that's been very helpful and thank you for  
11                  participating.

12                  With that we come to closing statements.    Those  
13                  in support of continuation have 34 minutes from direct and 5  
14                  for closing for a total of 39 minutes.    And those in  
15                  opposition have 24 minutes from direct and 5 for closing for  
16                  a total of 29 minutes.    As is our custom we will combine  
17                  those times, you do not have to take all the time.    We will  
18                  start with those in support of continuation of the orders.

19   CLOSING REMARKS BY PATRICK J. McLAIN

20                  MR. McLAIN:    Madam Chairman I am confident I will  
21                  not take all of that time so I'm sure you are glad to hear  
22                  that.    In the last panel counsel for Petitioners said that  
23                  the Commission's findings in the Indian Taiwan PET film  
24                  sunset review a few months ago were correct.    In that case  
25                  the Commission cumulated India and Taiwanese PET film

1 imports and found that because of increased capacity, excess  
2 capacity and an attractive U.S. market and a vulnerable U.S.  
3 industry, that material injury was likely an event of  
4 revocation.

5 Terphane also says that the same analysis should  
6 apply for China and the UAE. They have significantly  
7 increased capacity, they have got large excess capacity,  
8 they will be attracted to the U.S. market and they will  
9 injure the U.S. industry and they should be treated  
10 together. They also say that film from those countries  
11 will injure their U.S. production.

12 And Mr. Roy of Terphane just said that OPP film  
13 in Peru is exporting to the U.S. market and is focused on  
14 that despite what I think is their position is that Latin  
15 America is not over-supplied and the regional pricing  
16 differentials between Latin America and the United States  
17 should inhibit such export patterns but yet OPP is going to  
18 do that anyway.

19 But according to Terphane Brazil is special.  
20 It's not. Terphane has excess capacity in Brazil and the  
21 criticism of our capacity figure is an excess capacity  
22 figures for Terphane in our pre-hearing brief are incorrect  
23 and I will just pause to very briefly address those  
24 criticisms.

25 The data come from Terphane not from us. In



1 Terphane's foreign producer questionnaire response they were  
2 asked to and did provide figures for the amount of  
3 additional capacity coming on line in 2004, in 2014 and 2015  
4 so when we talk about 2015 figures we are adding that figure  
5 to their total capacity from 2013. And then we used  
6 Terphane's projections for total demands so we have never  
7 assumed that non-subject demand would stay flat. We  
8 assumed that on what may even be overly rosy predictions of  
9 demand growth that things would go exactly as according to  
10 plan from 2013 to 2014 to 2015 in terms of what they would  
11 sell both subject and non-subject.

12 And once you run that calculation that's in our  
13 pre-hearing brief, you still have lots of excess capacity.  
14 And counsel for Terphane just agreed that the incentives in  
15 this capital intensive industry are such that you want to  
16 maximize your capacity utilization so they are also asking  
17 you to believe that they would just let that sit idle  
18 because of this business plan.

19 Well their statements about this powerful  
20 business plan don't really hold up either. Terphane is  
21 interested in the U.S. market as Commissioner Schmidlein  
22 noted there is a dramatic run up in subject exports from  
23 Brazil to the United States from 2004 to 2007 and then the  
24 order was imposed and it's like the lights went off and then  
25 yet supposedly around that time there was a coincidental

1 change in strategy which explains that outcome in Terphane's  
2 view.

3 Well they still kept exporting commodity  
4 non-subject PET film to the U.S. market and that's despite  
5 this supposed disincentive effect from the fact they have a  
6 small U.S. production facility and the first case that  
7 counsel for Terphane mentioned carbon and alloy steel wire  
8 rod from 2014 I think is instructive. There was -- of the  
9 several countries that issue only one was decumulated and  
10 that was Ukraine because it had a significant U.S. presence  
11 and significant regional affiliate operations that could  
12 supply the U.S. market before Ukraine would be called into  
13 action.

14 That's not the case here. With Brazil was  
15 cumulated, Mexico was cumulated -- for Mexico the Commission  
16 found that the shipment of non-subject goods to the U.S.  
17 indicated an interest in the U.S. market with respect to  
18 shipping subject product to the U.S. in the event of  
19 revocation. For Brazil the Commission said based on the  
20 record including information on the size of the industry in  
21 Brazil it's substantial unused capacity, it's exports and  
22 it's additional capacity coming on line in the reasonably  
23 foreseeable future we do not find that subject imports from  
24 Brazil would likely have no discernable adverse impact.

25 And this was in a case where all exports from

1 Brazil to the U.S. during the period of review were  
2 non-subject but they found that that still indicated  
3 interest in the U.S. market. So overall our position is  
4 their business strategy fails to explain a lot of what we  
5 can see in the record but the disincentive effects of the  
6 anti-dumping duty order explains a lot and if you have any  
7 doubt about that look in their business documents. Look at  
8 attachment 1 to their foreign producer questionnaire  
9 response, page 4.

10 And I think that says a lot that when the light  
11 is green and they can come into the U.S. market without any  
12 dumping duty orders, anti-dumping duties they do and when  
13 the light is red they don't. And it's as simple as that,  
14 they are not different from these other countries in any way  
15 that's relevant to your analysis so thank you very much for  
16 your time, I appreciate it.

17 CHAIRMAN BROADBENT: Thank you. You can begin  
18 when you are ready.

19 CLOSING REMARKS BY J. MICHAEL TAYLOR

20 MR. TAYLOR: Yes Madam Chairman and  
21 Commissioners thank you very much for your time today and I  
22 too will try and keep this short, we know sometimes these  
23 hearings go a while longer and we thank you for working with  
24 us to get this thing done quickly as well.

25 Just a couple points and I'll run through them

1 very deliberately based on things that were said. Capacity  
2 just again to highlight, the capacity estimates that  
3 Petitioners are basing their entire case on are absurd. And  
4 the numbers that were provided in the questionnaire  
5 responses by Terphane were based on the Commission's  
6 standard practices and the question as asked by the  
7 Commission.

8 Just allocating name plate capacity to subject  
9 film just because there's name plate capacity out there  
10 doesn't follow Terphane's business practice. It doesn't  
11 follow the reality of what they are making, and it doesn't  
12 follow the marketplace, so there's just no basis for that.  
13 And it's unrealistic and unreasonable for that premise to  
14 stand as the basis of your analysis.

15 Subject films are not the films that will be  
16 relied on to build out capacity in the P4 line. Mr. Roy  
17 has testified to that. They are not making subject films  
18 for the P4 line and in fact as you heard today, as they are  
19 bringing on the P4 line, they are backing off and they're  
20 actually -- their F1 line has pulled back capacity and they  
21 have new metalizing capacity that's coming on line with the  
22 P4 line too. So that, in and of itself, demonstrates that  
23 use of capacity that's out there. The name plate capacity  
24 just doesn't support the proposition that Petitioners are  
25 putting forth.

1                   There were some questions during the initial  
2 round to Petitioners about the size of Terphane in the  
3 Brazilian industry, which Terphane makes up, versus China  
4 and the UAE and the idea that China and the UAE. And China  
5 and Terphane are all the same size, again just doesn't make  
6 a lot of sense. The numbers are somewhat proprietary, but  
7 if you look at the export capacities and the charts that are  
8 in the staff report, the rankings of China for export --  
9 actual exports -- and then you look at UAE, which is in the  
10 same quadrant, and then Terphane only makes the chart  
11 because staff wanted to make sure we had the results on the  
12 chart at the very bottom.

13                   And so the percentages -- if you do the  
14 percentages we are talking very, very small percentages.  
15 And I don't have them right here, so I'm not sure what's  
16 public, and not, I believe it's public but I will not put  
17 the numbers out there even though they are in my head just  
18 out of caution right now.

19                   All right China and the UAE, as a whole, are  
20 larger markets with much more significant capacity than  
21 Brazil has. And then the individual companies themselves  
22 are different companies as well. The Commission should not  
23 look at the companies in China and the UAE individually, and  
24 there is an effort by Petitioners to try and link that to  
25 Terphane.

1           Terphane again is focusing on its market in  
2           Brazil. It is not export oriented, like the manufacturers  
3           in China and the UAE, which are export oriented. And it is  
4           focusing any exports it has on a different market than the  
5           low end commodity markets, taking advantage of the existing  
6           base and the market they developed in the United States.

7           So would Terphane compete with China and the UAE?

8           Petitioners say there's no dispute yes, but we obviously  
9           dispute that and that's contrary to the business plan,  
10          that's contrary to the record. Terphane cannot and does  
11          not intend to compete with the Chinese in the imports of the  
12          subject merchandise in the United States.

13          The subject merchandise is just not where  
14          Terphane intends to compete. It's not where they can make  
15          their money. Doing so would lower their own price structure  
16          and it doesn't match up with their investments. Their  
17          significant investments in capacity are aimed at a different  
18          market and a different type of film.

19          With regard to scope, we touched a little bit on  
20          this at the very beginning of our presentation but there was  
21          a statement by Mr. Kasoff that his point of price and he  
22          said that 10.21 -- which again is a non-subject product --  
23          that Terphane is selling that for a dollar a pound. Well  
24          Mr. Roy very politely wrote "never," and he handed that to  
25          me during the testimony so I wanted to make sure that you

1 have heard that.

2 Again 10.21 is not subject merchandise, it's not  
3 something that should be evaluated in the pricing process,  
4 but even if it were it's also important to note that we  
5 believe it doesn't change our analysis. The scope decision  
6 by the Commerce Department is out there, it is on appeal.  
7 But there's an exhibit to our brief that has the subject and  
8 the co-polymer resinous films, the volumes of both of those.  
9 And you will see that the volumes we are talking are not  
10 market averse, and they are not going to have any impact and  
11 still support decumulation in this instance. I urge you to  
12 look at those if you have not already.

13 Finally there is a discussion about Terphane's  
14 U.S. facility and what that meant. And Petitioners have  
15 argued that Terphane has a U.S. facility that is very small  
16 and therefore the market activity in Brazil and the exports  
17 from Brazil would disregard Terphane's U.S. activity.  
18 That's not -- I mean Terphane's U.S. facility in New York.  
19 They flipped the analysis, and what is important to  
20 recognize is that Terphane's U.S. facility, it is a small  
21 facility. Somebody asked -- and I think it was  
22 Commissioner Williamson -- did they just go buy an entity?

23 Well as the testimony shows this was a Kodak  
24 facility, it does do research and development. Terphane  
25 does make specialty products in that facility and what it

1 does is it uses that base to reach out to take advantage and  
2 to move into the marketplace of specialty products, to  
3 develop that market and then as the specialty market is  
4 developed, larger production volumes are shifted down to  
5 Brazil so that they can then expand the specialty market  
6 some more. So again, the business plan originally  
7 explained this, and I will provide additional testimony or  
8 additional information in the post-hearing brief.

9 But the New York facility is itself aimed at  
10 growing the specialty market, which is enhanced by what they  
11 can do at Brazil to further those efforts. So with that I  
12 thank you very much and we thank you for having us have an  
13 efficient hearing this morning.

14 CHAIRMAN BROADBENT: Thank you and again I  
15 express the Commission's appreciation to everyone who  
16 participated today. Your closing statement, post-hearing  
17 brief, statements responsive to the questions and requests  
18 of the Commission and corrections to the transcript must be  
19 filed by November 28, 2014. Closing of the record and  
20 final release of data to the parties will be on December 12,  
21 2014. Final comments are due on December 15, 2014 and with  
22 that this hearing is adjourned, thank you.

23 (Whereupon the hearing adjourned at 3:01 P.M.)

24

25



## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Polyethylene Terephthalate Film, Sheet, and Strip ("PET Film")  
from Brazil, China and the United Arab Emirates

INVESTIGATION NOS.: 731-TA-1131, 1132, and 1134 (Review)

HEARING DATE: 11-18-2014

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: 11-18-2014

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson  
Signature of Proofreader

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

SIGNED: Gaynell Catherine  
Signature of Court Reporter