

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
CERTAIN POLYETHYLENE TEREPHTHALATE) 701-TA-531-533 AND
RESIN FROM CANADA, CHINA, INDIA,) 731-TA-1270-1273
AND OMAN) (PRELIMINARY)

REVISED AND CORRECTED

Pages: 1 - 189
Place: Washington, D.C.
Date: Tuesday, March 31, 2015



Ace-Federal Reporters, Inc.
Stenotype Reporters
1625 I Street, NW
Suite 790
Washington, D.C. 20006
202-347-3700
Nationwide Coverage
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. :
CERTAIN POLYETHYLENE TEREPHTHALATE) 701-TA-531-533 AND
RESIN FROM CANADA, CHINA, INDIA,) 731-TA-1270-1273
AND OMAN) PRELIMINARY

Tuesday, March 31, 2015
Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:30
a.m., before the Investigative Staff of the United State
International Trade Commission, James McClure, Acting
Director of Investigations, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 James McClure, Acting Director of Investigations

4 Michael Haberstroh, Investigator

5 Jennifer Catalano, International Trade Analyst

6 John Benedetto, Economist

7 David Fishberg, Attorney/Advisor

8 Elizabeth Haines, Supervisory Investigator

9

10 William R. Bishop, Supervisory Hearings and

11 Information Officer

12 Sharon Bellamy, Program Support Specialist

13

14 Opening Remarks:

15 Petitioners (Paul C. Rosenthal, Delley Drye & Warren LLP)

16 Respondents (Susan Esserman, Steptoe & Johnson LLP)

17

18 In Support of the Imposition of Antidumping and

19 Countervailing Duty Orders:

20 Kelley Drye & Warren, Washington, DC on behalf of DAK

21 Americas, LLC; M&G Chemicals; Nan Ya Plastics:

22 John McNaull, Vice President, PET Resins, DAK

23 Americas, LLC

24 Mark Adlam, North America Commercial Manager, M&G

25 Chemicals

1 APPEARANCES (Continued):

2 John Freeman, Assistant Director of Sales, Nan Ya
3 Plastics Corporation, America

4 John Cullen, Director of PET Resin Sales and
5 Marketing, DAK Americas

6 Gina Beck, Economic Consultant, Georgetown
7 Economic Services, LLC

8 W. Bradley Huges, Economic Consultant,
9 Georgetown Economic Services, LLC

10 Paul C. Rosenthal; Kathleen W. Cannon; Brooke
11 Ringel - Of Counsel

12

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

15 Morris, Manning & Martin LLP, Washington, DC on behalf of
16 Chinese Producers:

17 Dale Behm, Managing Director, Pacific Rim Traders

18 Julie C. Mendoza; R. Will Planert - Of Counsel

19

20 Arent Fox LLP, Washington, DC on behalf of Reliance
21 Industries, Ltd:

22 Anil Rajvanshi, Senior Executive Vice President,
23 Reliance Industries, Ltd.

24 John M. Gurley - Of Counsel

25

1 APPEARANCES (Continued):

2 Kutak Rock LLP, Washington, DC on behalf of Selenis Canada,
3 Inc.:

4 Jose Antonio Alarcon, General Manager and
5 Director of Business and Development, Selenis Canada, Inc.

6 Bruno Guilbault, Director of Finance Selenis
7 Canada, Inc.

8 John W. Jones, Commercial Director, Selenis
9 Canada, Inc.

10 Vincent Routhier, Counsel for Selenis Canada,
11 Inc., DS Welch Bussieres LLP

12 Lizbeth R. Levinson - Of Counsel

13

14 Neville Peterson LLP, Washington, DC on behalf of Ravago
15 Holdings America, Inc.:

16 Thomas Glasrud, Managing Director, Ravago
17 Holdings America, Inc.

18 John M. Peterson - Of Counsel

19

20 Steptoe & Johnson LLP, Washington, DC on behalf of Dhunseri
21 Petrochem Limited:

22 Gautam Singh Rathore, Group President, Marketing,
23 Dhunseri Petrochem Limited

24 Susan Esserman - Of Counsel

25

1 APPEARANCES (Continued):

2 Curtis, Mallet-Prevost, Colt & Mosle LLP, Washington, DC on
3 behalf of Octal Saoc FZC ("Octal")

4 Daniel L. Porter - Of Counsel

5

6 Rebuttal/Closing Remarks:

7 Petitioners (Paul C. Rosenthal, Delley Drye & Warren LLP)

8 Respondents (Julie C. Mendoza, Morris, Manning & Martin LLP)

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

I N D E X

1		
2		
3		
4	Opening Remarks:	
5	Petitioners (Paul C. Rosenthal, Delley Drye &	9
6	Warren LLP)	
7		
8	Respondents (Susan Esserman, Steptoe & Johnson LLP)	13
9	In Support of the Imposition of Antidumping and	
10	Countervailing Duty Orders:	
11		
12	John McNaull, Vice President, PET Resins,	17
13	DAK Americas, LLC	
14		
15	John Freeman, Assistant Director of Sales,	23
16	Nan Ya Plastics Corporation, America	
17		
18	Mark Adlam, North America Commercial Manager,	29
19	M&G Chemicals	
20		
21	John Cullen, Director of PET Resin Sales and	34
22	Marketing, DAK Americas	
23		
24	Kathleen W. Cannon - Kelley Drye & Warren	41
25		

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

I N D E X

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

Dale Behm, Managing Director, Pacific Rim Traders	89
John W. Jones, Commercial Director, Selenis Canada, Inc.	96
Thomas Glasrud, Managing Director, Ravago Holdings America, Inc.	102
Daniel L. Porter, Curtis, Mallet-Prevost, Colt & Mosle LLP	108
Anil Rajvanshi, Senior Executive Vice President, Reliance Industries, Ltd.	119

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

P R O C E E D I N G S

(9:34 a.m.)

MR. McCLURE: If the room will come to order here.

Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of Antidumping and Countervailing Duty Orders, Investigations No. 701-TA-531 through 533 and 731-TA-1270 through 1273, Concerning Certain Polyethylene Terephthalate Resin from China, Canada, India and Oman.

My name is Jim McClure, I'm the Acting Director of the Office of Investigations and I will preside at this conference.

Among those present from the Commission staff are, from my far right, Betsy Haines, the Supervisory Investigator; Michael Haberstroh, the Investigator. On my immediate left, David Fishberg, our Attorney/Advisor; to his left, John Benedetto, the Economist; and soon to be here, Jennifer Catalano, our Industry Analyst.

I would remind speakers not to refer in your remarks to business proprietary information, and speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter. And in this setup, it's going to be a

1 real challenge for the court reporter to know who is
2 talking, so I will call your attention if you fail to
3 mention your name.

4 All witnesses must be sworn in before presenting
5 testimony; I understand the parties are aware of the time
6 allocations. Any questions regarding the time allocations
7 should be addressed with the Secretary, that's Sharon
8 Bellamy sitting over here. One thing in the timing, we're
9 back to the antiquated ways of the stop watch.

10 Are there any questions?

11 Madam Secretary, are there any preliminary
12 matters?

13 MS. BELLAMY: No, there are not.

14 MR. McCLURE: Very well. Let us proceed with the
15 opening statements.

16 MS. BELLAMY: On behalf of Petitioners, Paul C.
17 Rosenthal, Kelley Drye & Warren, LLP.

18 MR. ROSENTHAL: Good morning, Mr. McClure, ladies
19 and gentlemen of the Commission Staff. I'm Paul Rosenthal
20 of the law firm of Kelley Drye & Warren, appearing on behalf
21 of the Petitioners in this case.

22 As you are aware, a little over a decade ago,
23 antidumping and countervailing duty petitions were filed
24 against imports of PET resin from India, Indonesia and
25 Thailand. While the product in the case that is the subject

1 of today's conference is essentially the same, there have
2 been significant changes in the domestic industry since that
3 earlier case as well as changes in the sources of foreign
4 competition.

5 A decade ago, there were seven significant
6 domestic producers of the PET resin subject to
7 investigation. Today there are four producers, in the U.S.

8 These four producers have consolidated operations and
9 invested heavily in their production processes in order to
10 become more competitive. And of course, in today's
11 conference we are discussing imports from Canada, China and
12 Oman as well as India.

13 The first three countries mentioned have joined
14 India as major sources of injurious imports into the United
15 States. Among the things that haven't changed over the
16 years is the description in the staff report in the previous
17 case about the production processes for certain PET resin.
18 The staff report mentioned that the processes are large
19 scale and capital intensive, involve continuous processing,
20 super high volume output, quick turnover, and related
21 economies of scale.

22 The facilities can't be shut down easily without
23 having a deleterious effect on efficiency, and cannot
24 operate profitably unless there's a high level of capacity
25 utilization. Unless you understand this business model and

1 the nature of the production process, you cannot understand
2 how low priced imports can and have materially injured the
3 domestic industry.

4 And this industry, which is dominated by a small
5 handful of powerful customers, price is the most important
6 factor in purchasing decisions. As you will hear from the
7 domestic industry witnesses this morning, even a difference
8 in price of as little as a penny a pound can sway sales
9 decisions.

10 The industry witnesses will tell you, and the
11 data of record will confirm that subject PET resin import
12 volumes have increased rapidly from 2012 to 2014. Those
13 increased imports took U.S. market share. Indeed, the
14 subject imports' increased share correlates closely with a
15 decline in share suffered by the domestic industry. And the
16 imports were able to do that on price alone. No other
17 factor explains the increased import share.

18 Of course, what the data on increased import
19 volumes do now show is how the low price subject imports
20 undersold U.S. producers and allowed customers to negotiate
21 lower domestic prices as a condition of the domestic
22 producer maintaining their sales.

23 Every day the U.S. producers are faced with a
24 choice of giving up volume and the production efficiencies
25 that come with operating at high capacity utilization, or

1 taking a sale at a lower, unprofitable price.

2 The industry witnesses will explain how these
3 pricing negotiations work, and what the low pricing has done
4 to their company's profitability. Their testimony, of
5 course, reflects the data which will show all key trade and
6 financial indicators declining. Operating income has been
7 particularly dismal due to the volume and price effects of
8 the subject imports.

9 As harmful as the subject imports have been to
10 date, without import relief the future of the domestic
11 industry looks grim. The amount of installed capacity by
12 the foreign producers dwarfs the U.S. market. These foreign
13 producers are export-oriented and have great capacity and
14 incentive to capture more of the large and growing U.S.
15 market.

16 Respondent's counsel are smart and creative; I
17 know them. They will no doubt devise some theories why
18 something, anything other than imports are the reason for
19 the domestic industry's bleak condition. I look forward to
20 hearing their theories.

21 That said, I'm confident, when the Commission
22 reviews all the facts there will be an affirmative
23 determination with regard to the subject imports in this
24 case. Thank you.

25 MS. BELLAMY: Opening statements on behalf of

37257
lf

1 Respondents, Susan Esserman, Steptoe & Johnson, L.L.P.

2 MS. ESSERMAN: Good morning, Mr. McClure and
3 Members of the Commission. I am Susan Esserman of Steptoe &
4 Johnson.

5 Petitioners present to the Commission a picture
6 of the U.S. PET resin market that stands at odds with the
7 reality of the marketplace and their own actions. It is
8 also inconsistent with the fundamental conditions of
9 competition that the Commission has found distinctive to the
10 PET resin industry when it previously considered and soundly
11 rejected this industry's claims of injury from Indian,
12 Indonesian and Thai PET resin imports.

13 The Commission's prior findings regarding those
14 conditions of competition remain valid today. Today, just
15 as the Commission found in 2005, U.S. producers account for
16 an overwhelming share of the U.S. PET resin market. All
17 four U.S. PET resin producers are foreign-owned and globally
18 competitive.

19 Together with their affiliates, they control a
20 substantial percentage of the world's PET resin production.
21 It is particularly significant that U.S. producers and their
22 affiliates own 100 percent of Mexican PET resin production.
23 As a result, their position in the U.S. market is bolstered
24 by U.S. imports from Mexico that they control. In fact, the
25 domestic industry treats Mexico and the U.S. as a single

1 production region for the supply of the U.S. market.

2 As Petitioner M&G recently touted in a global
3 offering prospectus, its Altamira, Mexico plant -- and I
4 quote: "Is strategically located to efficiently supply the
5 Southern and Western United States." This is the same
6 structure and business model that the Commission found when
7 it rejected U.S. petitioners' prior injury case.

8 As in that case, the Commission should assess the
9 volume of subject imports in the context of the U.S.
10 industry's dominance in the U.S. market, both on its U.S.
11 production volume as well as imports from its Mexican
12 facilities.

13 It is remarkable that in Petitioner's attempt to
14 attribute price declines to subject imports in the petition,
15 they fail to acknowledge the critical influence of raw
16 material prices on PET resin pricing. The Commission found
17 this critical influence to be a fundamental condition of
18 competition in the prior case. This is because the primary
19 raw materials for PET resin, PTA and MEG, account for more
20 than 75 percent of PET resin production cost. And, in 2014,
21 PET raw material prices fell and PET resin prices followed
22 suit.

23 The data will show that PET resin and raw
24 material prices track very closely during the period of
25 investigation.

1 As you will hear today from industry witnesses, a
2 significant amount of PET resin is sold in the U.S. market
3 today under a formula based on raw material prices. We
4 submit that the raw materials-based formula pricing and
5 other structural contract issues have adversely affected the
6 domestic industry during this investigation. Thus, we ask
7 the Commission to look closely at how formula pricing works
8 in the U.S. market.

9 Petitioner's investment in new PET resin capacity
10 with cutting-edge technology further belies the claim that
11 they are injured or threatened with injury by subject
12 imports. U.S. producers are bringing on line over one and a
13 half million metric tons of new PET resin capacity in the
14 next two years.

15 To put the magnitude of these investments into
16 perspective, this additional new capacity alone will dwarf
17 the volume of all subject imports combined. Petitioner
18 M&G's Marco Gesalti describes its 1.1 million metric ton
19 plant under construction at Corpus Christi as, quote: "The
20 world's largest PET integrated plant that will make their
21 operation by far the world's lowest cost."

22 U.S. producer Indorama announced that its new
23 540,000 metric ton in Decatur, Alabama is being built, and I
24 quote: "To take advantage of expected growth in North
25 America." Likewise, MMG in its prospectus cites bright

1 prospects for PET resin, continued growth in the United
2 States and global demand growth of 7.5 percent. In their
3 words, and I quote: "Driven by population growth in
4 developing countries, inter-packaging material substitution,
5 new applications of PET, and a forecast of world gross
6 domestic product growth of 3.8 percent."

7 These are not the words and actions of an
8 industry injured or threatened with injury by subject
9 imports. Accordingly, we request the Commission to reach a
10 negative preliminary determination. Thank you.

11 MR. McCLURE: Thank you, Ms. Esserman.

12 If we can start the presentation for those in
13 support of the imposition of antidumping and countervailing
14 duty orders.

15 Again, a reminder: name, affiliation before you
16 get to any remarks.

17 I believe the name tags are in back. Please go
18 get them.

19 Everybody ready?

20 MR. ROSENTHAL: Yes.

21 MR. McCLURE: Fire away.

22 MR. ROSENTHAL: Thank you.

23 Again, Paul Rosenthal on behalf of the
24 Petitioners. We're going to start our testimony this
25 morning with John McNaull. I'll forego the introductions

1 and have the witnesses introduce themselves as they begin
2 their testimony.

3 MR. McCLURE: One thing I can tell right now; if
4 you have an even moderately soft voice, in this room I can
5 tell with the speaker setup -- so project, if you can. Thank
6 you.

7 MR. ROSENTHAL: This is the first time you've
8 ever wanted to hear me, Mr. McClure.

9 MR. McCLURE: This is true --

10 (Laughter)

11 MR. McNAULL: Okay, good morning. Are you guys
12 able to hear okay?

13 All right, thank you very much.

14 MR. McCLURE: I'm always happy to hear witnesses.
15 Sometimes counsel -- you know.

16 (Laughter)

17 MR. McNAULL: Yes. I won't comment on that
18 concept.

19 Good morning. My name is John McNaull, I'm the
20 Vice President and General Manager of the PET resin business
21 for DAK Americas.

22 DAK Americas became a stand^^alone company when
23 DuPont sold its position in the joint venture in 2001. I've
24 been with DAK Americas for almost 25 years. I started in
25 the polyester staple fiber business before moving to the

1 resin business in 2012.

2 My responsibilities have included working as an
3 engineer in the manufacturing operation as well as working
4 in technical marketing, sales, and supply chain management.
5 In my current position, I'm responsible for the sale,
6 manufacture and financial operating results of the DAK
7 Americas PET resin business unit.

8 I appeared before the Commission in the polyester
9 staple fiber case involving imports from China as well as
10 the sunset review involving imports of staple fiber from
11 Korea and Taiwan. When the domestic industry first filed
12 the Korea-Taiwan case in 1999, China did not export any
13 staple fiber to the United States.

14 During the Sunset review, I testified to the
15 rapid increases of Chinese imports and identified China as
16 one of DAK America's emerging competitive problems at that
17 time. Shortly thereafter, we filed the staple fiber case
18 against China. We are well aware of how rapidly China can
19 and does penetrate the U.S. market, given its massive
20 capacity; and we're concerned that the Chinese exports of
21 PET resin, like those of polyester staple fiber, will
22 continue to flood the U.S. market if a remedy is not
23 imposed.

24 We would not have been able to continue our
25 polyester staple fiber business without relief from Korea,

1 Taiwan and China. I saw firsthand the decline of low priced
2 import offerings after the positive outcome of the case, as
3 well as the improvement in our operating position and
4 returns.

5 Now the PET industry finds itself in a very
6 similar, difficult situation with the onset of large and
7 growing volumes of imports of PET resin from Canada, China,
8 and Oman. Domestic PET resin producers, including DAK, are
9 continuously faced with low price offers by subject imports
10 during our customer negotiations.

11 We have lost and continue to lose numerous sales
12 as well as revenues as a result of the unbelievably low
13 price offers from each of the subject countries. This
14 difficult situation caused by unfair priced imports is
15 growing worse. Last year, underselling by subject countries
16 became even more extreme than it had been in the past.

17 In one contract negotiation, DAK lost over half
18 of a substantial volume of sales to one major customer due
19 to low priced imports. For the other half of the volume, we
20 had to lower our price significantly to meet the import
21 price in order to keep that part of the sale.

22 As a result, these dumped imports have already
23 affected our bottom line. The domestic industry has had to
24 sacrifice market share in the interest of maintaining price
25 levels and meager operating returns. Over the 2012 - 2014

37257
lf

1 period, our industry saw both market share and profits erode
2 due to increasingly lower subject import prices. DAK
3 Americas was forced to shutter its facility in Cape Fear,
4 North Carolina in 2013, costing 600 of our workers their
5 jobs and reducing our production operations as subject
6 imports surged into the market.

7 The capital intensive nature of the PET resin
8 industry makes it important that producers maintain high
9 operating rates to maximize efficiencies. If we cannot run
10 out lines at optimal efficiency levels, significant costs
11 are incurred and shutdowns are often our only alternative.

12 The increased volume of subject imports leading
13 to reduced production or shipments of U.S. producers have
14 not only cost us market share but have also affected our
15 production efficiencies.

16 The problems our industry has suffered recently
17 cannot be blamed on anything but unfairly traded imports.
18 If customers can buy PET resin from subject countries at
19 below cost prices, why agree to our prices? Demand for PET
20 resin has certainly not been the cause of the injury we've
21 suffered. We're seeing some increasing demand trends, but
22 subject imports have taken a larger share of the market,
23 causing our market share to fall and our production and
24 shipments to decline.

25 As a business director, I can confirm that market

37257
lf

1 conditions like fluctuating cost and demand are normal
2 facets of competition that every industry faces. No other
3 market factors, however, can even come close to the problems
4 caused by the dumped subject imports. Our customers are
5 more sophisticated now than they have ever been, and look at
6 various competitive offers, and use these offers as leverage
7 in our contract negotiations.

8 We're in a position where we have to respond. We
9 either have to lower our price or we have to let go of the
10 business, as we have recently done. It's hard to imagine
11 that we would ever be faced with import prices that are so
12 low. Although we can adjust to many factors, we cannot
13 remain in business when forced to compete with companies
14 that price below cost and are willing to undercut our prices
15 however low we reduce them.

16 Let me be clear that price is the driving force
17 in purchasing decisions when comparing our product to
18 subject imports. We are not losing business to subject
19 countries for reasons of quality or inability to supply. As
20 you know, ten years ago the PET resin industry filed trade
21 action against imports that were not successful. Much has
22 changed since those cases were filed. Mr. Rosenthal
23 reviewed some of those factors in his opening statements,
24 but let me elaborate just a bit further.

25 Since the prior PET case ten years ago, the

37257
lf

1 industry has undergone a number of changes and acquisitions
2 of note. DAK purchased the Eastman Viridian Division in
3 January 2011. Viridian specialized in the manufacture of
4 PET resin, and one of the U.S. producers identified in the
5 prior PET trade case.

6 Wellman was another U.S. producer during the
7 prior case that was forced to declare bankruptcy in 2008.
8 Wellman shut down its Palmetto plant in 2008, costing 550
9 workers their jobs. DAK purchased the one remaining Wellman
10 facility; its Mississippi PET resin operation, in August
11 2011.

12 In addition, Invest and Star PET were two other
13 U.S. producers of PET resin that are both part of Indorama
14 now. Nan Ya Plastics and M&G Polymers were also U.S. PET
15 producers in the prior case, and both continue to produce
16 PET resin today.

17 In addition, as Mr. Cullen will discuss further,
18 we have different contract terms that now address raw
19 material cost fluctuations. Our market is less seasonal
20 than it was ten years ago. Our new case targets the
21 injurious effects of imports from Canada, China, Oman;
22 countries that were excluded from the prior case.

23 One thing that has not changed, however, is the
24 price-sensitive nature of this market, and the interest that
25 foreign producers of subject imports have in displacing

1 U.S. sales based on lower price to offerors.

2 My observation during recent travels in China is
3 that capital is deployed in an aimless and reckless way
4 compared to what is required for the PET resin market. As a
5 result, Chinese companies are operating at extremely low
6 capacity utilization rates and are desperate to sell PET
7 resin at any price to try to resolve their business
8 problems.

9 If PET resin imports from Canada, China, India,
10 and Oman are not restrained, DAK will be forced to partially
11 or completely shut its production capacity and to terminate
12 workers. We simply cannot survive as a company or as an
13 industry when we suffer continuous financial erosion and
14 cede market share to unfair traded imports. Thank you very
15 much.

16 MR. ROSENTHAL: Mr. Freeman.

17 MR. FREEMAN: Good morning. My name is John
18 Freeman, and I am the Assistant Director of Sales for Nan Ya
19 Plastics Corporation America.

20 Nan Ya is a U.S. producer of PET resin, and one
21 of the petitioners in this case. I have worked at Nan Ya
22 for over 16 years, and in PET sales for nearly 10 years.

23 Nan Ya's PET resin manufacturing facilities are
24 located in Lake City, South Carolina. The Lake City plant
25 rests on 700 acres, and began production of PET resin in

1 1995.

2 I would like to describe for you today the
3 product that is the subject of this case, certain PET resin,
4 and give you an understanding of how it is produced and used
5 by our customers. I will also share with you how our
6 company has been impacted by the unfairly-priced imports
7 from Canada, China, India and Oman.

8 PET resin is a form of saturated polyester that
9 creates a general purpose plastic. The PET resin that is
10 the focus of this case has an intrinsic viscosity or IV of
11 0.70 or more, but not more than 0.88 deciliters per gram.
12 IV is a measure of a PET resin's molecular weight and
13 reflects the material's melting point, crystallinity, and
14 tensile strength, and may often be described as the PET
15 resin's flow ability. IV is critical in establishing the
16 right grade of PET resin for a particular application.

17 PET resin is sold in the form of chips or
18 pellets. I've brought along these samples so you can see
19 what they like. You'll see that the chips are cylindrical,
20 and quite small. It takes about 50 to 100 chips to weigh a
21 centigram. As a plastic material, PET resin is used for the
22 production of bottles, containers and other packaging;
23 virtually any shape, for a wide range of consumer and
24 industrial products.

25 The PET resin is converted into the end use

1 applications by converters or sometimes larger brand owners
2 that have their own conversion and bottling operations. For
3 example, some of the larger soda and water companies.

4 Increasingly, we are selling directly to the
5 brand owners that then contract on their own directly with
6 converters. PET resin is an attractive material because it
7 is clear, lightweight, shatter proof, easy to transport,
8 recyclable, economical, nonreactive, hygienic and maintains
9 thermal stability. These qualities make PET resin distinct
10 and preferable to other types of packaging. It is also
11 particularly useful for food, beverage, personal care and
12 other types of packaging that must meet safety requirements.

13 For example, as shown in Slide 2, the main uses
14 for packaging grade PET resin include beverage bottles for
15 carbonated soft drinks, water, and ready to drink tea and
16 juice; food containers for products like fruit -- you might
17 think of clamshell containers -- peanut butter, jams, and
18 salad dressings.

19 I brought some examples of these uses as you'll
20 see it here. It also goes into packaging for household
21 chemical, personal care, automotive, pharmaceutical and
22 other consumer products. These broad bottling uses
23 encompass both hot and cold fill applications. Hot fill
24 applications include packaging for jams and jellies. PET
25 resin is often used for strapping on large bulk substances

1 such as lumber, and in the production of carpet fiber.

2 PET resin is made from two main inputs: purified
3 telephthalic acid, or PTA, and mono ethylene glycol, or MEG.
4 these inputs feed into two key production steps. You'll see
5 in Slide 3 that the first step is melt base poly
6 condensation and pre-polymerization.

7 These inputs are mixed into a slurry, which is
8 then heated into a reactor to make a basic ester or monomer.
9 Gasses are exhausted and then the prepolymer esters are
10 heated under vacuum in a process that links the esters
11 together in a long chain to make a polymer. The resulting
12 polymer is quenched in water and cut into what are known as
13 amorphous PET chips. It is during this phase that catalysts
14 and additives are introduced to the PET that can be
15 customized to meet customer's specialized needs.

16 For example, certain additives can create what we
17 call 'fast reheat PET resin' which allows faster heating of
18 the preform in the converter process. You can think of a
19 preform as an uninflated bottle. It looks like a test tube
20 with the bottle cap threads in place that is then blown and
21 molded into the finished product. I brought an example of
22 the preform as well to show you.

23 Going to Slide 4, the second step is solid state
24 polymerization. In the process, the amorphous PET chips are
25 baked in large cylindrical reaction towers to form

1 crystalline chips. During the solid stating process, glycol
2 is driven off the amporous PET chip and the molecular chain
3 is extruded, or elongated. Impurities are also removed and
4 the IV is increased. Ultimately, the PET resin chips are
5 cooled and loaded into silos or rail cars for storage and
6 delivery.

7 PET resin producers like Nan Ya must try to run a
8 continuous high volume and quick turnover production process
9 to maintain efficiencies. The nature of the production is
10 such that it's very expensive and disruptive to cease and
11 resume production of the polymer; so maintaining a high
12 level of capacity utilization is critical for producers in
13 our industry.

14 That fact, plus the nature of the oil and natural
15 gas based feedstock we're dealing with means that our plants
16 must have fairly sophisticated chemical processing equipment
17 and technology. PET resin production is a highly
18 capital-intensive prospect.

19 I would like to now turn to describing how Nan
20 Ya's business has been harmed by unfairly priced and
21 subsidized imports from Canada, China, India and Oman.
22 First it is important to understand the PET resin is a
23 highly price-sensitive business. Margins are extremely
24 tight, so pricing pressures from imports of even a penny or
25 two per pound less than our prices have a significant impact

1 on our bottom line.

2 Second, these foreign producers are making the
3 same PET resin as Nan Ya and the other U.S. producers. It
4 is chemically identical and can be used in any of the
5 various applications that I've already discussed. Foreign
6 producers from Canada, China, India and Oman are also
7 selling their product through the same channels of
8 distribution, for the same end uses. So the lower prices
9 offered by these foreign producers have a very damaging
10 effect on our ability to retain business, as you can see by
11 the inroads the imports from the four subject countries have
12 been making in the U.S. market since 2012.

13 In fact, we have experienced situations where
14 customers are being offered such extremely low prices from
15 the subject countries that they have threatened to break
16 existing contracts, because it makes basic economic sense to
17 do so.

18 As a consequence of the unfairly low import
19 prices from the subject countries, Nan Ya has had to lower
20 prices to avoid losing sales and has lost significant
21 revenue and profits. Unfortunately, even when we have tried
22 to lower our prices to compete with these imports, we have
23 lost sales because we simply cannot compete with what the
24 foreign producers are offering.

25 Nan Ya has also experienced major declines in

1 production since 2012; we've had to reduce our PET resin
2 workforce; we have also suffered financial damage. Simply
3 put, Nan Ya cannot remain competitive in the PET resin
4 industry if the unfair imports from Canada, China, India and
5 Oman continue to invade the market, causing serious injury
6 to Nan Ya's business and the entire domestic PET resin
7 industry.

8 Thank you very much.

9 MR. ROSENTHAL: Mr. Adlam.

10 MR. ADLAM: Good morning. My name is Mark Adlam
11 and I am the North America Commercial Manager for M&G
12 Polymers, USA.

13 I have been involved in the production and sales
14 of PET resin at M&G since 2000. Prior to M&G, I worked for
15 six years in the PET resin division of Shell Petroleum
16 before that division was ultimately acquired by M&G.

17 M&G produces PET resin grade suitable for a wide
18 array of end use applications including carbonated soft
19 drinks, water bottles and other containers such as juices,
20 peanut butter, salad dressings, household cleaners and
21 cosmetics. We have been a technological leader in the PET
22 resin market for over six years.

23 We currently produce PET resin at our apple
24 grove, West Virginia facility. Presently we employ 176
25 workers in our manufacturing operations producing PET resin.

37257
lf

1 In addition to this facility, M&G has started construction
2 of a new plant in Corpus Christi, Texas. This plant is
3 expected to become operational in mid-2016. This plant will
4 be a state-of-the-art facility and is being built to
5 increase efficiencies to supplant M&G imports from Mexico
6 and to supply increasing demand from our U.S. customers.

7 Specifically, in addition to our U.S. production,
8 we've also imported PET resin from our affiliate company in
9 Mexico, M&G Polimeros, Mexico, to supplement our U.S.
10 production. Our imports from Mexico are essentially company
11 transfers between affiliated companies. These imports have
12 been sold in the U.S. market at prices comparable to the
13 prices at which we sell PET resin from our West Virginia
14 facility.

15 These imports have not been priced at lower
16 levels to gain market share at the expense of U.S.
17 production, as is true of the subject imports. Further,
18 once M&G's facility in Texas is operational, M&G will no
19 longer import PET resin from Mexico, so imports from Mexico
20 are expected to drop to minimal volumes in the near future.

21 The same cannot be said for imports from Canada,
22 China, India and Oman. Over the past three years, our
23 industry has seen a rapid increase in the imports of PET
24 resin from these four countries. These imports have been
25 sold in the U.S. market at such consistently low prices that

37257
lf

1 the only way we have been able to compete is to sell our
2 products without being able to receive a satisfactory
3 return. We have been forced to substantially lower our
4 prices, often to levels that are below our production costs.

5 You can see from our questionnaire response the
6 direct impact of the large and increasing volumes of subject
7 imports. Our financial performance has deteriorated as U.S.
8 prices have plummeted due to the competition with low priced
9 imports. Imports from Canada, China, India and Oman enter
10 the U.S. markets at prices that consistently undersell the
11 domestic product. M&G has experienced underselling from
12 these supplies by substantial margins over the past three
13 years.

14 As a result of this pervasive underselling, U.S.
15 prices declined, and our industry has experienced a negative
16 impact on its financial condition.

17 Imports from Canada alone have grown by nearly 50
18 million pounds during the past three years. This growth in
19 import volumes has occurred as a result of price. Even more
20 harmful is the loss of revenue we have suffered on sales we
21 have been able to maintain. We compete directly with the
22 Canadian producer Selenis for sales in the U.S. market.
23 Selenis has significantly undercut M&G's prices, often at
24 levels below our costs, and the result has taken our sales
25 and cost us severe financial harm.

1 Third, based on our own market intelligence, each
2 of the subject countries has significant excess capacity,
3 well above the home market demand. They are heavily
4 export-oriented and backed by government support and
5 programs. M&G and other U.S. producers should not be
6 required to compete for sales in their own home market with
7 unfairly traded imports.

8 In a price-sensitive market such as PET resin,
9 any increases in the volume of imports at low prices can
10 have a major impact. Even a one cent a pound price
11 improvement is very significant to the health of our
12 industry.

13 M&G sales of PET resin are largely made on a
14 contract basis. As indicated in our questionnaire response,
15 these contracts have provisions for price renegotiations
16 during the contract period. As a result, when lower price
17 product from the subject countries enters the U.S. market it
18 is relatively easy for purchasers to achieve price
19 concessions. Thus, we are constantly having to reduce our
20 prices in attempting to compete with the prices offered for
21 these imports.

22 There is a limit to how much we can control.
23 Despite substantial investments by U.S. producers in our
24 facilities, we cannot compete with the irrationally low
25 prices of the subject imports. Prices have been so low that

37257
lf

1 we either have had to forego sales to try to minimize losses
2 or accept sales at prices below cost in order to maintain
3 some market share. Neither choice is a viable option to
4 sustain our PET resin operations.

5 Any sales M&G has been able to retain have been
6 kept by reducing our prices to compete with the low prices
7 of the subject imports. The result has been a cost price
8 squeeze and a dismal financial performance for my company.
9 Our deteriorating financial condition has been due to low
10 price imports and not other reasons such as raw material
11 costs. Even though we have experienced a decline in raw
12 material costs during the last three years, PET resin prices
13 have dropped further and faster to compete with these low
14 priced import offers.

15 If these dumped, subsidized imports continue
16 selling at the increasing volumes and the low price levels
17 we have seen in recent years. we will continue to lose
18 sales, struggle financially, and put existing investments at
19 risk. We are confident that if import relief is provided,
20 M&G can compete on a fair trade basis and can achieve again
21 a healthy return on our investment.

22 Thank you very much for the opportunity to speak
23 to you.

24 MR. ROSENTHAL: Our next witness will be Mr. John
25 Cullen.

1 MR. CULLEN: Good morning. I am John Cullen,
2 Director of PET Resin Sales and Marketing at DAK Americas.
3 I have served in my current position since 2012, and have
4 been with DAK Americas for 15 years.

5 Today I would like to discuss some of the
6 conditions of competition we face in the U.S. PET resin
7 market. I will also describe some changes that have
8 occurred since the Commission investigated our industry in
9 2005.

10 A first important competitive factor is demand.
11 Demand for PET resin in the United States as well as
12 globally has increased in recent years, although at a
13 limited pace. As the pictures that Mr. Freeman referred to
14 demonstrate, PET resin is used in a variety of end uses,
15 including plastic bottles, clamshells and strapping. Demand
16 for these end uses in turn drives demand for PET resin.

17 In recent years, while demand for certain end
18 uses such as bottles for carbonated beverages has declined,
19 demand for other end uses such as bottled water, beverage
20 cups and salad trays has increased, leading to an overall
21 increase in demand for PET resin.

22 The light weight and aesthetics of PET make it a
23 popular choice in packaging over materials such as glass and
24 aluminum. We project that demand for PET will remain strong
25 and show modest growth in the next few years.

37257
lf

1 In terms of supply, the U.S. market is currently
2 supplied by four U.S. producers along with imports from a
3 number of countries. As Mr. McNaul described, there have
4 been a number of consolidations and ownership changes in the
5 United States over the past ten years.

6 Domestic capacity to produce PET resin is now
7 larger than it was ten years ago, and will increase further
8 once the M&G facility in Texas becomes operational.
9 Domestic producers are able to supply demand for PET resin
10 in the United States; there have been no supply shortages of
11 PET resin to our customers over the past three years. In
12 fact, would like to increase sales to our customers further,
13 but have been prevented from doing so due to the low prices
14 offered by the dumped and subsidized imports.

15 Another important competitive condition is the
16 high degree of substitutability of PET resin regardless of
17 source. Whether PET resin is produced in the United States
18 or in Canada, China, Oman or India, it is an interchangeable
19 product. As a result, we operate in a highly
20 price-sensitive market with price driving purchasing
21 decisions. The low price offerings by subject importers
22 have allowed them to increase their penetration of our
23 market, forcing us to cut our prices to the lower levels to
24 maintain sales or lose sales and customer accounts to
25 imports.

1 A factor on which the Commission focused
2 extensively in the prior PET resin trade case was the effect
3 of changing raw material costs on U.S. producers' prices due
4 to contracts; it did not take raw material cost fluctuations
5 into account. Fortunately, that has changed since those
6 cases were filed. Our long term cnemis with customers now
7 take into account raw material cost fluctuations through
8 mechanisms that can be adjusted on a monthly basis as the
9 raw material costs fluctuate.

10 These mechanisms allow our prices to fluctuate as
11 well, so we are not locked into contractual obligations to
12 sell at a price independent of cost changes. This change is
13 important, as raw materials account for a significant part
14 of the total costs of producing PET resin. The primary raw
15 materials, PTA and MEG, account for more than 75 percent of
16 our cost. These products are generally purchased from
17 integrated oil producers. Over the past three years, these
18 costs have fluctuated, but our contracts generally have
19 flexibility to address these cost changes.

20 That is not to say, however, that the domestic
21 industry is insulated from the effects of import pricing.
22 We have to negotiate with our customers for the overall
23 price of the product. Subject imports regularly undercut
24 our prices, causing us to cut our prices to try to keep the
25 sale. Even when long term contracts are involved, customers

1 come back to us during the life of the contract to seek a
2 lower price when they are offered the lower priced imports.
3 It is a constant battle for us.

4 The final condition of competition I wanted to
5 mention this morning is the increasing nature of direct
6 imports by PET resin purchasers. Most of the purchasers of
7 PET resin are very large companies that have eliminated the
8 middle man and directly sourced PET resin either from U.S.
9 producers or from foreign producers without a separate
10 importer middle man. As a result, we are forced to compete
11 with the low prices of foreign companies that are heavily
12 subsidized by their governments, and that are dumping
13 product into the U.S. market as well.

14 This level of competition should not be ignored
15 as it is extremely injurious to our operations. Thank you
16 for your attention.

17 MR. ROSENTHAL: Paul Rosenthal on behalf of the
18 domestic industry again. I'm going to say a few words about
19 the subject imports and the vivid picture that the domestic
20 witnesses have painted already about how imports have been
21 ravaging the domestic industry.

22 Recognizing that the Commission has not yet seen
23 all the data, and that some of the data can't be discussed
24 in this public hearing because of confidentiality concerns,
25 I'd like to briefly summarize the data that are available

1 thus far.

2 You can see from Chart 1, imports of PET resin
3 from Canada, China, India and Oman increased from over 504
4 million pounds in 2012 to 752 million pounds in 2014, an
5 increase of almost 44 percent.

6 The next chart shows how the subject imports
7 increased their market share over the period of
8 investigation. Their shares are confidential, but you can
9 see the steady import share increase.

10 Chart 3 is simply a summary of some of the
11 factors that we can't put onto the public record quite yet;
12 but it highlights some of the questions such as: How are
13 the subject imports able to grow in the U.S. market? Both
14 in absolute and market share terms.

15 Not by superior product or some kind of
16 innovation; after all, this is a pretty much interchangeable
17 product; rather, imports have increased the old fashioned
18 way, using low prices as their lever. It's only through low
19 prices that a largely fungible product such as PET resin can
20 increase its share of the market. But as noted repeatedly
21 by the industry witnesses, it is not just the volumes, but
22 the price-suppressing effect of the low import prices that
23 are affecting the market.

24 The petition contains an unusually long list of
25 examples of lost sales and lost revenues caused by import

1 underselling.

2 This next chart shows that the subject import
3 average unit values were at levels much lower than those of
4 non-subject imports. That can give you some insight into
5 why the four countries named in the petition have been of
6 such great concern, have caused such harms in the domestic
7 industry. Whatever roles imports may have played in the
8 U.S. market historically, the imports that are subject to
9 this investigation have been aggressively priced, causing
10 the severe financial declines the U.S. industry has
11 suffered.

12 Chart 5 is indexed to avoid confidentiality
13 problems, but as you can see, despite increasing demand --
14 and demand has been increasing year over year -- the key
15 trade and financial indicators are production, shipments and
16 net sales value all declined for the domestic industry.

17 Chart 6 is also indexed, but that shows the trend
18 of the domestic industry's operating income over the period
19 of investigation. Do not adjust your screen or turn your
20 hard copy around. For those of you who cannot see the
21 chart, that line goes from the upper left corner to the
22 lower right corner. This is a trajectory which, if not
23 arrested by this case, will lead to wide scale job losses
24 and disinvestment in the domestic industry.

25 In short, all the data corroborate what you've

37257
lf

1 heard from the industry witnesses. As you analyze the data
2 and the testimony, consider the following: There is simply
3 no explanation for the rapid increase in subject imports
4 other than load, dumped and subsidized imports.

5 There have been no supply constraints on U.S.
6 producers, and the domestic industry has been able to supply
7 the entire U.S. market, yet has seen its shipments fall as
8 they were displaced by subject imports.

9 The financial difficulties suffered by the
10 domestic industry are not caused in this case by an
11 inability to pass through raw material price increases, as
12 is argued in the previous case. Imports from Canada, which
13 were excluded from the prior case, have been a pernicious
14 force in the U.S. market responsible for lost sales, lost
15 market share, and lost revenues.

16 While M&G announced plans to add capacity in the
17 U.S. to supply the U.S. market, that new capacity will be
18 used to displaced non-subject imports from Mexico as well as
19 to meet long term demand. In any event -- and I mean U.S.
20 demand.

21 In any event, the M&G facility will not come on
22 line for another year. Neither the M&G facility nor any
23 other domestic capacity adjustments account for the
24 declining prices over the period of an investigation. These
25 lower prices are due solely to subject imports.

37257
lf

1 Of course, as you've heard, the increased import
2 volumes are not the only cause of injury, as the purchasers
3 have used the low priced import prices as levers to
4 negotiate lower price offers from the domestic producers,
5 and that happens every day.

6 Chart 7 shows the enormous amount of installed
7 capacity by the foreign producers in this case. We don't
8 have complete data yet on excess capacity by those
9 producers, but available information is clear that those
10 foreign producers have a tremendous amount of excess
11 capacity. We also know that they are extremely
12 export-oriented.

13 This next chart, in fact, shows that they're
14 export-oriented enough to be facing trade restraints in
15 several other countries. As this chart notes, the foreign
16 producers are subject to investigation here, face
17 safeguards, antidumping and countervailing duty restrictions
18 in several other important markets throughout the world.

19 As one of the largest markets for the respondent
20 producers, the United States will continue to be an
21 attractive market to sell dumped and subsidize PET resin.
22 The domestic industry urgently needs import relief in this
23 case. Thank you.

24 MS. CANNON: Good morning. I am Kathleen Cannon
25 and I will conclude our testimony this morning by addressing

1 a few legal issues.

2 First, the domestic like product. The like
3 product here should be defined to mirror the scope
4 definition and consist of certain PET resin. This approach
5 is consistent with the Commission's decision in the prior
6 trade case involving PET resin where the like product
7 similarly was defined to mirror the scope of the case.

8 As Mr. Freeman explained, the subject PET resin
9 is made predominantly if not entirely from virgin inputs,
10 PTA and MEG, and as a result shares the same essential
11 physical characteristics, while being unique from other
12 products.

13 As you saw in the production flow schematic, PET
14 resin is produced using the same basic production process in
15 the same manufacturing facilities by the same U.S.
16 producers. It is sold through the same channel of
17 distribution, primarily to end users, for similar end uses,
18 specifically bottling and packaging in particular.

19 While there are minor variations in viscosity and
20 additives that may affect end uses, PET resin is
21 interchangeable regardless of producer when manufactured to
22 the same specifications. Customers do not perceive other
23 products to be interchangeable for PET resin, and all PET
24 resin is priced within a reasonable range. Accordingly, PET
25 resin should continue to be considered a single

1 domestic-like product.

2 Based on this like product definition, the
3 domestic industry in turn consists of the U.S. producers of
4 certain PET resin. There are no related party issues that
5 would lead to exclusion of any of these producers from the
6 case.

7 A second legal issue to consider is cumulation.
8 Petitions against imports from each of the subject countries
9 were filed on the same day. There is also a reasonably
10 overlap in competition among the subject imports based on
11 the factors the Commission typically considers.

12 PET resin is a fungible product regardless of
13 producer. Whether PET resin is sourced from Canada, China,
14 India, Oman or the United States, it is a substitutable
15 product, as Mr. Cullen testified, with price being the key
16 determinant of sales.

17 Regardless of source, PET resin is sold on a
18 nationwide basis, largely through the same channel of
19 distribution, direct to end users. As the import statistics
20 show, PET resin from all four subject countries was
21 simultaneously present in the U.S. market during the past
22 three years. These facts meet the statutory test and
23 warrant a cumulative analysis here.

24 A third issue of importance is direct imports. I
25 know the direct import scenario is one you are seeing more

1 and more, as companies bypass the middle man and import
2 products directly from foreign countries. In the PET resin
3 market, as you heard Mr. Cullen describe, many purchasers
4 are also importing the product directly from the subject
5 countries. That means competition for those sales occurs
6 between the U.S. producer and the foreign producer as the
7 foreign producer's offered price is the price that the U.S.
8 producer must compete with to win the sale.

9 I appreciate that the importer questionnaires
10 issued by the Commission in this case ask for pricing data
11 on both a resale basis and on a cost basis; meaning the
12 price that the end user/importer paid the foreign producer
13 for the product. That is an important first step to
14 building the proper database.

15 The next critical step is that those prices
16 charged by the foreign producer must be compared to the
17 prices charged by U.S. producers to the end users.
18 Underselling margins on those sales must be calculated and
19 relied upon by the Commission so that the true nature of the
20 adverse price effects by subject imports on this industry
21 can be assessed.

22 If this level of competition is ignored, the
23 injurious and price destructive effects of the dumped and
24 subsidized imports will not be fully taken into account, in
25 direct contravention of the statutory purpose.

1 The final legal issue I'd like to address is
2 causation. As you see in the database and in the slides we
3 presented, the domestic PET resin industry is struggling to
4 make sales and to earn a reasonable return on the sales it
5 does make. The cause of that injury is subject imports.

6 Demand, a factor often pointed to as responsible
7 for an industry's difficulties, is not to blame here because
8 demand has been increasing. The volume of non-subject
9 imports is relatively flat. More importantly, non-subject
10 imports are not being sold at the aggressively low prices as
11 subject imports.

12 Raw material costs have declined, and are not
13 accounted for in contract terms on a monthly basis. None of
14 these factors can be pointed to as the cause of the U.S.
15 Industry's injury. Instead, the significantly increasing
16 volumes in market shares of the subject imports that are
17 sold at prices below U.S. producer prices correlate with the
18 U.S. industry market share and price declines. These
19 unfairly traded imports have caused the domestic industry to
20 lose sales and to suffer a huge decline in profitability
21 over the past three years.

22 The causal nexus is evident, and the record
23 presented here more than sufficient to establish a
24 reasonable indication of material injury by reason of the
25 subject imports.

1 Thank you very much.

2 MR. ROSENTHAL: That concludes the direct
3 testimony of the domestic industry. We'd be happy to answer
4 your questions.

5 MR. McCLURE: Thank you, Mr. Rosenthal. And
6 Panel, particularly the witnesses have traveled from afar to
7 come give us the testimony. I'm sorry we weren't in the big
8 room, but there's a hearing going on in there.

9 We will begin the questioning with Michael
10 Haberstroh, the Investigator.

11 MR. HABERSTROH: Michael Haberstroh, Office of
12 Investigations I just want to echo Mr. McClure's thoughts.
13 Thank you for coming in. Also, specifically for me, thank
14 you for dealing with the burdensome process of the
15 questionnaires. I know that sometimes, especially in a
16 prelim, that can come in a quick schedule, and I do
17 appreciate that. That really does help us.

18 I guess to start, I just wanted to get an idea of
19 what the characterization of our coverage of foreign
20 producers was, if you saw any major gaps, or major foreign
21 producers that we may have missed or didn't get information
22 from?

23 MS. CANNON: I'm not sure that we have seen
24 enough of it. We just received an APO release -- I'm sorry,
25 Kathleen Cannon for Kelley Drye. We just received the APO

1 release at the end of the day yesterday, Mr. Haberstroh, so
2 we're still pouring through it and aggregating everything.
3 We will certainly address that in our brief, if we see some
4 gaps. But it's still being aggregated, I think at this
5 point.

6 MR. HABERSTROH: Michael Haberstroh again. That
7 would be great, and also for importer coverage as well.
8 That's always helpful.

9 Following on that, one of the big questions that
10 we tackle in each case is whether we use the official
11 staff's or questionnaire data; so that's another thing. I
12 was just wondering if you had a recommendation of what you
13 think would be most useful in this investigation.

14 MS. CANNON: We've defined the scope of the case
15 and the like product as coextensive, really, with the
16 harmonized tariff schedule number, and we believe that the
17 import statistics are probably going to be the most
18 comprehensive indicator of the volume of imports and
19 probably the best indicator, as opposed to importer
20 coverage, which is never entirely complete.

21 MR. HABERSTROH: And again bear with me as I kind
22 of sort my thoughts here as I go through.

23 In looking at export orientation from the subject
24 countries, there seems to be a certain degree of variation
25 from each of the individual subject countries, and I don't

1 know if you want to cover this now or in a brief; but just
2 maybe expand on each of the individual countries themselves
3 as well.

4 MR. ROSENTHAL: Paul Rosenthal. I think we're
5 better off doing that in a post-hearing brief. As you
6 mention, from the questionnaire responses, there is some
7 variation, and we'll address that.

8 I will note, however, that all of the countries
9 mentioned except for Canada, have been subject to restraint
10 of some kind by some other foreign countries as mentioned
11 earlier, and that does give you some indication. But as I
12 said, we will address that on a country-by-country basis in
13 the post-conference brief.

14 MS. BECK: Mr. Haberstroh, this is Gina Beck from
15 GES.

16 And just to mention, based on correlating with
17 the import trends, the imports which are being exported from
18 the subject countries, are showing increasing trends from
19 each of the four subject countries.

20 MR. HABERSTROH: Moving on probably to more of
21 the industry witnesses here, specifically Mr. Adlam.

22 I just wanted to know if you could expand a
23 little bit more on I guess the reasoning for the Corpus
24 Christi plant, specifically because it seems, at least it's
25 characterized, that the Mexico plant is, as you said, maybe

1 almost an intercompany transfer? So I just wondered if you
2 could go into a little bit more detail on why that decision
3 was made and what benefit that you might get from that.

4 MR. ADLAM: This is Mark Adlam from M&G Polymers.

5 Yes, the Corpus Christi plant we really invested
6 because we see growth in the U.S. market. So the first
7 reason for the plant is to keep up with that growth. We do
8 not want to cede that volume to unfairly traded imports. We
9 want to be part of that growth of the U.S. market.

10 Second reason is that we have been importing from
11 Mexico, and we see a benefit for M&G to switch that supply
12 to be domestic, supplied from our Corpus Christi facility.
13 But generally it's to support the growth in the U.S. market.

14 MR. HABERSTROH: Thank you.

15 Mr. McNaull, you just kind of briefly mention the
16 fact that there was a seasonal market to the PET resin; at
17 least it was moreso maybe ten years ago when the first
18 investigation came around.

19 Can you comment on the differences between the
20 seasonality then and the seasonality now?

21 MR. McNAULL: Hello, it's John McNaull, DAK
22 Americas.

23 Yes, I'll make a couple of comments and then Mr.
24 Cullen may want to expand some more. I've only been in
25 tenure in this role since 2012, so I'm not so familiar with

1 the last case.

2 But in looking at DAK sales, which is nearly 40
3 percent of the market, is a very representative set of data
4 to look at in terms of analyzing seasonality, I think you'll
5 see quarter-over-quarter, you may see low single digit
6 variation in shipment volumes, quarter-over-quarter, such
7 that -- I mean, it's almost negligible, any impact of the
8 sales volume for each quarter.

9 And I'll defer to John for any comments on the
10 past patterns around the seasonality.

11 MR. CULLEN: John Cullen, DAK Americas.

12 I would say that the consumption and the habits
13 by consumers is seasonal, but the trend in the industry has
14 been for our customers to have installed capacity to deal
15 with the seasonality on a more just-in-time basis than what
16 was in, what occurred in 2004, 2005 when it was typical for
17 converters and brand companies to build inventory ahead of
18 the increased demand by the consumer so they could keep up
19 with the demand. So we would see a spike in demand from
20 February through June as inventories were built, and then as
21 consumers were buying the products, especially beverages
22 when the weather was warmer, obviously, then that inventory
23 we could work down.

24 Today the converters and the brand companies have
25 installed capacity so they can deal with that consumption on

37257
lf

1 a just-in-time basis; and that I think is the big difference
2 in seasonality over the last ten years.

3 MR. McCLURE: If I may jump in here, we are not
4 taking a luncheon break. When we're finished questioning
5 this panel, we'll take 15 minutes break, and then we'll get
6 right back to it.

7 MR. HABERSTROH: Michael Haberstroh again.

8 This is going to be more of a general question,
9 to each of the industry witnesses. I know that we've
10 mentioned the staple fiber, and I wondered if you could talk
11 a little bit of the differences of that and the PET resin,
12 whether it's just the usage of recycled material, whether
13 there's other inputs that are changing, that change that as
14 well.

15 MR. McNAULL: John McNaull with DAK Americas.

16 Formerly, I ran our polyester staple business for
17 DAK. I guess one of the key differences, looking at global
18 fiber extrusion and some of the competition we faced and
19 some of the issues raised in the fiber cases, there's quite
20 a bit of recyclate material, which is constructively placed
21 in the fiber industry. And it's -- you know, I forget, we
22 have to go back and look at the record on the proportions,
23 but it's significant. And it was a source of raw material,
24 particularly for Chinese extrusion of heavy denure fiber.

25 In the PET case, any recyclate that we use in our

1 process or that we understand that comes in competitively
2 from the subject countries that are dumping at low prices is
3 negligible at best. And when you look at the overall supply
4 chain and availability of recyclate material for PET, it's
5 very limited.

6 So I think, you know, our assessment overall is
7 that it's really very relevant in this case, the way it was
8 in the past cases around fibers.

9 MR. HABERSTROH: Okay, Michael.

10 And just to follow up a little bit, I guess what
11 may be confusing was the carpet fibers. I didn't know if
12 that was generally -- if the subject product in this case is
13 also used for things like carpet, or whether it's generally
14 restricted to the modeling.

15 MR. McNAULL: John McNaull again for DAK.

16 Yes, the subject product is used for carpet
17 extrusion. There is some use of recyclate in carpet; but
18 again, as a percentage of consumption, percentage of
19 production, however you measure, it's very, very low and in
20 our opinion negligible.

21 And yes, the carpet is a segment that uses the
22 subject product.

23 MR. CULLEN: Mr. Haberstroh, I would just add --
24 John Cullen, DAK Americas -- that I think, John, we've seen
25 a reduction in the use of staple fiber in the carpet

1 industry, right? As a result of the growth of the use of
2 PET resin to make the bulk continuous filament, right?

3 MR. McNAULL: John McNaull. Yes, that's a good
4 comment. There was a lot of use of recycle in polyester
5 staple for manufacture of carpet, and the new trend is
6 direct extrusion of PET into what they call BCF carpet
7 fiber. Which in large part, Virgin has taken a lot of the
8 share of that staple recycle material from the past, to a
9 point where polyester staple in carpet is nearly, very close
10 to almost zero consumption of staple in carpet today.

11 MR. HABERSTROH: Michael Haberstroh. Thank you.
12 I think that's it for me. I appreciate your answers.

13 MR. McCLURE: Thank you, Michael.

14 We will now go to John Benedetto, our economist
15 in these investigations.

16 MR. BENEDETTO: Hello, my name is John Benedetto
17 with the Office of Economics. If any of my questions touch
18 on anything that is business proprietary, please just
19 indicate that and elaborate in a brief.

20 I want to ask first about your customers. I
21 understand the customers are mostly converters and end
22 users. But the panel described end users increasingly doing
23 the negotiation for converters. So I was wondering if you
24 could please elaborate on that.

25 Are you usually, to the extent you can tell me

1 now, are you usually selling to the converter and
2 negotiating with the end user? Is that my understanding?

3 MR. ADLAM: This is Mark Adlam from M&G Polymers.

4 The market is divided into both of those models
5 that you just mentioned. It can be selling directly to
6 converters, selling directly to brand owners, or in the
7 other case which I think you were referring to, specifically
8 selling to brand owners and then the resin actually gets
9 sent to converters. So all of those models exist in the PET
10 industry today.

11 MR. BENEDETTO: This is John Benedetto again.
12 Does anyone else from the panel have anything to add to
13 that?

14 MR. FREEMAN: John Freeman, Nan Ya Plastics.

15 I would say when you look at trends since the
16 prior case, that the trends -- one trend has been that the
17 brand owner has today purchases more PET resin directly and
18 then sent it to the converter. So actually today the
19 converter purchases less of its resin than it did at the
20 prior case.

21 MR. BENEDETTO: Okay, thank you.

22 And regarding the brand owners, I guess my
23 assumption would be that you're dealing with a different
24 brand owner for carpet fiber than for say bottles, but is
25 that assumption correct?

1 MR. FREEMAN: John Freeman, Nan Ya Plastics.

2 Yes, there's different brand owners. The bottle
3 brand owners are different than the carpet brand owners,
4 that is correct.

5 MR. BENEDETTO: Mr. Cullen.

6 MR. CULLEN: John Cullen, DAK Americas.

7 So typically for the bottles, the large brand
8 owners would be the usually recognized people that advertise
9 quite a bit their products, so the large beverage companies,
10 some personal care companies, and the carpet people are
11 general the people that actually make the carpet. So again,
12 the usually-recognized national brands of carpet, we
13 negotiate directly with them for their business. And they
14 self-manufacture.

15 MR. BENEDETTO: And this is Mr. Benedetto again.

16 Are the converters also unique to say bottling
17 versus carpeting or other end uses? Or do converters work
18 with all of them?

19 MR. CULLEN: John Cullen, DAK Americas.

20 No, converters are unique to the industry. So
21 there are converters that make bottles or other types of
22 containers, specifically. And again, most of the carpet
23 industry is self-manufacture. There are a few third party
24 people who will make some type of carpet and sell it to one
25 of the large brands; and then there are also a segment that

37257
lf

1 makes, as we discussed in the presentation, some of these
2 thermaform clamshells and things that you tend to see at
3 salad bars; those are also self-manufacture typically type
4 operations for, not what we would call brand companies like
5 the beverage companies, but in their industry there are
6 brand companies.

7 MR. BENEDETTO: Mr. McNaul, do you --

8 MR. McNAULL: John McNaul, DAK Americas.

9 No, I agree with John entirely. I mean, the
10 carpet companies for the most part are vertically integrated
11 in manufacturing. So they're purchasing PET and ultimately
12 converting it to carpet and then selling, distribute it and
13 branding that carpet through their marketing organizations.

14 So they are very much fully integrated. There
15 are some very small converting operations that support some
16 of their incremental needs, but for the most part it's a
17 fully integrated business model, the carpet versus the way
18 John described the container industry.

19 MR. BENEDETTO: This is John Benedetto again.

20 The panel described this morning that the
21 contract is a little bit -- they talked about how there's
22 formula pricing, but then there's also -- even with the
23 formula pricing, which may adjust every month, you still may
24 have options for renegotiating contracts.

25 So I guess what I'm wondering is: How

1 restrictive are these contracts? They don't sound very
2 restrictive. In other words, the prices are changing all
3 the time because of raw materials, and then you can also
4 renegotiate them anyway.

5 What is sort of being nailed down by a contract
6 when you enter a contract with a purchaser?

7 MR. McNAULL: John McNaull, DAK Americas.

8 You know, they're very prescriptive, right?
9 They're bonding. I think the issue is the duration, all
10 through the contracts, the shorter term; for example, it
11 might be one year, such that these countries that come and
12 bring very aggressive prices that are unfathomable for us,
13 economically. They can be introduced into the next year's
14 negotiating process. When you look over a three year
15 period, if you're renewing contracts every year, you know,
16 there's multiple opportunities for very sophisticated
17 buyers to introduce these imports into the discussion, into
18 the negotiation, and ultimately they impact the outcome.

19 So it's not that they're not prescriptive; it's
20 not because they're not bonding; I think it's more of an
21 issue of duration and it allows the people procuring to
22 migrate things to the kind of situation we've gotten
23 ourselves into now.

24 MR. ADLAM: This is Mark Adlam from M&G.

25 I would add as well that many contracts have a

37257
lf

1 'meet comp' provision as well, and that allows -- the volume
2 is tied down, but then you are subjected to meeting
3 competitive offers as well.

4 MR. BENEDETTO: Thank you. Anyone else?

5 MR. CULLEN: John Cullen, DAK Americas.

6 I think just one more example, maybe a good
7 descriptor is that we might have a multi-year contract and
8 with a formula price, which means that say we're obligated
9 and the customers as well, to sell and buy at that formula
10 price over the multi-year contract; but say in the second
11 year of a third year contract, a very low price is presented
12 by say one of the countries that is -- in the Respondent's
13 case -- then our customer who will use the leverage of that
14 price to say, "If you want to be in the bidding for the next
15 round of business when your contract expires, you'd better
16 make it, some kind of adjustment to your price within the
17 contract that we have today.'

18 So this is very typical of what we see with our
19 multi-year contracts, is renegotiation because of a threat
20 from a low price that they would really like to have
21 immediately, but by contract they cannot get until the end
22 of the agreement is over.

23 So that is, I think, something we all see.

24 MR. McNAULL: And this is John McNaull.

25 And the reason it's so injurious, a very discrete

37257
lf

1 offer from one of these importers on a very small quantity
2 can be made, and based on what John described, there's an
3 expectation that we respond to a very large, multi-year
4 situation. And therefore, you know, the effect, the
5 negative impact on the business is egregious. I mean, it's
6 much larger than any valuation of any discrete offer. It
7 becomes a multi-year, broad issue that impacts our operating
8 results, our margins and our financial performance.

9 MS. BECK: And Mr. Benedetto, just to add -- Gina
10 Beck, GES. Thank you, Mr. McClure.

11 Just to add to what Mr. McNaull and Mr. Cullen
12 said, those specific examples of where there are
13 negotiations within the contract framework, those are
14 included in the lost sales and lost revenue examples where
15 they have specifically year-on-year had to lower their price
16 or even lost sales within that.

17 MR. BENEDETTO: This is John Benedetto again.

18 To the best of your knowledge are your subject
19 import competitors also using formula pricing? And if so,
20 are you being quoted -- if the purchasers quote back prices
21 to you, are they quoting back total prices or the adjustment
22 on top of, something in a formula?

23 MR. CULLEN: John Cullen, DAK Americas.

24 It's not across-the-board any one mechanism, but
25 it is typical to have some kind of a mechanism which is tied

1 to either raw materials or to a reference price plus some
2 kind of adder that would determine the final delivered price
3 to the customer. So it's typical, and in the case of where
4 we're competing specifically against the respondents, we
5 tend to have to put our offer into the same mechanism that
6 they've offered, whereas we might prefer a different
7 mechanism based on, say U.S. raw materials plus some adder,
8 that we might have to prepare a price based on some let's
9 say index price from another part of the world plus an
10 adder, and again that's typically what our customers expect
11 us to do in order to drop our prices to the very low price
12 that they've offered.

13 MR. McNAULL: This is John McNaull.

14 It reminds, Mr. Cullen and I were at dinner with
15 a very large partner and consumer of PET for DAK Americas,
16 and ran them particularly revealing a lot of the details of
17 the competitive offer, it's coaching. You know, your price
18 is five cents higher, and if you don't adjust five cents,
19 you're going to lose multi-hundreds of millions of pounds.

20 So the buyers are very sophisticated and they
21 present things in a way to get the outcome that they're
22 looking for, moreso than giving specific, detailed
23 information about what a competitive offer is. But when you
24 look, you know, Mr. O'Day showed a couple things. He showed
25 growth of share -- I'm sorry? Mr. Rosenthal, I'm sorry.

1 We have a mutual friend, Mr. Paul O'Day.

2 MR. McCLURE: We won't forget Mr. Rosenthal's
3 name, he --

4 MR. McNAULL: You know, Mr. O'Day is an
5 outstanding person, right, but there's no offense on my
6 friend here.

7 So when you look at Mr. Rosenthal, presented
8 share gain of the subject imports as well as deterioration
9 in our financial performance, again it's because you're
10 addressing a discrete offer, is turned into a broader
11 contractual systemic problem for us and therefore the
12 concession far outweighs the particular value of that,
13 and/or the structure of that threat, right.

14 MR. BENEDETTO: Moving on to raw materials, are
15 MEG and PTA internationally traded? And are they less
16 expensive in the United States than elsewhere? So are your
17 subject import competitors buying MEG and PTA from the same
18 sources, or at roughly the same prices?

19 MR. McNAULL: John McNaull, DAK Americas.

20 We are a producer of PTA in North America the
21 largest. We have a second PTA producer, BP. And we're the
22 primary suppliers to North America.

23 As a PET producer, if you look at your PTA
24 options, the pricing in North America is higher, but if you
25 look at other options for PTA from other parts of the world

1 landed in your facilities, it's logical that you acquire
2 your PTA from a North American producer.

3 MEG, there's producers globally, all over the
4 world, and companies will source monoethylene glycol
5 domestically as well as internationally. You know, seeking
6 the best economic equation.

7 MR. BENEDETTO: Anyone else want to add to that?

8 MR. FREEMAN: John Freeman, Nan Ya Plastics.

9 We are a little different, as we are a merchant
10 buyer of PTA. And from our experience, as John noted, that
11 once we import the PTA, it's landed in our facility, it's
12 actually due to the pricing when you look at any advantages,
13 we come back to buying from the domestic market as a PTA
14 buyer. So I would agree with that statement.

15 MR. ADLAM: For M&G, it's Mark Adlam again.

16 We do see different prices regionally, but
17 nothing that really explains the unfair trading that we've
18 been seeing, taking place from the subject importers.

19 MR. BENEDETTO: Thank you.

20 MR. McNAULL: This is John McNaull. Just one
21 follow-up comment. I mean, as we try to benchmark and
22 understand PTA production of other countries, particularly
23 China; given some of the basic inputs that you need for raw
24 materials and conversion of raw materials to PTA, the
25 pricing information that we get through consultants, third

1 parties available, we don't really understand how on earth
2 it's humanly possible to manufacture and sell material at
3 the cost that we see in some of those markets.

4 MR. BENEDETTO: The panel discussed -- this is
5 John Benedetto again -- The panel discussed a little bit
6 substitutes like materials -- I think in the case of
7 bottles, like glass and aluminum; and I think the
8 perspective of the discussion was about the prospective of
9 how the end use product is.

10 Glass and aluminum I'm assuming are more
11 expensive than PET resin?

12 MR. McNAULL: John McNaull.

13 Not always the case. You know, aluminum cans,
14 for example, can be less expensive. But really the
15 companies downstream are branding and marketing and consumer
16 preference, and the basic trend is that PET is very well
17 established. In a recent industry function that a lot of
18 people here participated in, there was a consultant that
19 shared kind of the consumer product trends in this regard --
20 and basically glass and aluminum are ceding a little bit of
21 share with plastic growing, you know, very low single digits
22 in its market share in terms of delivery packaging for
23 consumer products.

24 So PET is very well established. It is the
25 largest share for most major brand companies in terms of

1 what they use to distribute their products. It's
2 institutionalized in terms of a lot of capital investment
3 around conversion and distribution, and it continues to grow
4 very modestly versus the alternatives of glass and aluminum.

5 MR. BENEDETTO: Thank you.

6 Anyone else?

7 John Benedetto again. The panel discussed a
8 little bit about how demand is increasing, and I just wanted
9 to confirm my understanding. My understanding is demand is
10 increasing a bit because of new uses and population growth;
11 but some traditional uses might be shrinking. Is that my
12 understanding from what I heard earlier?

13 MR. ADLAM: This is Mark Adlam from M&G Polymers.

14 The market is sort of made up of a number of
15 different PET end uses. Some of them are shrinking and a
16 lot of them are growing. So look at the aggregate, and it
17 ends up, it does sort of two to three percent type of growth
18 level. You know, certain parts of the market are bright
19 spots, some parts are duller, but we've got a very positive
20 outlook for PET growth as we go forward.

21 MR. BENEDETTO: Anyone else?

22 MR. CULLEN: John Cullen, DAK Americas. Just to
23 add a little detail.

24 The carbonated soft drink segment is declining,
25 and that's primarily driven by consumers' healthy

1 life^^style choices; but offset by the tremendous growth in
2 bottled water, flavored waters; PET growth in carpet has
3 been significant; the substitution of PET for other
4 materials in this thermaformed clamshell industry has been
5 significant.

6 So while we've seen one of the traditional uses
7 decline, it's been more than offset by others; and again I
8 think that the unit growth for anything packaged in PET is
9 very high, and I think that our customers will continue to
10 use that as a packaging material over glass or aluminum,
11 given a choice.

12 MR. BENEDETTO: Did you have another comment?

13 MR. McNAULL: John McNaull, DAK Americas.

14 I think when you think about the market, you
15 know, it's growing 200-, 250 million pounds of consumption
16 every year.

17 MR. BENEDETTO: In the United States.

18 MR. McNAULL: In the United States.

19 So it's a modest rate of growth, but it's a
20 massive base, and it requires us in terms of capital
21 planning to be anticipating our customers' needs and
22 building facilities, because, you know, at 250 million a
23 year, you take -- a Corpus-type facility is going to be
24 filled in six-eight years, right? So you have to be ahead
25 of the curve in terms of capital deployment to be able to

37257
lf

1 keep the industry at a utilization rate where we can provide
2 good service and be able to meet the needs of our U.S.
3 consumers.

4 MR. BENEDETTO: Mr. Cullen and I believe some
5 others has referred to the water bottle segment and the soft
6 drink segment almost as different segments. That's not how
7 I automatically think of them; I sort of think that they're
8 all beverages in bottles, right?

9 Is that different customers or different uses?
10 Or different specifications you need to make?

11 MR. CULLEN: John Cullen, DAK Americas.

12 It is the beverage segment, so if you talk to the
13 brand companies, then they're all fighting for a share of
14 mouth or share of stomach, right? So that's kind of their
15 motto.

16 But we see it a little bit differently; one is
17 that the carbonated soft drink industry does require a
18 different breed of PET; one of the grades that's been
19 mentioned in the categories that we supply. So that's one
20 thing. And the dominant players in the bottled water
21 industry are different from the branded beverage companies,
22 so there would be large private label companies as well as
23 large multinational companies who only focus on water and do
24 not participate in the soft drink industry.

25 MR. BENEDETTO: Just two more questions. Mr.

1 Benedetto again.

2 You said this this morning, but I just want to
3 confirm: You're stating that there's no issues of quality
4 between yourselves and the subject imports; we're not going
5 to see that subject imports are less expensive because
6 they're not the same quality or anything like that? Just
7 want to confirm that.

8 MR. McNAULL: John McNaull, DAK Americas.

9 No. Once PET resin is qualified -- and there's
10 different levels of qualification. If you're a consumer
11 product company with high brand equity and your risk-averse,
12 it may take a little longer; but once a PET is certified, if
13 you will, to be consumed in a particular system, they're as
14 close to the concept of fungibility as you can imagine. I
15 mean, you can switch PET from one source to another with
16 very little economic penalty barriers or very little issues
17 at all in terms of substitution in the supply chain, once
18 they're qualified.

19 MR. BENEDETTO: And to the best of your
20 knowledge, your major customers are qualified subject to
21 imports as well as U.S. industry?

22 MR. McNAULL: We're certain that they have. I
23 mean, we've lost programs to subject imports where we know
24 in fact they've substituted a lower price injurious resin
25 into a program that we formerly had been in for years.

1 MR. CULLEN: John Cullen, DAK Americas.

2 Just to add that in countries like China, the
3 major brand companies are also participating very heavily
4 there, so their resins would get qualified for local
5 consumption, and that puts them on a fast track to be
6 qualified for consumption in the U.S.

7 MR. BENEDETTO: Thank you all very much.

8 Very quickly, the accountant could not be here
9 today because she's in the other hearing; but she asked me
10 to ask a few questions for your brief, and you can also
11 address them now if you wish.

12 First, what are industry projections regarding
13 the costs of MEG and PTA over the next several years?

14 Secondly, please discuss how your firms generally
15 purchase MEG and PTA. And then please discuss the average
16 amount of time between the purchase of MEG and PTA and their
17 use in the production of PET resin.

18 And then finally, what does each Petitioner
19 consider to be a normal operating margin for certain PET
20 resin, if you were to exclude the effects of alleged unfair
21 imports?

22 Thank you all very much for traveling here today
23 and for your testimony, and answer to questions.

24 MR. McCLURE: Next will be Jennifer Catalano, our
25 industry analyst.

1 MS. CATALANO: I'm Jennifer Catalano, I'm from
2 the Division of Chemicals and Textiles.

3 And John asked a lot of the questions I had; but
4 I'm going to just -- I know, John, you talked about quality.
5 In terms of PET and MEG, do you think that there are any
6 impurities in the material produced that would lead the
7 subject countries to produce them in a cheaper fashion?

8 MR. McNAULL: John McNaull, DAK Americas.

9 You have this brand equity in these products that
10 John Freeman has brought. These companies vet things
11 thoroughly; and once qualified, they've satisfied themselves
12 that there's no risk to consumers; and at that point they
13 turn their procurement people loose to get the lowest price,
14 right?

15 So I know that's not a direct answer to your
16 question, but that's kind of the commercial reality that we
17 deal with, and that's what impacts our financial results,
18 so.

19 MS. CATALANO: This is Jennifer Catalano again
20 for the record.

21 So we talked about how approximately 75 percent
22 of the cost is PTA and MEG, and we also talked about how
23 pennies per pound can make a difference. So I'm wondering
24 if you could speak to the other 25 percent of the cost to
25 produce PET resin, and do you think you're losing to the

37257
lf

1 competition on MEG and PTA, which is 75 percent of the cost;
2 or do you think you're losing to this 25 percent of the
3 cost?

4 MR. McNAULL: John McNaull, DAK Americas.

5 When we acquired Eastman, we acquired a world
6 class PTA technology, both in its efficiency for deployment
7 of capital as well as conversion cost. And we market that
8 technology.

9 And as part of that, I we do a lot of
10 benchmarking of other countries, and you know, I'm not sure
11 that the PTA component of things is -- I think that's part
12 of the equation that leads to very low cost and unfairly
13 priced PET. Because countries or certain companies that
14 are going to be the defendants are integrated in material,
15 and I'm not quite sure how they apportion margins or cost
16 through the whole chain, but I think we have the impact of
17 the whole chain here embedded in this low PET prices.

18 MR. ROSENTHAL: This is Bob Rosenthal.

19 I felt it was important for someone with a name
20 other than 'John' speak for a minute.

21 The cost issue, with all respect, is really not
22 in my view the concern here. I think that pretty much on a
23 worldwide basis, the domestic industry and the respondents
24 are facing comparable costs. What has driven the
25 petitioners to this hearing today is the inability to

1 explain why the pricing in the U.S. by the respondents is as
2 low as it is, given the costs that we understand are being
3 available on a worldwide basis.

4 As you note or will note, at least three of the
5 ,cases involve allegations of subsidies to the foreign
6 producers, and if those subsidies lower the subjective costs
7 to those companies, we think those subsidies should be
8 countervailed.

9 And there are a number of instances where we
10 cannot explain why prices are being offered in the U.S. at
11 the -- as they are, given the foreign producers' costs other
12 than that Mr. McNaul mentioned, irrational, uneconomic
13 capacity that has been installed and decision making by
14 foreign producers to say "Well, gee, we've got all this
15 excess capacity, we have to operate our plants the way the
16 U.S. industry does, at a high level of capacity utilization.
17 We are better off selling those products if the United
18 States even if we don't make a lot of money it, even if we
19 don't make any money on it, it at least lowers our overall
20 unit cost of production so we can sell elsewhere maybe at a
21 higher price and make a profit."

22 So again, I don't think there's a cost difference
23 overall; what there is is a structural or a pricing
24 difference in approach, and that's why we're concerned.

25 MR. ADLAN: This is Mark Adlan from M&G Polymers.

1 I would just say that speaking for M&G, we're an extremely
2 proficient PT producer. We have very low cost structure in
3 the U.S. with our new investment in Corpus Christie we'll
4 even move that even further for lower costs. So when you
5 look at the U.S. industry as a whole, there's no reason to
6 think that it's unfit industry in any way at all, the PT
7 industry. We are a very competitive industry and I think
8 the only thing we're looking for here is some sort of
9 defense against these unfairly traded imports. That's what
10 we're really looking for. From a perspective of costs and
11 the infrastructure we have, I think the industry here is
12 second to none.

13 MS. CATALANO: Okay. I just had one more
14 question. And John Cullen, you were speaking about how
15 there are different grades of PET and I was wondering if you
16 could expand upon that and talk about is there a certain
17 percentage of the market that would go maybe towards one
18 grade versus the other and are these different grades of PET
19 more or less expensive than one another approximately?

20 MR. CULLEN: John Cullen, DAK Americas. The
21 grades of PET we've generally defined are very much have
22 been designed for the end use applications. So some
23 applications like carbonated soft drinks require a different
24 type of polymer with a higher intrinsic viscosity so that it
25 can withstand the pressure of the carbonation within the

1 soft drink bottle. So that's a very specific need that that
2 industry has.

3 The bottled water industry has a different needs
4 which is they need strength, but they also need a property
5 called low acid aldehyde so that the water isn't flavored by
6 any kind of material that might be present in the PET. So
7 lower IV gives them the properties that they want, lower IV
8 is easier to make lower AA.

9 In other segments, I think we had custom and heat
10 set, also very specific products which are designed working
11 in conjunction with our customers to design these products
12 so that they work very well in their end uses.

13 As far as the cost component, I don't want to say
14 too much about cost because we don't think that's relevant.
15 But in general, manufacturing the different grades, there's
16 negligible difference in the cost.

17 MR. McNAUL: John McNaul. I just wanted to say,
18 I mean, realize it's all the same basic chemistry, same
19 assets, same recipes, these are minute differences in
20 physical properties within the definition of products here.

21 For example, CSD versus water might be a slight
22 difference in the intrinsic viscosity physical property
23 which is set by making very slight adjustments to the basic
24 manufacturing process. So when you look at it from a cost
25 perspective, recipe perspective, capacity perspective, it's

1 all basically the same. Right? And when you get into
2 pricing in the industry, very low differentiation. And that
3 differentiation is not tied necessarily to products. It's
4 more tied to commercial circumstances that create the
5 outcome of any differentiation of price. So, you know,
6 we're engineers, right? We love to get into technical
7 details about our products, but the fact is, looking at the
8 P&L, and our financial performance is basically no
9 differentiation between the products.

10 MS. CATALANO: This is Jennifer Catalano. Thank
11 you, I have no further questions.

12 MR. McCLURE: Next to question will be David
13 Fishberg from the General Counsel's Office.

14 MR. FISHBERG: Good morning. David Fishberg from
15 the Office of the General Counsel. I'd like to thank the
16 panel for their testimony this morning. Between your
17 testimony and I think a lot of questions that have already
18 been asked, a lot of my questions have been answered, but I
19 do have a few.

20 And I think probably a lot of them will be for
21 the attorneys, but anyone can jump in and answer.

22 First I'd just like to confirm that you do not
23 believe that there are any related party issues in this case
24 and that the domestic industry should be defined as all U.S.
25 producers of PET resin?

1 MS. CANNON: Yes, we agree. This is Kathy Cannon
2 of Kelley Drye. Yes, we agree.

3 MR. FISHBERG: Thank you. Also for your
4 post-hearing brief if you could just go through some of the
5 factors we look at for cumulation. I assume your position
6 is that we should be cumulating all subject countries.
7 Again, if you could just go through the factors, that would
8 be helpful.

9 MS. CANNON: Yes, Kathy Cannon, we plan to do
10 that as well. Thank you.

11 MR. FISHBERG: Great. Also, as I think everyone
12 has mentioned, we did have a case in 2005 concerning this
13 product. During the testimony this morning, I think a lot
14 of the witnesses went over conditions of competition that
15 the Commission found back then, and how some of the
16 conditions of competition have changed since then. It would
17 probably be helpful, and I don't want to waste time now, but
18 it would probably be helpful in a post-hearing brief if you
19 could describe the conditions of competition that the
20 Commission found in 2005 that are still relevant and the
21 conditions that you believe have changed and specifically
22 what impact that should have on our findings.

23 MS. CANNON: Absolutely. Be glad to do that as
24 well. Thank you.

25 MR. FISHBERG: Great. Thank you.

1 The witnesses this morning described how the
2 composition of the domestic industry has changed since 2005,
3 I think going from seven producers down to four producers.
4 Could you describe a little bit how those changes have
5 affected the domestic industry today? Has it -- are you
6 more streamlined? Has it led to issues? Any further
7 context would be helpful?

8 MR. McNAUL: John McNaul. We've made a couple of
9 major acquisitions. We've been instrumental in that. We've
10 done that to acquire technologies, to have a more efficient
11 manufacturing footprint. So there's been certain benefits
12 that we've realized as a company, but in terms of the
13 overall competitive dynamics in the market and the vigor
14 with which we compete for market share with the industry and
15 with the subject imports, I mean, it really, even though
16 there's been some consolidation, it's still a very, very
17 competitive market with very capable suppliers. I have very
18 formidable competitors here. And we compete for customers'
19 business very vigorously. So efficiencies, technologies,
20 some consolidation of assets and those benefits for our
21 company, but overall, it really hasn't changed the
22 competitive nature of the market.

23 MR. FISHBERG: Thank you.

24 In its 2005 determination, the Commission stated
25 that there was overcapacity for this product in North

1 America and I think Mr. Cullen mentioned that capacity is
2 even greater today than it was back then. Would it be fair
3 to say that there continues to be overcapacity in North
4 America or is that not the case today?

5 MR. ROSENTHAL: Well, without disputing the --
6 this is Paul Rosenthal. Without disputing the Commission's
7 characterization that ten years ago, I think one of the
8 things you heard today was that demand has continued to grow
9 over the last decade. And therefore, capacity continues to
10 need to be installed if you're going to meet demand. I
11 don't think you're going to see anything that's fairly
12 characterized as overcapacity today and certainly not during
13 the period of investigation. If you recall from the
14 previous investigation, the Commission was concerned that
15 new facilities had just come on stream prior or during the
16 period of investigation and they were wondering whether
17 those new capacity additions were the cause of declining
18 prices. In this period of investigation there hasn't been
19 any new capacity added. Indeed, there's been reduction in
20 capacity by plant closure that Mr. McNaul referenced
21 earlier. So that's a major difference between the previous
22 case and that is one.

23 And I will add, Mr. Fishberg, I was maybe going
24 to save this for the final or my closing, but I'll mention
25 it. On Friday is the holiday of Passover and one of the

1 questions that's raised at the Passover Seder is why is this
2 night different from every other night? Part of our theme
3 will be, why is this case different from the previous case?
4 On Passover you only get to ask four questions and four
5 answers. In this particular case there will be a lot more
6 and we'll save most of them for the post conference brief.

7 I will highlight a few of them when I get to
8 closing.

9 MR. FISHBERG: Thanks. My Passover Seder, I'm
10 sometimes accused of being the simple son. So hopefully
11 that might change this year.

12 (Laughter.)

13 MR. FISHBERG: I'll get the wise designation
14 maybe this year. Hopefully.

15 I guess this is a question for Mr. Adlan. I
16 understand that capacity hasn't been added during the period
17 of investigation, but, you know, we understand that there's
18 a plant being built in Texas. I was just wondering, what is
19 the plan going forward for the capacity that's currently in
20 Mexico? Is the plant going to remain open and where is that
21 capacity going to go?

22 MR. ADLAN: We're looking at different export
23 markets as well as the domestic Mexico market. We believe
24 there's plenty of room for expansion in that market, but
25 also for the South American markets as well. We'd like to

1 increase our share.

2 MR. FISHBERG: Okay. I guess going back to 2005
3 again, the Commission stated that the domestic industry
4 essentially treats North America, including Canada and
5 Mexico as a single production region for its supply of ball
6 grade pet resin for the U.S. market. And imports
7 substantial volumes of product from Canada and Mexico, is
8 this statement still accurate? Why or why not? Why is this
9 night different than any other night?

10 MR. ROSENTHAL: I thought you'd never ask.
11 Clearly this case is different than the previous one in that
12 Canada is a respondent in this case. In the previous case
13 the Canadian facility was owned by a common ownership with
14 an ownership of the U.S. entity. That's not the case today.
15 And, in fact, the Canadian volumes and prices have been seen
16 as quite injurious. So that is a significant difference.
17 And one other difference that you heard about this morning
18 is that even though Mexico is not one of the subject
19 countries here, the reason why is because the expectation is
20 that imports from Mexico are going to disappear or at least
21 largely be reduced as a result of increased domestic
22 production.

23 So those are two major differences from the way
24 the Commission viewed and the industry was characterized ten
25 years ago.

1 MR. FISHBERG: I heard a little bit about this,
2 this morning. But could you discuss the impact of
3 nonsubject imports on the market? I mean, they're present,
4 but are you saying that they are not having the price
5 effects subject imports are having?

6 MR. ROSENTHAL: Yes, you saw one chart that we
7 discussed showing that the average unit values for subject
8 imports are much lower than the average unit values for
9 nonsubject imports. And you also heard the testimony of Mr.
10 Adlan that the imports from Mexico are priced at or above
11 the domestic prices offered by M&G. So our view has been
12 that those particular imports have not been injurious. If
13 we thought they were, we would have added them to the case.
14 Trust me, this is a very deliberate effort to target only
15 those producers who are, in our view, dumping, or being
16 subsidized and pricing their product in a way that harms the
17 domestic industry.

18 MR. FISHBERG: I also heard this morning about
19 the capital intensive nature and the industry. This is
20 probably better in a post-conference brief, but if the
21 domestic industry could describe what it views as it's full,
22 practical capacity utilization rates that would be helpful.

23 And one more question for the post-conference
24 brief, if you could just go through the factors the
25 Commission traditionally considers in its threat of material

1 injury finding, that would also be helpful.

2 And with that, I have no further questions. And,
3 again, I'd like to thank the panel.

4 MR. McCLURE: The next questioner will be Betsy
5 Haines, the supervisory investigator.

6 MS. HAINES: A lot of the questions I had were
7 already asked, but just a few left.

8 The plant closure that you referenced, was that
9 moth-balled, or is it completely gone, that capacity?

10 MR. McNAUL: John McNaul, DAK Americas. It's
11 being dismantled and removed. And when that process is
12 complete, it will just be property. There will be no
13 facilities, no capital, everything is being completely taken
14 down.

15 MS. HAINES: Any of the other consolidations that
16 you referenced earlier, were any of those mothballed, or it
17 was when you acquired some of the other firms?

18 MR. McNAUL: John McNaul, are you asking did we
19 take other capacities out through the acquisitions that we
20 referenced?

21 MS. HAINES: Yes. Uh-huh.

22 MR. McNAUL: No, we did not. The facilities that
23 we've acquired from Eastman Meridian and from Walden,
24 Mississippi, we operate those facilities today.

25 MS. HAINES: Okay. The new plant coming on line

1 in 2016, will that be fully operation in 2016 or will it
2 come on line over a couple of -- over a year or two?

3 MR. ADLAN: No, it should be fully operational in
4 2016.

5 MS. HAINES: Okay.

6 MR. ADLAN: That's Mark Adlan from M&G. Sorry.

7 MS. HAINES: Oh, I wanted to touch again briefly
8 on the cyclical nature. I know in the previous
9 investigation the Commission mentioned how when new capacity
10 comes on line it kind of floods the market and then demand
11 sort of incrementally grows to meet that. And I believe one
12 of you said that sort of has softened that cyclical nature.
13 Could you expand on that a little bit?

14 MR. ROSENTHAL: I'm not sure -- this is Paul
15 Rosenthal. I just wanted to clarify what I think you heard.

16 MS. HAINES: Okay.

17 MR. ROSENTHAL: Earlier when we were talking
18 about softening I think it had to do with seasonality and
19 not with cyclicalality of the demand.

20 MS. HAINES: Okay. Okay.

21 MR. ROSENTHAL: There was some reference to
22 seasonality in the previous case to the extent that existed
23 before, our view is that it doesn't exist today. Or if it
24 exists at all, it's a very, very small band that 1 or 2
25 percent quarter over quarter. When it comes to the

1 increases in demand and how capacity gets installed, that
2 really hasn't changed. Demand continues to increase 2 to 3
3 percent per year. When new capacity comes on line, it comes
4 on line in big chunks.

5 MS. HAINES: Okay. Okay.

6 MR. ROSENTHAL: Which is why -- I'm sorry, when
7 Mr. Adlan was talking about the M&G facility, he said,
8 anticipating future growth. I think that growth will be
9 absorbed in five or six years based on current trends.

10 MS. HAINES: Thank you. I have a question about
11 -- I read a lot of articles where there's the consumer
12 concern about BPA, things contained in plastic. Does that
13 affect your market?

14 MR. ADLAN: This is Mark Adlan from M&G Polymers.
15 No, PT does not contain BPA. So it has no impact on us
16 whatsoever. Although I think the sort of articles that you
17 come across where we as an industry group would have to
18 defend against to make sure people understand that PT does
19 not contain BPA. We do welcome the opportunity to say that
20 again to the whole Commission and the audience too. PT does
21 not contain BPA.

22 MR. CULLEN: John Cullen, it never has.

23 MS. HAINES: Okay.

24 (Laughter.)

25 MR. McNAUL: John McNaul from DAK Americas and it

1 never will.

2 (Laughter.)

3 MS. HAINES: Another thing where you read about
4 how they're pushing people to buy their own reusable water
5 bottle to save the recycling. Do you feel like that has
6 begun to make an effect on the demand?

7 MR. CULLEN: John Cullen, DAK Americas. That is
8 certainly a trend, but a very minor trend. Again, we think
9 the consumers like to have choices. They like to be able to
10 buy things on the spot as they're traveling. If you don't
11 remember to take your water bottle with you, you still need
12 to drink your water, you need to buy it in a PET bottle at
13 the store. So it is a trend, but I think the amount of
14 material sold for those applications is miniscule compared
15 to the consumption of PET. So not a major threat to our
16 industry.

17 MS. HAINES: Okay. The recycled PET resin,
18 correct me if I'm wrong, it's not considered bottle grade;
19 is that --

20 MR. ADLAN: This is Mark Adlan from M&G
21 Polymers. It's a different product to the virgin PET. I
22 would say describe it as really a complimentary product. I
23 mean, we often will see recycled PET used in combination
24 with our resin in bottles, more typically CSD than water,
25 but we often see it used in combination. But it's a

1 complimentary product.

2 MS. HAINES: Okay. When bottles are thrown in
3 the recycle bin, what happens to those? What --

4 MR. ADLAN: They are collected then they are
5 washed, they are flaked, and then sometimes -- then turn
6 into a multitude of different products. They can be turned
7 into fiber to make fleece jackets, they can be fiber filled
8 type products, the biggest ones, but they can also be
9 recycled and then put back into bottles as well. So there
10 are multiple different applications, PTs are a very
11 recyclable product.

12 MS. HAINES: Thank you. Let me see.

13 Is there a shelf life to PET resin? Is it sort
14 of indefinite?

15 MR. ADLAN: This is Mark Adlan from M&G Polymers
16 again. I mean, not really. You know, it doesn't tend to
17 sit around. Sort of the nature of the product that it kind
18 of gets old and gets used pretty quickly, but I don't think
19 it really has any sort of shelf life, really.

20 MS. HAINES: Okay. Let me see, I think that's --
21 I guess my final question is, do you see demand -- how do
22 you see demand growing in third markets?

23 MR. ROSENTHAL: Country markets?

24 MS. HAINES: Yes.

25 MR. CULLEN: Do you mean like third world?

1 MS. HAINES: Or outside the United States.

2 MR. CULLEN: John Cullen, DAK Americas. Demand
3 grows -- there are higher growth rates in some of the
4 developing countries as people have more disposable income
5 they tend to buy products which are packaged in PET. So we
6 can look at some of the markets with a very low installed
7 base or consumption of PET today you're going to see higher
8 growth rates as more people move into the middle class and
9 have more disposable income. So you might see in countries
10 10, 15 percent growth rates. There are also countries where
11 PET is still in very modest use because again the people
12 there just don't have the economic wherewithal to purchase
13 products that are packaged in PET. So Mexico has tended to
14 be a larger growth market as one that might be closer to
15 home. In Asia and China there has been higher growth rates,
16 but I'd say, you know, it varies, you know, obviously with
17 the income of the people in those countries.

18 MS. HAINES: Okay. That's all I have. Thank
19 you.

20 MS. CANNON: Kathy Cannon, Kelley Drye, I was
21 just going to add, Ms. Haines, that even though there is
22 some growth in the Asian markets as Mr. Cullen mentioned,
23 what we're seeing even more is capacity expansion, massive,
24 massive capacity expansions at a far greater rate than
25 demand growth. And that's why we're seeing some of the

1 exports and expect to continue to see the exports here
2 because they have a significant oversupply situation.

3 Thank you.

4 MR. McCLURE: Mr. Fishberg has one more -- I'm
5 sorry.

6 MR. McNAUL: I'm sorry, pardon me. John McNaul,
7 DAK Americas. Just to address your question. I think, you
8 know, for us, for example, the installed capacity in Oman,
9 for example, where there's almost no home market at all,
10 right, is kind of perplexing, right. And possibly at the
11 root of some of the problems we're having in our market here
12 because it's targeted at our market. And once an investment
13 is made and targeted, it becomes, you know, a lot of
14 pressure to put PET sales here even if you have to violate
15 things.

16 MR. McCLURE: Mr. Fishberg has one more question.

17 MR. FISHBERG: Good morning, again, David
18 Fishberg from the Office of the General Counsel. I just had
19 one follow-up question that I forgot to ask. So I
20 apologize. I'm just wondering, what percentage of
21 non-subject imports are controlled by the domestic industry?

22 MR. ROSENTHAL: Paul Rosenthal, we'll try to
23 answer that in our post-conference brief.

24 MR. FISHBERG: Okay. And if you could provide
25 some context in terms of how the decision is made in terms

1 of where the supply is going to come from, whether, you
2 know, what rationale goes into whether it's going to be a
3 domestic supply or non-subject supply, that would be
4 helpful.

5 MR. ROSENTHAL: Well, I want to be clear that the
6 domestic industry doesn't control all nonsubject imports and
7 I think the companies who are involved in that will have to
8 answer that on a company-by-company basis.

9 MR. FISHBERG: Right. What percentage and for
10 the nonsubject imports that they do control, what factors
11 into the decision in terms of how a customer will be
12 supplied, that will be helpful.

13 MR. ROSENTHAL: We'll do our best. Thank you.

14 MR. FISHBERG: Thank you.

15 MR. McCLURE: Jim McClure. I want to thank
16 everybody. This was a very useful panel. In particular the
17 three Johns and Mark. Three Johns at the Commission, who
18 knew. And as I've chaired these preliminary conferences
19 recently, I always look for a word or phrase that you
20 usually don't see in all of my years of reading transcripts.
21 Today's word would be "Passover".

22 (Laughter.)

23 MR. McCLURE: Last week in a conference the two
24 words were Geraldo Rivera.

25 (Laughter.)

1 MR. McCLURE: Figure that one out.

2 Anyway, thank you all, especially those who came
3 long distances. We're going to break before we start the
4 panel for those in opposition. We'll take a 15-minute
5 break. Remember the room is not secure. So don't leave
6 your VPI information lying around.

7 (Brief recess taken at 11:34 a.m.)

8 MR. MCCLURE: Okay, we will begin the
9 presentation of those in opposition of anti-dumping and
10 countervailing duties. Again, to remind everybody, and
11 especially with so many of you sitting on the side, state
12 your name for the court reporter.

13 Anyway, whoever's leading off, Ms. Mendoza?

14 MS. MENDOZA: Good morning, Mr. McClure and
15 members of the staff. I'd just like to say that I'm happy
16 to see that I actually do have to identify myself because
17 I'm not the only woman at the table, so that's very good
18 news for me.

19 Anyway, moving right along, so I'm Julie Mendoza,
20 and we represent the Chinese exporters and Respondents in
21 this investigation. I'm accompanied by my partner, Will
22 Planert and by our witness, Dale Behm of Pacific Rim
23 Traders.

24 STATEMENT OF MR. DALE BEHM

25 MR. BEHM: Good morning or good afternoon. We're

1 getting close to both of them. My name is Dale Behm,
2 Managing Director of Pacific Rim Traders from San Francisco,
3 California.

4 PRT is the representative in North and South
5 America, of PET Resin for the Chinese producer, Dragon
6 Special Resin, known as DSR. PRT was founded in 2006 and
7 I've been with the company since June of 2012 as managing
8 director/general manager.

9 My experience in the PET resin industry is much
10 longer, however. I was one of the development engineers
11 working at Continental Can Company where the very first PET
12 container was developed in 1977, and I've been working in
13 the PET resin industry in some capacity since that time. I
14 personally hold over 23 U.S. patents in the PET resin field
15 today.

16 The U.S. PET resin market has a number of
17 important features that I would like you to keep in mind as
18 you consider the testimony you hear today. First, this is
19 an industry that is dominated by domestic PET producers.
20 DAK, Indorama, M&G, NanYa, collectively account for
21 approximately 80 percent of the U.S. PET resin market today,
22 based on my estimation drawn from public sources. This
23 market share has been relatively stable over time and
24 reflects the importance of geographical proximity.
25 Carbonated Soft Drink producers, CSD, bottled water

37257
lf

1 producers and converters of a variety of both containers and
2 extruded thermoformed packaging need to be close to their
3 end user customers.

4 Because of the cost and logistics involved this
5 means that converters prefer to attain the vast majority of
6 their supply of PET resin from North American suppliers who
7 are located relatively close to their plant or can supply
8 them via rail in railcar quantities.

9 Imports from outside North America are present in
10 this market, particularly, in the West Coast, and have been
11 for a long time, but they are supplemental suppliers and
12 their impact on the U.S. market is limited.

13 Second, the North American market is truly a
14 single integrated market. The domestic producers are all
15 internationally-owned corporations with PET affiliates in
16 other countries. DAK is owned by the Alfa Group of Mexico,
17 which owns a PET resin manufacturing facility in Mexico.
18 M&G's parent company is based in Italy and has manufacturing
19 facilities in Mexico and Brazil.

20 Indorama, based in Thailand, is the largest
21 global producer of PET resin. It operates PET facilities in
22 Mexico and numerous locations in Europe, Asia, and Africa.
23 Nan Ya is based in Taiwan and has facilities in Vietnam and
24 a few other locations.

25 These multinational producers view North America

1 as a single market, and can serve the United States out of
2 all of their North American facilities. It is my
3 understanding that virtually all of the PET resin imported
4 from Mexico is controlled by the domestic industry; thus, in
5 evaluating their true market share their Mexican imports
6 must be considered.

7 Third, the domestic producers have been
8 continuously expanding and modernizing their North American
9 capacity. M&G is currently in the process of building the
10 world's largest integrated PTA/PET plant in the world in
11 Corpus Christi with production expected to begin next year.

12 DAK has expanded its capacity by acquiring the
13 PET assets formerly operated by Eastman Chemical and
14 Wellman. Indorama built a new facility in Decatur, Alabama
15 in 2010 that is collocated with BP Chemical's PTA facility.
16 Indorama has announced plans to double the capacity of that
17 facility by the end of 2015. Indorama has acquired the
18 former INVISTA PET facility in 2011 and just recently
19 purchase a PET production facility in Montreal, Canada.

20 As new capacity is added, domestic producers are
21 closing less efficient facilities. This is what happened
22 in the case of DAK closing at its Cape Fear facility I n
23 2013. DAK had acquired the former Eastman Chemical facility
24 in South Carolina in 2011. After a debottlenecking project
25 was completed in that facility, it consolidated operations

37257
lf

1 there and then closed the Cape Fear plant.

2 M&G recently noted in its Global Offering
3 document that a large share of North American production is
4 in the form of older, less efficient plants with less
5 efficient production lines. And they estimated that 2.3
6 million metric tons, 500 billion pounds of current North
7 American PET capacity is expected to be replaced with newer
8 facilities.

9 Fourth, PET resin pricing is derived from the
10 cost of the raw materials, PTA and MEG, which collectively
11 account for 80 percent of the cost of production of PET.
12 PET resin prices move in concert with these raw material
13 prices; particularly PTA, which is the most significant
14 because over 70 percent PET is manufactured from PTA, which
15 is derived from Parazylene via crude oil. Just over 30
16 percent of PET is produced from MEG, which is derived from
17 natural gas.

18 There are currently only three North American
19 suppliers of PTA, and the largest by far is BP. BP
20 experienced an unexpected shutdown of one of its two PTA
21 production unit at its Cooper River, South Carolina facility
22 in August 2014 due to a fire. That unit is only now coming
23 back to full capacity. Supply disruptions caused by the BP
24 plant had put pressure on the margins of domestic producers.
25 U.S. producers generally operate off of a formula-based

1 pricing that is directly tied to PTA and MEG prices.

2 When prices are declining rapidly, producers are
3 selling higher cost inventories at current prices and their
4 margins are squeezed. I believe this explains much of the
5 recent decline of domestic operating revenues that you've
6 heard about this morning.

7 Fourth, imports, particularly, imports from the
8 subject countries are a modest player in the U.S. PET resin
9 market. Recent increases in imports are not due to unfair
10 pricing, but rather reflect short-term supply/demand
11 adjustments. This is why you are seeing non-subject
12 imports, including imports from Mexico that are controlled
13 by the domestic industry increasing as well.

14 As I mentioned, BP's PTA facility was closed the
15 latter part of 2014 due to a fire, creating a shortage.
16 Given these conditions of competition, it should be clear
17 that imports from China and the other countries under
18 investigation are not the cause of whatever problems the
19 domestic producers may be experiencing.

20 M&G acknowledged in its global offering statement
21 that overseas imports face high barriers to entry and are
22 not competitive in many parts of the country due to the cost
23 and logistics of moving PET from the ocean ports by rail or
24 truck.

25 In the case of my business, we are not selling

37257
lf

1 into the carbonated soft drink industry, CSD, carbonated
2 beverage, or the hot-fill segments of the market at all.
3 Rather we are selling primarily to second tier water bottle
4 producers, converters of various nitch market applications,
5 thermal form clam shells, and specialty containers.

6 Unlike tier one producers, these tier two
7 producers are generally not located on a rail line and thus,
8 do not require or even want delivery by rail. More
9 generally, it has been my experience that the large, U.S.
10 carbonated beverage producers are not willing to depend on
11 Chinese and other offshore suppliers for a major portion of
12 their supply. Rather imports tend to be concentrated in
13 the segments I've discussed where PET resin has become
14 packaging of choice due to 100 percent recycle and reuse as
15 either new containers or polyester threads and fibers.

16 Imports constitute only a small part of the
17 hot-fill market. I developed a "Heat-Set" hot-fill
18 technology of Johnson Controls in the 1990s. Today, most of
19 your juice products are filled in these containers. PET
20 resin is a global product and pricing today is global and
21 not by region. China producers -- importers pay 6.5 percent
22 duties to import PET while some countries have zero percent
23 import duties. This limits the competitiveness of Chinese
24 imports in the U.S. market.

25 Thank you very much. And I'm here to answer any

1 questions.

2 MS. LEVINSON: Good morning Mr. McClure and the
3 Commission staff. I'm Lizbeth Levinson. I'm with the Law
4 Firm Kutak Rock LLP. I'm here with my colleague, Vincent
5 Routhier. We are representing Selenis, Canada.

6 I'd like to introduce our principal witness. He
7 is to my right. His name is John Jones and he's the
8 Director of Sales and Business Development. To his right is
9 Mr. Jose Antonio Alarcon, who is in charge of global
10 business development and he is here in the event that you
11 may have questions for him. To my left, is Bruno Guilbault,
12 who is the director of finance at Selenis, Canada. With
13 that, I turn the mike to Mr. Jones.

14 STATEMENT OF MR. JOHN W. JONES

15 MR. JONES: Good afternoon. I can't see the
16 clock without my glasses. I don't know what time it is, but
17 I apologize for you having to listen to another John after
18 this morning.

19 My name is John W. Jones, and I'm the sales and
20 business director of Selenis, Canada. I'm relatively new to
21 Selenis, only about seven months in, but have intimate
22 experience in the PET market space prior to that. And even
23 prior to that have spent my whole career in the plastics
24 industry in one way or another.

25 I live and work out of my home in the

1 Philadelphia area. We employ two direct report commercial
2 representatives. And it's the responsibility of the three
3 of us to cover opportunities -- PET opportunities in both
4 Canada and the U.S. Selenis, Canada was founded in 2009.
5 We purchased a manufacturing facility in Montreal, Canada
6 that was outfitted to produce a different technology,
7 converted that to the ability to make PET. And we enjoyed
8 our first commercial sales to the marketplace in 2011.

9 Selenis is currently operating at close to full
10 capacity at this single facility in Montreal, Canada. We
11 employ just under 70 people at this facility. And while in
12 the past Selenis has announced an interest in expanding our
13 capacity at this particular plant, the market reality
14 suggests that we need to rethink that and move in a
15 different direction with respect to some more specialized
16 polymers that may be sold into different applications and
17 hopefully provide ampler margins, if you will; thus, for the
18 reasons I will discuss, Canadian imports are neither causing
19 material injury nor threatening material injury to the
20 domestic industry.

21 From the outset, I would emphasize that Selenis
22 is a North American producer and we are driven by the same
23 market dynamics as the Petitioners. We purchase all of our
24 raw materials to make PET in North America, including the
25 PTA and the MEG that we've discussed extensively today.

1 Prices for our raw materials are typically higher than those
2 for our overseas competitors as well.

3 Just one comment, and back to something that was
4 mentioned this morning about DAX being basic in PET -- PTA.
5 I'm sorry. Historically, that would put them in a favorable
6 position in terms of their costs of that particular raw
7 material relative to buying on the open market. So, that's
8 another factor that I'd like you to consider with respect to
9 their discussion.

10 The cost of freight is instrumental to our
11 pricing decisions and it limits our ability to sell
12 throughout the United States. We sell on a consistent bases
13 only as far south as Georgia and as far west as Chicago.
14 The general assumption is that we compete everywhere in the
15 country. The vast majority of our sales take place in
16 confined areas within the United States.

17 Currently, we sell no product to the western
18 U.S., Texas, Gulf States, and Florida. Therein, the impact
19 of significant freight to those regions from Montreal; thus,
20 we are constrained in our ability to supply but a small
21 portion of U.S. demand.

22 The Commission needs to be aware of the fact that
23 the North American market for PET resin was adversely
24 affected by two significant effects during the period of
25 investigation. The BP issue that was mentioned a little bit

37257
lf

1 earlier which significantly constrained the availability of
2 PTA to the market space. Our figures show that some 728,000
3 metric tons of PTA became unavailable to the marketplace as
4 a result of this incident. That translates into over 600
5 million pounds of PET resin in 2014 alone.

6 There was second issue. Flint Hills, a producer
7 of IPA lost its cooling tower due to cold temperatures,
8 which also resulted in a three to four-month shutdown.
9 These forced events significantly reduced the availability
10 of raw materials to U.S. producers. Importers had no role
11 in these events whatsoever.

12 In addition, during the past nine months there've
13 been sharp declines in PET prices due to the sustained
14 decline in pricing for oil-based products, including PTA and
15 MEG. Significant buyers of PET are well aware of these
16 price decreases in raw materials. They have the same
17 visibility and transparency to the values of these materials
18 in the market space as we do.

19 And we can cite numerous examples whereby based
20 on the raw plus that we discussed earlier today very
21 significant buyers of PET have used their scale, their
22 leverage, and their -- of information to effectively
23 describe the prices that they want to pay, that they are
24 willing to pay in the market space. There's a major brand
25 owner represented by one of the bottles up on the table off

37257
lf

1 to my left. All of the PET producers were recently invited
2 to participate in an RFQ.

3 Selenis did as well more as a courtesy than
4 anything else because, quite frankly, I think we recognized
5 that we have very little opportunity to actually gain any
6 business. Multiple plants, many hundreds of millions of
7 pounds, a very intricate RFQ process and they were actually
8 indicating a different reference -- a different country
9 reference as far as the raw material was concerned.

10 Selenis was recently notified that we received
11 zero pounds in this whole RFQ process. I would suggest that
12 the pricing was the primary reason that we did not receive
13 any business. Somebody in this room did receive that
14 business at a price that we could not compete at, so that's
15 one of many examples.

16 Another factor that must be considered is that
17 the U.S. market needs imports. U.S. demand presently
18 outstrips U.S. capacity. PCI, and industry publication, has
19 stated that the market in the U.S. is well balanced for
20 supply and demand. Therefore, operating rates are likely to
21 be better than world averages. The region will need the
22 imports for the next few years.

23 New capacity will have a major affect on market
24 balances in late 2016 and early 2017, as we've discussed.
25 Petitioners M&G, in conjunction with DAX USA have announced

37257
lf

1 future capacity additions. The cumulative volume of these
2 capacity additions will dwarf the volume of imported resins.

3 As M&G representatives have stated publicly,
4 "During the next two years, M&G's integration plan will
5 result in proper rebalances of PET resources. Current
6 trends of increasing PET imports will be stopped and
7 reversed and result in a repatriation of over 400,000 metric
8 tons a year to U.S. producers."

9 Another factor to be considered is that DAK, M&G,
10 and Indorama all have major production facilities in Mexico.
11 In 2014, Mexico was the largest source of imports into the
12 United States. In 2009, the Canadian producers Invista
13 exited the market. When exports from Canada disappeared,
14 imports from Mexico increased. This was a switch that was
15 quite noticeable in the marketplace with respect to country
16 of origin.

17 Despite the fact -- the discussion this morning,
18 there are technological differences in PET that cause people
19 to prefer our resin versus some of the Petitioners. We can
20 cite those in the post-conference brief, and we have very
21 strong relationships with many customers over many years
22 that are the basis upon which they buy from us versus
23 anybody else.

24 Selenis is in an enviable position in the
25 (0:20:24:0) marketplace as a result of excellent commercial

37257
lf

1 coverage, highly repeatable product quality, and excellent
2 processing characteristics rather than price. And we have,
3 in fact, lost many sales due to our unwillingness to
4 participate at the pricing levels that have been described
5 to us in the marketplace by many customers.

6 In conclusion, we believe that as a small player
7 in the North American market whose competition with the
8 domestic industry is limited by both geographic and product
9 segment. We're not causing or threatening material injury
10 to the U.S. industry producing PET resin.

11 Thank you for the opportunity to appear and will
12 be pleased to answer any of your questions.

13 MR. PETERSON: Good afternoon. I'm John
14 Peterson, counsel for Ravago Holdings America Inc. Our
15 testimony will be presented by Tom Glasrud. He's the
16 managing director of Millstein, a (0:21:13:3) company.

17 STATEMENT OF THOMAS GLASRUD

18 MR. GLASRUD: Good afternoon. Members of the
19 Commission staff thank you for the opportunity to appear
20 today. My name is Tom Glasrud. As indicated, I'm the
21 managing director of Milstein, a division of Ravago Americas
22 Holdings based in Wilton, Connecticut. Milstein imports and
23 resells PET resin from all four of the countries which are
24 subject of this preliminary investigation. We also purchase
25 and resell PET resin from domestic manufacturers.

37257
lf

1 Our company has a unique view of Pet resin market
2 in the United States. The PET which is the subject of this
3 investigation is primarily bottle grade resin used in food
4 and beverage packaging and is also used in application such
5 as the production of PET sheet, thermal formed goods and
6 carpet fibers.

7 The key issue in this investigation is one of
8 causation. Are the conditions the domestic industry
9 complains about caused by subject imports from the four
10 countries involved in this investigation? My judgment is
11 when the Commission examines the issue carefully it will
12 issue a negative determination.

13 The central indicator of claimed injury
14 identified in the petition is reduced prices for PET resin.
15 A cursory review of data will show that the subject imports
16 are not the cause of the price reductions nor are such
17 reductions limited to the United States market. PET prices
18 as well as those of many other polymers my company sells
19 have declined significantly as a result of recent reductions
20 in the price of petroleum, which supplies the raw materials
21 for PET resin manufacturers.

22 Plastic News speaking last week of declines in
23 PET prices correctly indicated that the driver behind these
24 price declines "Of course, is the global oil market. Oil
25 prices affect petra chemical prices, though natural gas is

37257
lf

1 the more commonly used feedstock in North America and the
2 Middle East. West Texas crude prices were \$47 per barrel in
3 late trading March 12 continuing the slide from over a
4 hundred dollars a barrel seen recently as mid-2014.'

5 More recently, global markets for PET feed stocks
6 have solidified and most observers believe that the further
7 reductions are unlikely.

8 Second, most PET resin sold in the United States
9 is on a rise, plus bases as has been indicated numerous
10 times this morning. Prices are set according to producers
11 cost of raw materials, plus agreed markup designated to
12 compensate the producer for production costs and profit. A
13 decline in raw material prices does not, therefore, deprive
14 the producers of monies needed to cover production costs and
15 profit. Imported PET resins are virtually all sold on a
16 spot basis, which provides an efficient mechanism for
17 passing on costs reductions to the purchasers.

18 The Commission should examine whether domestic
19 long-term and annual contracts have equally efficient
20 pricing mechanism. The market dynamics in place today are
21 similar to those 10 years ago when the Commission conducted
22 an anti-dumping investigation of bottle grade PET resin from
23 India, Indonesia, and Thailand. At that time petroleum
24 prices were increasing dramatically and the domestic
25 industry was caught in a cost price squeeze.

37257
lf

1 The Commission agreed, but the Commission also
2 found the squeeze was not caused by imports, but by rising
3 petroleum prices which drove increases in raw material
4 costs. The squeeze being experienced by the domestic
5 producers resulted from the fact that annual and long-term
6 contract obligations did not allow them at that time to pass
7 on cost increases to customers as quickly as they might
8 have.

9 Today costs and prices are moving in a different
10 direction, downward, but to the extent the domestic industry
11 claims to suffer injury by reason of this trends imports
12 generally and the subject imports in particular are not to
13 blame. Prices of domestic and imported PET resin move with
14 the petroleum market.

15 Most major industrial consumers of PET resin
16 maintain two or three major sources of supply in order to
17 further supply security. In current market circumstances
18 there's an incentive for these consumers to balance their
19 longer term contractual commitments by making purchases of
20 resin on the spot market, whether that be imported or
21 domestic material.

22 More over, in 2014, domestic PET producers
23 suffered two setbacks in ability to supply the United States
24 market demand. These were referenced earlier. At different
25 points in the year, two domestic feed stock suppliers, Flint

37257
lf

1 Hills Resources and British Petroleum announced forced
2 majeure conditions, which limited their ability to supply
3 the domestic PET manufacturers with purified phthalic acid,
4 PTA, which along with the isothalic acid, IPA, and MEG are
5 the principle raw materials in resin production.

6 This forced the domestic producers to look abroad
7 for PTA supply, limited their ability to satisfy the U.S.
8 market demand, and caused prudent PET resin consumers to
9 make spot buys of imported merchandize, but these purchases
10 were not price driven.

11 Canada's inclusion in the current investigation
12 is particularly puzzling. Canadian origin PET resin does
13 not, as a rule, undersell domestic product. Indeed, based
14 upon the domestic pricing information contained in the
15 non-confidential version of the petition it appears that the
16 average delivered price of domestic PET resin is several
17 cents per pound less, on average, than the average dutiable
18 value of PET resin from Canada.

19 MR. GLASRUD: Bearing in mind that entered values
20 will not reflect the cost of transporting PET resin from the
21 Canadian plant to the premises of the United States
22 customers, which is a significant addition, notions of
23 Canadian imports even compete with lower priced resin, much
24 less significantly undersell priced product are baseless.

25 In addition, there's a quality component

37257
lf

1 associated with the PET resin imported from Canadian,
2 several of our customers in the food packaging market sector
3 specify the Selenis product because it has a clarity and
4 brightness desired in their products. They are willing to
5 pay a modest premium for that merchandize.

6 The volumes of PET imported from Canadian have
7 remained steady in the last few years and entry value on
8 prices have remained high. There appears to be no basis to
9 believe that there's a reasonable indication that United
10 States producers are materially injured or threatened with
11 injury by reason of PET imports from Canada. The Northern
12 American PET market as for years been characterized by
13 overcapacity, up to two billion pounds per years of
14 overcapacity by some estimates.

15 In the fact of that factor, one domestic
16 producer, M&G, is proceeding with construction of a new PET
17 plant with capacity to produce an additional two billion
18 pounds of resin per year. The decision to invest in such a
19 plant indicates the domestic producers are not suffering
20 economic injury and they're willing to invest capital in the
21 United States market.

22 More over, when new PET capacity comes online, it
23 places significant quantities of PET in the market. Because
24 the principal demand for PET is in mature markets such as
25 food and beverage packaging demand for bottle grade material

37257
lf

1 tends to grow more slowly, generally, in line with
2 population growth or about 2 percent per year.

3 If there's any threat on the horizon, it comes
4 not from imports, but from domestic producers' decisions to
5 make major additions to capacity that is already
6 underutilized. This again harkens back to the 2005
7 investigation where the Commission found that the woes of
8 the domestic industry were not caused by imports, but by the
9 domestic producers' decision to build new capacity.

10 I realize that reasonable indication of injury
11 test is not intended to be a high hurdle to clear, but the
12 circumstances in which the PET industry lends itself to a
13 similar analysis as the Commission did a decade ago. The
14 claimed in dicta of injury are not caused by imports. They
15 are caused by external conditions in an extremely
16 competitive market created by over capacity regionally and
17 globally of PET resin. The Commission should vote negative
18 in this case. I'm happy to answer any questions the
19 Commission might have. Thank you for the opportunity to
20 testify today.

21 STATEMENT OF DANIEL PORTER

22 MR. PORTER: Mr. McClure, Commission staff, good
23 afternoon. For the record, my name is Dan Porter with the
24 Law Firm of Curtis Mallett Prevost Colt & Mosle. We are
25 representing Octal, the only producer exporter of the

37257
lf

1 subject PET resin in Oman.

2 Octal sends its apologies for not being able to
3 arrange company personnel to attend this staff conference.
4 The very quick deadline made it impossible to reorganize
5 schedules to prevent overseas travel, and so I will present
6 Octal's affirmative statement.

7 You heard early this morning Petitioners and
8 counsel repeatedly emphasize the fact that U.S. imports from
9 the targeted countries have increased over the past three
10 years suggesting that there's something inherently sinister
11 about this increase. In fact, there's nothing sinister at
12 all about the increase.

13 This morning I'm going to explain the reasons
14 behind the increase in PET resin imports from Oman produced
15 by Octal. At the outset, I want to emphasize that even
16 though the rate of increase of imports from Oman over the
17 past three years may have been more than other suppliers,
18 imports from Oman still account for a small share of the
19 total U.S. market.

20 Very simply, the rate of increase of import from
21 Oman results from the fact that Octal's share of the market
22 in 2012 was so, so tiny. It is Octal's understanding that
23 even after the increase of the past three years; at the end
24 of 2014 its share of the U.S. market was barely 2 percent.
25 It is Octal's position that a country supplier with barely 2

1 percent share cannot be the cause of concern for U.S.
2 producers.

3 Now, how was Octal able to increase its
4 participation in the U.S. market? Very simply Octal was
5 able to increase its sales to U.S. market because Octal was
6 able to offer a new generation, new technology PET resin
7 product that provided enhanced attributes not readily
8 available by other suppliers, including the Petitioners.

9 Because my time is limited, I will focus on just
10 a few attributes of Octal's new generation PET resin. The
11 first key attribute is Octal's PET resin was produced using
12 the latest state-of-the-art technology. Octal's PET resin
13 factory in Oman was first commissioned in 2009 and then
14 production was expanded in 2012.

15 What this means is that Octal's PET resin is
16 produced using the absolute latest state-of-the-art
17 technology for producing PET resin. Such fact is important
18 because this new state-of-the-art technology provides
19 significant advantages over the older, conventional PET
20 resin technology.

21 Over the past 10 years, in particular, PET
22 manufacturing technology has advanced in various areas. An
23 important development stands out. The introduction of new
24 poly-condensation technology called Melt to Resin or MTR for
25 short, which was designed to replace the conventional solid

37257
lf

1 state post condensation technology or SSP for short.

2 A result of this development is that the newer
3 PET resin manufacturing plants collapsed the manufacturing
4 into two reactors instead of the normal four to five reactors
5 needed in the conventional SSP plant. To understand these
6 developments a little history is needed. The PET
7 manufacturing process technology began with five reactors in
8 the 1960s. They were then reduced to four in the
9 mid-eighties, and then with the advent of MTR technology the
10 manufacturing process was reduced to just two reactors.

11 It is Octal's understanding that its PET plant
12 commissioned in 2009 was the first PET plant in the world
13 that uses the MTR technology. The advantages are
14 self-evident. To put it simply, the fewer reactors a plant
15 has the more efficient and economical it is, thereby,
16 incurring fewer operating costs. This can be seen visually
17 by the first two pages of the handout. I hope you all have
18 the handout.

19 As you can see in the handout, the formulation of
20 PET consists of two main reactions; namely, esterification
21 and poly-condensation. While the SSP and MTR technologies
22 share similar esterification processes, they employ totally
23 different poly-condensation processes. SSP technology
24 requires two phases of condensation to produce PET
25 poly-grade chips. This process takes place in several

37257
lf

1 separate reactors, as can be seen in the visual on the first
2 slide.

3 On the other hand, a new reactor design helps MTR
4 process technology to complete the entire work of
5 poly-condensation and crystallization in only one reactor,
6 as can be seen in the second slide of the handout.

7 Compared with conventional SSP technology, MTR
8 technology offers several advantages, including, first,
9 saving of equipment and costs due to a lack of a solid
10 crystallizer. Second, significant reduction in conversion
11 costs, and third, reduction in plant carbon footprint.

12 The advantage of MTR technology over conventional
13 SSP technology can be seen visually in the next slide. MTR
14 technology allows a 33 percent reduction processing time,
15 which means 33 percent less time the equipment needs to run
16 to produce the same output.

17 Equally important is the fact that MTR technology
18 allows production of a different type of resin pellets. It
19 turns out that PET resin chips produced by MTR technology in
20 Octal's plant form a perfect sphere and this creates
21 tangible benefits to PET resin consumers over the more
22 conventional cylinder shape PET resin chips.

23 First, the perfect sphere shape provides for
24 better air flow around the PET resin chip and thereby allows
25 quicker drying time. Second, the Octal PET resin chip

37257
lf

1 allows the customer to enjoy faster re-melting time, which
2 reduce the customer's energy costs.

3 Because I have now completely exhausted the
4 limits of my technical understanding of the physics of PET
5 resin production technology I'll refer to the additional
6 pages of the handout that provide additional information.

7 In short, not only does the MTR technology allow
8 Octal to save significant operating costs in producing the
9 PET resin, the PET resin that is produced from Octal's
10 state-of-the-art new technology plant allows the customers
11 to have reduced operating costs in producing the bottles or
12 packaging.

13 These important advantages from the new MTR PET
14 resin manufacturing process is an important condition of
15 competition because upon information and belief during the
16 three-year investigation period all of Petitioners'
17 production was based on the older, conventional SSP
18 technology rather than the newer MTR technology.

19 The second attribute of Octal's PET resin is
20 Octal's unique flexibility in modes of delivering its PET
21 resin to customers. Octal offers three different modes of
22 delivery, boat trucks, super sacks, and sea bulk container.
23 It's Octal's understanding that they're the only foreign
24 supplier that offer all three deliver options to U.S.
25 customers.

37257
lf

1 In short, it's been Octal's innovation and
2 flexibility that has allowed it to increase its sales to the
3 U.S. market. And this should not be a surprise to
4 Petitioners. Indeed, one of the Petitioners, M&G, itself
5 made this point explicit in its November 2013 global
6 offering. M&G stated, and I quote, "Unlike the typical
7 commodity chemical industry where products manufactured by
8 all suppliers have the same formulation and are fungible,
9 product innovation is very important in this industry."

10 This describes Octal's participation in the U.S.
11 market to a "T." Unlike virtually all Petitioners, Octal
12 offers PET resin produced from the latest state-of-the-art
13 MTR technology. And unlike all foreign suppliers, only
14 Octal offers U.S. customers with flexible delivery options.
15 Innovation is the reason for Octal's increased participation
16 in the U.S. market.

17 The next topic I want to address is the
18 significant regional difference in raw material costs for
19 PET resin. As you know well, the two primary raw material
20 costs of PET resin are PTA and MEG. Taken together, these
21 two raw materials account for 70 to 80 percent of the PET
22 resin selling price; however, what is most unusual for
23 supposed global commodity chemical product is that there are
24 significant differences between what U.S. producers have to
25 pay for these two raw materials and the raw material costs

37257
lf

1 for suppliers outside the United States.

2 Earlier this morning, you heard Mr. Rosenthal say
3 that cost is not important. I beg to differ. Very simply,
4 based on their experience as a global purchaser of raw
5 material for PET resin production, PET MET prices in the
6 United States are higher than anywhere else. Now, of
7 course, Petitioners' counsel, and in particular, Mr.
8 Rosenthal will jump up and down and proclaim that it's
9 because of unlawful government subsidies that they have
10 alleged. However, it is Octal's experience that PTA and MEG
11 can be purchased much more cheaply from suppliers in
12 countries in which there have not been any allegations of
13 countervailing subsidies, including Korea, Europe, Thailand
14 and Brazil.

15 We submit that such structural difference, the
16 fact that U.S. PET resin producers have higher raw material
17 costs than all other foreign suppliers, both subject and
18 non-subject is an important condition on competition that
19 the Commission must take into account.

20 This concludes my presentation, Julie. I'll be
21 happy to answer any questions.

22 STATEMENT MS. SUSAN ESSERMAN

23 MS. ESSERMAN: Good afternoon Mr. McClure and
24 members of the staff. I am Susan Esserman from Steptoe &
25 Johnson, appearing on behalf of Dhunseri Petrochem Limited

37257
lf

1 and I'm accompanied by Gautam Rathore, who is President of
2 Marketing, Dhunseri Group.

3 India is positioned uniquely in the U.S. market,
4 both in terms of its historic and continuing pattern of
5 participation and in light of the Commission's past findings
6 that Indian PET resin imports were neither a cause nor a
7 threat of injury to the U.S. industry.

8 These same Petitioners unsuccessfully brought
9 Indian PET resin before the Commission on three previous
10 occasions in the last decade, once in the context of
11 anti-dumping and countervailing duty cases and twice more
12 with respect to their petitions to remove Indian PET resin
13 from GSP. All three times Petitioners allegations against
14 India PET resin were rejected and for good reason.

15 In the prior injury investigation, the Commission
16 found that a number of non-imported related causes and
17 underlying conditions of competition rather than Indian
18 imports were responsible for the domestic industry's
19 condition. Not only do a number of the same conditions of
20 competition prevail today, but India's average market share
21 during that period of investigation, approximately 1
22 percent, remains the same today during this period of
23 investigation.

24 During the decade, since the Commission's
25 previous injury determination, India has remained a small,

37257
lf

1 stable, and non-disruptive source of supply to the U.S.
2 market. These are the facts of India's consistent, proven,
3 and actual participation in the U.S. market regardless of
4 any change or allegations of new capacity.

5 As in the last case, the degree of competition
6 between Indian imports and domestic producers is limited by
7 the fact that Indian PET resin does not compete in
8 significant segments with domestic producers. Specifically,
9 Indian PET resin imports did not then and do not now compete
10 in the hot-fill or blended PET resin segments and has sold
11 only a negligible volume in the sheet and strapping
12 segments.

13 The Commission found in the prior case that these
14 segments collectively accounted for between 43 and 46
15 percent of domestic shipments. These remain important
16 segments in the U.S. market today with the hot-fill segment
17 alone expanding since the last case. Indian imports are
18 also not competing with U.S. producers in new, fast-growing
19 segments such as barrier, extrusion blow molding PET and sea
20 PET dual ovenable trace.

21 In its prior determination, the Commission found
22 that Indian producers and I quote, "Direct most of their
23 exports to countries other than the United States and have
24 substantial home market sales." The Commission's statements
25 have been borne out by the facts during the last decade and

37257
lf

1 remain true today.

2 In fact, the Indian PET resin market expanded
3 exactly as the Indian Pet resin industry projected to the
4 Commission during the 2005 case. The market has been
5 growing for the last decade at an annual rate of 20 percent
6 among the fastest PET growth rates in the world. You will
7 hear a full picture from the Reliance representative of the
8 future promise of the Indian PET market, but keep in mind
9 two broad drivers underlying PET resin growth in India.

10 First, the Indian economy is at an inflexion
11 point with an unprecedented pro-growth Prime Minister and
12 the latest official government of India forecast projecting
13 7 percent growth in the coming year. A second broad
14 driver of continuing exploding PET resin growth is that
15 India's per capita PET consumption is extremely low, just 5
16 percent of U.S. consumption and 14 percent of Chinese per
17 capita PET consumption, so there is much room to grow.

18 The Commission's prior findings as to India's
19 third country export markets have proved to be equally true.
20 Over the past decade, the Indian industry has diversified
21 its export destinations. Dhunseri itself exported to 53
22 countries in 2014, up from 2005. Key export markets for
23 Dhunseri are countries on the doorstep of its plant in
24 Haldia in the northeastern region of India, and particularly
25 fast-growing markets in regions with little or no PET resin

37257
lf

1 production.

2 Under these circumstances, decumulation of India
3 from other subject countries is fully warranted. In any
4 event, there could be no basis for a founding that Indian
5 imports are injurious or threaten the U.S. industry.

6 STATEMENT OF ANIL RAJVANSHI

7 MR. RAJVANSHI: Good afternoon. My name is Anil
8 Rajvanshi, senior executive vice president of Reliance
9 Industries Ltd. India. I'm here today to provide you with
10 some information about the Indian PET resin industry and
11 market.

12 First, let us note that Indian PET resin market
13 is very vibrant. India has one of the fastest growing GDP
14 in the world. Indeed, for the last five years, India's GDP
15 has gone up by over 5 percent per year, consistent with
16 Government of India's estimates and according to the World
17 Bank and IMF GDP is expected to increase almost 7 percent
18 per year from 2015 to 2017.

19 According to PCA, the Indian PET resin market has
20 grown by over 20 percent per year in the last five years.
21 More importantly, analysts, including PCA project that PET
22 resin market in India will continue to grow by over 30
23 percent per year in the next five years. This translates
24 into a projected demand of over 1.5 million metric tons in
25 2017. India is unique in this regard and the PET producers

37257
lf

1 have a great advantage of having such a strong home market.
2 India home market has numerous key features which drive
3 increase in consumption.

4 The median age of India population is just 35
5 years. Our younger, more prosperous and growing middle
6 class consumes more PET products of all types. India's
7 carbonated beverages are packed in PET. We project a huge
8 growth in PET resin for carbonated beverages in the years to
9 come. Indians now purchase more and more packaged food
10 because with the poverty education, with the education
11 awareness this is now started happening.

12 Imagine if each of India's 1.2 billion population
13 consumes only a fraction of U.S. consumption we don't have
14 capacity to produce in India. We fully anticipate that the
15 PET industry in India will lead increased capacity to keep
16 up with the huge demand. In India's capacity expansion is
17 always in great demand. But the Commission will also note
18 from the questionnaires submitted last and perhaps other
19 Indian companies that our capacity utilization is very high.

20 The Indian PET resin industry needs new capacity
21 because of increasing in demand and the fact we are
22 currently producing now at full capacity.

23 The U.S. has always been a minor market for
24 lands and other exporters. We would never double up new
25 capacity to sell to the U.S. market when the U.S. market has

37257
lf

1 traditionally played a very minor role in our business
2 plans. Reliance has always focused on the Indian market,
3 but like other Indian companies we also sell in several
4 regional markets. We call them deficient markets.

5 This includes the rest of South Asia, Africa, and
6 South America. It has been our strategy, and I believe most
7 of our Indian compatriots to focus on PET resin deficient
8 markets rather than ship significant volumes to the United
9 States, which is a mature market with slow growth rate as
10 compared to India.

11 Industry data show a 60 percent increase in
12 shipments to non-U.S. export markets between 2012 to 2014.
13 We expect this trend to continue. Reliance itself has
14 followed a very conservative policy when shipping PET resin
15 to the United States is concerned. Reliance makes only the
16 occasional shipment for non-bottle applications. India last
17 year we shipped less than 400 tons. Last year of total U.S.
18 imports was less than 1 percent.

19 India itself was a very minor player in this
20 whole episode. The import status from India back our
21 claims. From 2013 to 2014, total exports from India is
22 actually flat. As a percentage of total U.S. imports, India
23 imports were only 6.64 percent, down from 7.92 percent in
24 2013. Even this small amount of an Indian exports over the
25 actual impact that India plays in the U.S. market.

37257
lf

1 We understand that U.S. domestic market controls
2 around 80 percent of the total market. That means imports
3 from India accounts for only 1 percent of U.S. consumption.
4 This is truly a minuscule amount. In the future, even if
5 Indian exports were to increase it would still be a very
6 minor factor in the U.S. market. Of course, we expect
7 Petitioners to claim that in their small market share in
8 Indian. But Mexico has shipped 50 percent more PET resin
9 into the U.S. in 2014 alone than India in 2012 to 2014.

10 Almost 30 percent of imports into U.S. are from
11 Mexico. And interestingly, domestic producers doesn't
12 consider that to be the numerous loss sales and revenue for
13 them, imports from Mexico. One wonders how Petitioners can
14 possibly justify bringing this case on India when imports
15 from Mexico dwarfs imports from India. Having failed on all
16 other occasions to bring in the business against India, it's
17 a testimony of fact that imports from India causes no injury
18 to domestic industry, less the volumes.

19 Thank you for giving me the opportunity to
20 present our case before the Commission.

21 MS. MENDOZA: My name again is Julie Mendoza. I
22 am going to be doing a short presentation shorter
23 presentation on conditions of competition as they relate to
24 the threat factors with China.

25 First of all I think it's extremely --

37257
lf

1 MR. MCCLURE: Excuse me do you want a time check
2 just so --

3 MS. MENDOZA: Sure, I think yeah if you could --

4 MR. MCCLURE: Sure. 20 minutes.

5 MS. MENDOZA: I should be able to do it in that
6 amount of time.

7 MR. MCCLURE: We can only hope.

8 MS. MENDOZA: Thank you very much Mr. McClure.

9 So I would like to address conditions of competition as they
10 relate to China. One thing that I think is very important
11 for the Commission is to look at the data on import levels
12 since 2002 and I picked that year because it was the first
13 year of the period in the last investigation.

14 And what I think you are going to find over time
15 is that imports have been very, very stable into this
16 market. In fact in the year of 2006 imports were 1.4
17 billion. In 2014 they were 1.2 billion. China in 2005 was
18 227 or 228 million. In 2014 they were 249 million so what
19 you are going to see over time in fact is that import levels
20 into the U.S. market have been quite stable and even subject
21 suppliers, particularly as I said India and China and some
22 of the others have been very consistent over time and that's
23 a very relevant fact because it bears on how easy it is to
24 enter into this market and gain any real percentage of the
25 market.

37257
lf

1 It tells you when imports have been at that level
2 for a long period of time that in fact they are pretty much
3 maxed out in terms of their contribution to that market and
4 I would say that it also confirms the statements you have
5 heard today about the fact that many of these developing
6 markets are a much better source of growth for these
7 producers in these foreign countries.

8 I think if you look at it you are going to see
9 that China in fact sells over 60 to 65% of their sales to
10 the domestic market. 35% of the exports went to other
11 markets with Japan being by far the largest market. And
12 finally only 2 to 3% of imports, of the production of China
13 went into imports into the U.S. market.

14 So that's a pretty small share and if you
15 consider it in light of what I have just told you about
16 their participation in the U.S. market I think that puts
17 things in much greater perspective and I think particularly
18 given the fact that future demand and no one disagrees on
19 this is expected to grow rapidly in Asia, particularly
20 China.

21 You can expect that these trends would continue
22 and that China would continue to depend on its domestic
23 market. I think people have talked about M&G's global
24 offering prospectus and its discussion regarding growth
25 rates in China and how even though the Chinese market,

37257
lf

1 everybody has been hearing Chinese markets are slowing down
2 a little bit but the fact of the matter is the consumer
3 market in China is extremely strong and has continued to
4 grow.

5 The emphasis in the Chinese market has been a
6 little different than in the U.S. market. In China the
7 Chinese producers have been focusing on water bottle
8 production because there is a lot more consumption for
9 example of water bottles in China than there is carbonated
10 soft drinks.

11 So just to put in perspective our data you can
12 see the Chinese exports in 2014 only about 10% of the total
13 increase and growth in overall Chinese production went to
14 the U.S. market. Let's see -- we are predicting one thing
15 that was discussed a little bit this morning is the fact
16 that PTA prices in China and in Asia generally are lower
17 than in the United States. The reason for that is the U.S.
18 producers and suppliers were very concentrated BP Petroleum
19 dominated and in that kind of a monopoly position prices in
20 the United States for PTA tended to be much higher.

21 Now as M&G testified this morning that situation
22 is very likely to change in the near future because now
23 there is going to be a lot more PTA available in the U.S.
24 market and I think many forecasters are predicting that the
25 PTA prices in the U.S. and Europe and Asia are going to

37257
lf

1 equalize which they should.

2 I mean you have to ask yourself a question, how
3 is it possible for PTA prices in the United States to
4 maintain a gap vis a vis other markets in the world and I
5 think the answer is the same answer that there is for PET
6 resins which is that basically you have a lot of
7 transportation and logistical issues with both and as a
8 consequence you tend to get markets being very localized and
9 you heard a lot of testimony today about how markets, even
10 within the United States are very regional.

11 People build PTA facilities I mean I'm sorry they
12 build PTA resin facilities next to the PTA facilities and
13 then the bottlers are located close to them so I really -- I
14 know the Commission hears a lot about market segments. The
15 west coast is importers, the east coast is the domestic
16 producers but I would say that this is a very unique
17 condition of competition this investigation and that you
18 have to look very closely at it.

19 Because imports are overwhelmingly concentrated
20 in that west coast market and so you know and the reason
21 isn't because that's where imports necessarily want to be
22 but what has happened is that because bottlers and other
23 converters prefer to be close by to their sources, that has
24 created very regional markets in the U.S. and that is a very
25 unique quality in this market.

1 Another comment that I wanted to say was that you
2 know this morning we heard almost nothing about this hot
3 filled market and if we look at the pricing data, the
4 pricing data has about four segments and if you compare the
5 coverage of the pricing categories with the trade data you
6 are going to see that it is extremely high.

7 So we basically know what sectors everyone is
8 selling it to right. And so if you looked at the hot fill
9 segment of the market and you look at how much U.S.
10 producers are selling into that market and how little
11 imports are coming into that market I think that's a very
12 significant question and I'm not really sure why this didn't
13 come up this morning but everyone will tell you that for the
14 hot fill market there are very specific brand holder
15 requirements and they tend to be very unique.

16 In other words, all brand holders have their own
17 set of requirements about what you have to provide the heat
18 levels, you know, exactly what kind of products they want so
19 when you get into the hot fill market there is a lot of
20 differentiation and you really have to satisfy each brand
21 manufacturer's requirements.

22 Now the Chinese can do that obviously in China
23 and that is also a growing market in China, hot filled,
24 there's a lot of tea sales, hot tea sales in China that are
25 packaged but again it is a qualification process and it is

37257
lf

1 also just the idea that they have such specific requirements
2 and you had to qualify for that brand manufacturer and I
3 think that is much truer of that segment of the market and
4 we didn't hear anything about that today so I thought that
5 was interesting.

6 Let's see -- and also the general consensus is
7 that the hot filled market segment is expected to be a real
8 growth segment going forward so I think that that is a very
9 positive sign for U.S. producers. Just two final points,
10 one look at the underselling data, you know, right now with
11 what we have gotten in our APO release I have to admit it's
12 limited you know I compared it -- I compared how much was
13 covered of the trade data and you know we are still missing
14 stuff. Hopefully some more importer questionnaires are
15 going to come in but what you don't see is rather
16 remarkable. In other words when you look at 2014 and I
17 agree the data is limited but when you look at 2014 do not
18 see this picture of underselling.

19 Okay so you have got a few percentage points of
20 imports gaining some market share but you do not see
21 underselling margins and I'm talking now generally not just
22 about China although it's also true for China.

23 And then my final point is formula pricing. Okay
24 when people say they saw on a formula the question is what
25 formula, what are the factors, how does it work. I mean you

37257
lf

1 know lots of people from what our understanding is that a
2 lot of people have a lot of different types of formulas that
3 they used and that we think it would be very important for
4 the Commission to try to understand how those formulas work
5 and also how often they are adjusted because you know in
6 many cases if you are not able to adjust them on a regular
7 basis you know, that's going to have the same effect that
8 you saw in the earlier case.

9 So I think you know it is fine to talk about
10 formula pricing but I think more specifics are required and
11 particularly when it can be reset. And I think that
12 concludes my presentation, way short.

13 MR. MCCLURE: Okay we will begin the questioning
14 with Michael Haberstroh.

15 MR. HABERSTROH: Hello Michael Haberstroh, Office
16 of Investigations. Again I want to thank you guys as well
17 for coming out and participating. It is extremely helpful I
18 think to the Commission as a whole but also for me in
19 particular as the investigator on the case to get the
20 information from you guys and I know again that the
21 questionnaire process is extremely burdensome, specifically
22 when we are dealing with a prelim but I do appreciate it and
23 I do appreciate you guys coming out to answer questions this
24 afternoon.

25 To start and I guess I will open this up

37257
lf

1 generally to just about everybody most of my questions if
2 you do want to jump in please feel free. There may be a
3 couple that are specific but generally don't hesitate to
4 jump in. I will start with just the same question I asked
5 earlier this morning is using official stats or importer
6 data, just based on some of the comments I assume I have a
7 pretty good idea but I would like to get you guy's
8 recommendation on that as well.

9 MS. MENDOZA: I mean we are comfortable with
10 using the import data and to the extent there is any
11 variation in that I think we might address it in the
12 confidential agreement.

13 MS. ESSERMAN: We are and India is the same.

14 MS. LEVINSON: Liz Levinson on behalf of Canada
15 and we think the import statistics are fairly accurate.

16 MR. MCCLURE: And by import statistics we mean
17 official import statistics?

18 MS. MENDOZA: Julie Mendoza yes that is what we
19 understood thank you.

20 MR. MCCLURE: Thank you.

21 MR. HABERSTROH: Michael Haberstroh thank you
22 Jim. And I guess to cover just the foreign markets or the
23 foreign producers and also the importers specifically
24 because of Ms. Mendoza's comment if there are any foreign
25 producers that you find in your market that we have missed,

37257
lf

1 many major players the U.S. import that would be great to
2 know. You can either comment on that now or if you want to
3 talk about it a little bit in your briefs that's fine as
4 well.

5 MS. MENDOZA: Julia Mendoza, our understanding is
6 we have almost complete coverage of Chinese exporters to the
7 U.S. market and if you compare the import data to our
8 questionnaire responses I think you will see that.

9 MS. LEVINSON: Liz Levinson on behalf of Canada
10 we are the sole exporter from Canada so obviously we have
11 got 100% coverage.

12 MR. PORTER: Dan Porter from Curtis, 100%
13 coverage from Oman.

14 MR. GURLEY: I'm John Gurley from Reliance we are
15 still looking at the APO data to see exactly what has been
16 released and I think we will have a better idea probably by
17 tomorrow.

18 MR. HABERSTROH: Michael Haberstroh again thank
19 you. I will move on to maybe a small question regarding the
20 scope. It has been modified a couple of times and I just
21 wanted to see I guess the opinions on the scope itself
22 whether you find it the correct language or if there are any
23 modifications that you would have wanted to see in the scope
24 of the investigation.

25 MS. MENDOZA: Julie Mendoza, I think we would

37257
lf

1 have to look at that. I don't have any particular comments
2 at this time about scope. I mean I think even though I know
3 Commerce has been revising the scope on the end use side of
4 it but I think that's just for purposes of the difficulty
5 for customs of keeping track of what's covered and what's
6 not covered.

7 I think the market segments are still extremely
8 important for your purposes.

9 MS. LEVINSON: Liz Levinson on behalf of Canada.
10 I wanted to just amend a bit what I said before. We are the
11 sole -- indeed we are the sole exporter from Canada but we
12 do not account for all of the exports that are reportedly
13 the official imports just are not equivalent to our
14 shipments so it may be that we are selling to people in
15 Canada who are selling to the United States, we don't know.

16 MR. HABERSTROH: Just as a general question
17 Michael Haberstroh again just as a general question. What
18 makes the U.S. market attractive and I know that it's going
19 to probably vary across the subject countries but what in
20 particular is the reason that really drives exports to the
21 U.S.?

22 MR. BEHM: Dale Behm Pacific Rim. Especially on
23 the west coast -- you have most of your domestic suppliers
24 really located in the southeast and their transportation
25 cost to the west coast gives us an opportunity to import

37257
lf

1 resin on the west coast for the west coast. So there is a
2 definite advantage to imports on the west coast through all
3 the west coast ports.

4 All the way from Seattle, Takoma, Oakland and
5 Long Beach and we use all of those ports and most of our
6 customers are within a day's drive of that so there is an
7 advantage right there.

8 MR. ALARCON: Jose Antonio Alarcon from Selenis.
9 Just to clarify who I am, I am the global district
10 development manager but I was former general manager of
11 Selenis. I have 25 years of experience in the industry and
12 I have been working here and in Europe, many other places.
13 What's make attractive imports for North America, protection
14 of the North America, to have a higher price than anywhere
15 else.

16 This is a fact that is affecting North America,
17 North USA, North America.

18 MS. MENDOZA: This is Julie Mendoza. Wouldn't
19 you agree that part of that is due to the fact that there is
20 such limited supply or has been traditionally in the U.S.
21 market of PTA?

22 MR. ALARCON: As my colleague John Jones said
23 before PCI which is a recognized advisor in the polyester
24 ward, U.S.A. is short in domestic supplier as required for
25 imports that still require imports in the coming years and

37257
lf

1 maybe this change when MNG in correlation with back
2 Americas, they need 2 billion pound, 2 billion pound plant
3 in Corpus Christy that they claimed was sweep out of imports
4 to recover production inland.

5 MS. MENDOZA: I mean I think one thing that
6 struck me I guess when I first started learning about this
7 case was just the fact that you know if you have a product
8 like PGA right and you produce it in lots of countries in
9 the world you know it's surprising to see significant
10 difference between the U.S. market and other markets in the
11 world and so it means I think, and it confirms our argument
12 which is that logistical barriers are very big in this
13 industry.

14 I mean it is very expensive to transport that
15 material into the U.S. market. I mean you heard some of say
16 that well you know by the time we get done adding freight
17 and all of this it doesn't make sense and so I think that
18 there are a lot of characteristics of this industry that are
19 very unique in that sense and I don't think it is just PGA I
20 also think it's PET resin. I think if you look at the
21 import data it tells you that, I mean it's telling you that
22 imports have a very consistent and small segment of the U.S.
23 market since 2002 and that tells you something about the
24 structure of the market.

25 MR. ALARCON: Jose Antonio Alarcon. I come from

37257
lf

1 Selenis. It is not just the logistic is different than
2 anywhere else. Most of the product moved in the North
3 American market is made by RICAH, which is radically
4 different than what happened in the rest of the world.

5 The rest of the world is dominated by trucks and
6 by intermodal bowl containers by big backs. North America
7 is radically different by bulk, rate cards, type of
8 transportation so when anybody -- we are delivering rate
9 cards from Canada. If you are required to use all of it to
10 be transported.

11 MS. LEVINSON: Miss Levinson on behalf of Canada
12 so I just want to state the obvious. Canada is very close
13 to the United States and obviously makes the United States
14 an attractive market. The slate is also sells in the
15 Canadian market thank you.

16 MS. MENDOZA: Julie Mendoza, I just wanted to
17 make one other comment that Jose Antonio was alluding to
18 which is that the domestic product right now is sold on
19 railcars okay so they can take it directly to the facilities
20 whereas the imports all come in in super sacks which then
21 have to be --

22 MR. BEHM: Dale Behm, Pacific Rim. When we
23 import we import on containers, each container has a 22
24 metric tons per container. We bring it into the port, we
25 take it to a local warehouse right near the port so we can

37257
lf

1 offload the container and return that container back to the
2 port so we can go back to Asia, that's called drainage, and
3 then we take the container and the bags the super sacks we
4 either deliver them directly in the super sacks which is
5 probably 60% of our customers want super sacks, they don't
6 want bulk or they don't want rail cars and then the
7 remainder is in bulk trucks.

8 MR. RATHORE: This is Gautam Rathore from
9 Dhunseri Petrochem. I would like to echo whatever these
10 gentlemen have said actually. We personally believe that
11 the United States is relatively an unattractive market for
12 us to be moving -- simply because we believe it is again
13 lots of complications, working volumes over here and there
14 are far more attractive and reasonably easier destinations
15 to service the product, thank you.

16 MR. GURLEY: This is John Gurley. The same
17 thing, in the questionnaire data and the import statistics
18 will bear that out as that U.S. is not so attractive. If
19 you look at the list of countries where these guys are
20 selling to U.S. is far, far down on the list.

21 MR. HABERSTROH: Thank you. I want to touch a
22 little bit on the possible different qualities of the PET
23 resin and specifically if I could from -- maybe even from
24 the gentleman from Ravago who not only imports but also buys
25 from domestic producers as well and this can be if you guys

37257
lf

1 want to include it in the briefs that's fine but just the
2 different -- it seems like there are different qualities
3 from different markets, obviously Octal seems to present
4 theirs, there is a mention to it from Selenis as well.

5 If we could get any bit more of an industry take
6 just on what those different qualities are, if they are
7 across the board or if they are specific to just a couple of
8 countries, if they come from third market countries as well,
9 anything around that quality would be great or any comments
10 you have now are fine as well.

11 MR. GLASRUD: Tom Glasrud with Ravago, excuse me,
12 with regards to product quality. I'll just restate my
13 comments regarding specifically the Selenis product from
14 Canada. It's a very high by the technical standards an L
15 star values on the product which are as high or higher than
16 anything you can buy in North America and for that reason a
17 number of our customers prefer that resin so it is not a
18 cost issue.

19 And the only other comment I will make is you
20 know regarding the other countries involved. We purchase
21 product on the spot basis from all of them. We have bought
22 both prime and non-prime quality levels and we would be
23 happy to provide you more details on that and we would have
24 to do some analysis but that probably is something that you
25 should factor into your determination.

37257
lf

1 MR. MCCLURE: Mr. Behm you look like you were
2 poised to say something? Mr. Behm?

3 MR. BEHM: Dale Behm, Pacific Rim. One of the
4 advantages of the DSR resin is it is so clear. The resin is
5 crystal clear meaning when you make a container it is
6 extremely clear. Many of our customers like DSR resin
7 because of that fact where they may not get as clear a resin
8 from other suppliers.

9 MR. JONES: If I could John Jones from Selenis.
10 If I could John Jones from Selenis a couple of comments and
11 this is derived from feedback from customers. To the issue
12 of clarify based color a customer recently suggested that
13 consistency in base color was extremely important because he
14 colors a lot of the products that he makes with additives
15 and dyes and having a consistent starting point allows him
16 to make exactly what color he is going to end up with once
17 he goes through that process.

18 In a different PT market space we have anecdotal
19 evidence that our product process is a little more
20 effectively resulting in better yields in a fiber process
21 that our resin is used in. The comment that I would make is
22 that we as well have a spherical pullet versus cylindrical
23 pullet.

24 If you think about a cylindrical pullet it has
25 sharp edges as it moves through material handling systems it

37257
lf

1 can abrade and create dust, spherical dust and to do that
2 less so there is a benefit in terms of less dusting and
3 those sort of issues in material handling in certain
4 customer plants as well.

5 So those are some of the evidence if you will
6 whereby there is some differentiation in product quality
7 from one basic to another.

8 MR. ALARCON: Jose Antonio Alarcon from Selenis.
9 Just to clarify one of those points we have one customer
10 that every time they want to install a new machine, run it
11 they use our product. They qualify the machine and then
12 they call everybody else from the local supplier to fight
13 for price. But first they try to run for product for
14 quality and performance reasons.

15 MS. LEVINSON: We can obviously give more details
16 about that in the post-conference brief, Liz Levinson.

17 MR. HABERSTROH: Michael Haberstroh again I hope
18 I am not stepping on too many toes along the panel here with
19 this question but I just wondered if we could talk a little
20 bit more about the add part of the formula for rosin. I
21 know that it makes sense that the raw materials are
22 obviously somewhat set depending on where you are purchasing
23 it from but does the add portion, does that change across
24 companies or is that something where one company says this
25 is you know, the smallest add does everybody kind of fall in

37257
lf

1 line with that?

2 MR. ALARCON: Jose Anthonio Alarcon from Selenis.
3 The outcome was the mechanism in order to work on the market
4 price. There's a reference that is very much utilized in
5 the region, I say region not just a country that is widely
6 used because it is a way to couple the price of the material
7 to the rule material prices so the raw material that I have
8 seen some of the Petitioners have says this before.

9 The raw material is moves up and down and this is
10 also in the Petition of 2005 they were claiming that because
11 they have fixed prices they were fairly highly heat so it
12 was this system in order to know that the raw material --
13 the selling price and the raw material is more or less
14 moving in such a way that the moving of the raw material.

15 Nevertheless we have to consider that with a big
16 drop of the raw material pricing during the rest of the
17 month is having the effect on the inventory you hold from
18 previous month. So most of the big damage you see on the
19 statement from the Petitioner, a big part of it is coming
20 from this inventory effect on the month and type of
21 movements.

22 MS. MENDOZA: Julie Mendoza. I think that
23 perhaps we would address that in a post-hearing brief and
24 hopefully everyone else would too. Because I do think this
25 issue of how the formulas work and what they are based on

1 and all of that is important because I'm really getting the
2 feeling after talking to a number of different people in the
3 industry that it does vary quite a bit and it does seem to
4 be kind of a confidential thing.

5 MR. HABERSTROH: Another question I had kind of
6 stems from the contracts and the different contractual
7 mechanisms that are out there. It seemed to me and I'm just
8 mostly looking for a confirmation if you disagree please let
9 me know, that the way it generally works is when the
10 purchasers can go ahead and somewhat renegotiate prices when
11 things fluctuate however the seller or the producer is
12 unable to do that or is there something in the contract that
13 allows a renegotiation from the producer side?

14 MS. MENDOZA: I'm not sure many of the imports
15 have contracts so I think we are talking about U.S.
16 producers right?

17 MR. JONES: Well John Jones of Selenis, the fact
18 of the matter is in the last couple of months there have
19 been consistent announced price increases by domestic
20 producers of PET in an effort to I think enhance margins and
21 perhaps address some of the inventory losses that Mr.
22 Alarcon referred to earlier.

23 The Ross plus formula is quite popular with
24 customers. It is transparent to both parties seller and
25 buyer. Obviously sellers would like to negotiate the

37257
lf

1 highest adder that we possibly can but competitive forces
2 obviously bear on that, what's achievable. There has been
3 spot buy which is quite often a one-time purchase and then
4 there is customers that prefer neither and would like to
5 buy, negotiate if you will on a monthly basis to establish
6 if you will a fixed price for that period of time.

7 So there are multiple mechanisms in place, I
8 would agree that the Ross plus formula is the predominant
9 sort of pricing materials but there are other methodologies
10 that customers do prefer.

11 MR. ALARCON: Jose Antonio Alarcon speaking from
12 Selenis. But you make a question is a re-negotiation close
13 in the formulas. Yes, and the main drive is the customer
14 wants to do that but it has to be for similar quality, equal
15 volume and similar conditions so there is not huge changes
16 and it has happened yes it happened to us.

17 MR. PORTER: Dan Porter from Curtis. I think you
18 will see from the questionnaire responses that I guess the
19 experience is mixed on this point. In fact your team asked
20 this very specific question in the questionnaire and I think
21 when you look at the answers you will see there is not a
22 uniform experience on whether in the Ross plus situation you
23 are apple to renegotiate the plus whenever you want.

24 I am sort of not sure the evidence in the
25 questionnaire bears that out.

37257
lf

1 MR. HABERSTROH: Michael Haberstroh, thank you
2 again. Very briefly I guess with the hot-filled market it
3 sounded to me that that's a separate qualification than
4 doing the cold fill or another type of packaging is that
5 correct and is it the case I guess Ms. Mendoza might be best
6 to answer this or anyone else, that once you are qualified
7 for cold fill or hot fill by a brand is it easier then to be
8 qualified on the other side by that brand or is it just a
9 completely new qualification process?

10 MS. MENDOZA: I don't know -- you are talking
11 about in different markets or are you talking about one
12 brand and then to another brand?

13 MR. HABERSTROH: I'm talking about qualifying a
14 hot fill packaging and a cold fill packaging and if it is
15 easier if one is qualified with a certain brand in let's say
16 the U.S. market is it then easier to go ahead and qualify
17 for the other or is it just a completely re-qualification
18 process with that brand?

19 MR. RATHORE: This is Gautam Rathore from
20 Dhunseri Petrochem. In fact the qualification process for
21 the hot fill resins is far more stringent and lengthier as
22 compared to cold filled resins because of the fact that hot
23 filled resins are meant for packaging of the more sensitive
24 and the qualification process in many cases could extend all
25 the way up to shelve life testing for final product being

37257
lf

1 fact and put into shelves.

2 So there is a very lengthy process involved in
3 that but at the same time if you are qualified for one
4 particular beverage and for one particular location, that
5 does not mean that you are qualified for multiple locations
6 so every beverage, every type of beverage, every filling
7 line could have a different process for approving your
8 resin, so you have to be able to do that process multiple
9 times with multiple locations, thank you.

10 MR. BEHM: This is Dale Behm with Pacific Rim.
11 One of the things that when you do qualify for either a cold
12 fill or hot fill, that tends to be a benchmark also for the
13 next customer or the next process. If you are qualified
14 with Coke then maybe another CFC supplier would be more
15 inclined to qualify you and the same thing is true for hot
16 fill if you are qualified for Gatorade then the next
17 customer knows that you are qualified for Gatorade there is
18 a high probability that they will qualify you also.

19 But you still have to go through case by case
20 because it is a process, it's more of a process than it is a
21 resin when it comes down to it, it is the process and the
22 control of the process.

23 MS. MENDOZA: And I think if you look at the data
24 again using the pricing data as a surrogate for the market
25 segment, if you look at it what you are going to see is that

37257
lf

1 it's pretty consistent who is selling into that market, it
2 didn't change over the period so even among the U.S.
3 producers if you look at it producer by producer it tells
4 you a lot, I mean obviously we will address the rest of it
5 in our brief.

6 MR. HABERSTROH: Okay thank you and because this
7 will probably be the last time I am speaking thank you to
8 everybody. I just want to again say thanks for coming out
9 and answering all of our questions.

10 MR. MCCLURE: Our next questioner will be John
11 Benedetto from the Office of Economics.

12 MR. BENEDETTO: This is John Benedetto with the
13 Office of Economics. Thank you all again for traveling here
14 if any of my questions touch on anything that's business
15 proprietary please just say so and then cover it in the
16 brief.

17 Two sort of housekeeping issues first. If you could please
18 just confirm, I know the questionnaires for the importers
19 were a little confusing. We were asking both for your
20 direct import pricing data and for your pricing data sold to
21 a third party, if you could just confirm in your brief that
22 your clients or you reported the data in the correct place
23 and just make sure that is correct that would be very
24 helpful.

25 MS. MENDOZA: This is Julie Mendoza. Just to

37257
lf

1 clarify that so as we understood the questionnaire you were
2 asking if you could consume the product as imported right?
3 If you import it and consume it that you should report that
4 price.

5 MR. BENEDETTO: As a cost right, I think we
6 called it a cost yeah and if you import it and then sell it
7 to an unrelated third party then to put it in I think the
8 sections that came first that we call those reselling prices
9 or something.

10 MR. MENDOZA: Thank you we will check that.

11 MS. LEVINSON: I just want to clarify that for
12 Canada we ship directly from Canada by rail so we reported
13 the price of the border as your import price and then we
14 reported the price for our ultimate consumer as the shipment
15 price.

16 MR. BENEDETTO: And that is indicated in the
17 questionnaires?

18 MS. LEVINSON: It should be.

19 MR. BENEDETTO: I'll take a look at that.

20 MS. LEVINSON: If not we will make it clear in
21 the brief.

22 MR. BENEDETTO: Okay. Secondly the first panel
23 stated and I may not say this exactly correctly what they
24 said I don't want to put words in their mouth exactly but I
25 believe Miss Cannon stated that the pricing data should be

37257
lf

1 compared on the basis of margins of underselling including
2 for the data that the cost data could you please address
3 this argument in your post-hearing brief and if you think
4 there is anything else that ought to be adjusted on the
5 direct import costs please estimate those costs if you can
6 when you make such an argument.

7 On to my regular questions Mr. Behm I believe you
8 said that in the hot film market that imports are not as
9 present at least in the United States as in the rest of the
10 market did I understand that correctly?

11 MR. BEHM: That's correct as an example, Dale
12 Behm Pacific Rim -- DSR resin for example we do not import
13 hot fill resin. They produce hot fill resin but we do not
14 import it.

15 MR. BENEDETTO: Why not?

16 MR. BEHM: Any little slight variation in the
17 resin or the process creates technical difficulties and when
18 you are all the way over in China it is hard to deal with
19 those kinds of situations so rather than have any kind of an
20 issue with a potential customer we just chose not to import
21 hot filled resins.

22 MR. RATHORE: Gautam Rathore from Dhunseri
23 Petrochem. In fact hot filled resin needs to be customized
24 depending on the beverage that you are filling because
25 different beverages are filled at different temperatures and

37257
lf

1 because of which you might need to have better barrier in
2 certain resins. Because of that the production cycle is the
3 production for these resins are very small and when you are
4 running really large production lines being able to manage
5 these short runs is completely impossible so that is the
6 reason why we don't participate in this application, thank
7 you.

8 MR. BENEDETTO: Anyone else? Miss Mendoza I
9 believe you said you would be able to get an estimate of the
10 size of the hot fill market based on the pricing data. If
11 that doesn't match what the industry witnesses think about
12 what they think about any of their opinions on that would
13 also be welcome.

14 MS. MENDOZA: Yeah, no that's fine. I mean what
15 we did is we basically compared the trade data to the
16 pricing data and we got almost I mean we got very high
17 coverage, the U.S. producers sorry, I was talking about U.S.
18 producers and now we are getting information from the
19 importers that we got last night and if we are still in the
20 process of evaluating it but our expectation is that it will
21 show that there is very little import competition in that
22 hot fill segment of the market.

23 MR. BENEDETTO: Will your methodology give us an
24 estimate of how large the hot fill market is as a percent of
25 the entire U.S. market?

37257
lf

1 MS. MENDOZA: We can certainly try to do that. I
2 think it would probably be good if the U.S. producers also
3 responded to that because our understanding is it is pretty
4 significant and it almost has to be if you consider that
5 this is a pretty consolidated industry so you have very few
6 producers so if you see how much they are selling into that
7 market I mean it kind of tells you how much it is of the
8 total U.S. market because they are what -- 85% of
9 consumption so I think you can kind of derive it.

10 MS. ESSERMAN: Mr. Benedetto in the 2005
11 determination the Commission found that hot fill was 18% of
12 the market and it has been growing rapidly since as you have
13 heard even from the testimony this morning.

14 MR. BENEDETTO: You said 18% in the original,
15 thank you.

16 MS. ESSERMAN: One thing I could keep straight
17 though is that you are absolutely right and that's an
18 important point and I think our point is that let's look at
19 where the U.S. producers are really competing so one of the
20 things we looked at was we compared how much U.S. producers
21 were selling into each of those markets and what we were
22 able to determine is that the hot fill market is you know I
23 can't tell you the figure but it is a lot, okay so we have
24 basically got and we don't think that they are going to be
25 -- there will be some import competition we believe but it

37257
lf

1 will be very low and our understanding from our clients in
2 China is that they are not now selling into the hot fill
3 market for all of the reasons people have been talking about
4 today just in terms of how difficult it is and all the
5 requirements and all of that.

6 And the other issue is that in China the hot fill
7 market is really booming so in China that is a big, big area
8 of demand so they haven't been interested in selling to this
9 market.

10 MR. BENEDETTO: From both sides I would be
11 interested in anything else that can be told about the hot
12 fill market. Mr. Alarcon and Mr. Behm and I think Mr. Jones
13 as well described that there are some technical differences
14 between PET resin from different countries and I was just
15 sort of wondering sort of roughly what percent of customers
16 are concerned about these kind of technical differences and
17 does it allow you to get any price premium with those
18 customers for your product?

19 MR. BEHM: Dale Behm Pacific Rim. How do I
20 answer that one. There are slight differences between resin
21 suppliers. Where it really shows up is on the production
22 floor for the converter. When they are processing the resin
23 the heat of the machines, the blowing cycles and everything
24 else -- it is better to have a consistent source at any
25 given production plant rather than having multiple sources

37257
lf

1 and multiple processes because there are slight differences,
2 there is always some difference between everybody's resin
3 when it comes to -- but it is hard to evaluate chemically.

4 It's really how it runs in the machine on the
5 shop floor.

6 MR. JONES: John Jones Selenis. I would agree
7 with those statements and to answer your question directly I
8 think a relative minority of customers would identify and
9 benefit from a "technological" difference in resins. In my
10 experience it is not reasonable to the price premium
11 necessarily but it is more of a shared decision who gets the
12 business because there is a preference for how that
13 particular resin runs in their particular process.

14 MR. BENEDETTO: Mr. Alarcon?

15 MR. ALARCON: Jose Antonio Alarcon from Selenis.
16 In some cases there is not as John said there is not a
17 premium or big premium differentiation but it is also to
18 make the customer give you a preferred supplier because this
19 performs better than other cases.

20 And I will add in our case it is not just the
21 performance but also there is a lot of service that we
22 provided related because you also have this chemical
23 process.

24 MR. BENEDETTO: Could you elaborate please, this
25 is Mr. Benedetto again, what kind of services you are

37257
lf

1 talking about or if it is BPI?

2 MR. ALARCON: Joseph Antonio Alarcon from
3 Selenis. It is not BPI it is the people, what the customer
4 want, would the customer have a problem we are there and we
5 support.

6 MR. BENEDETTO: Ms. Esserman could you elaborate
7 a little more about the GSP petitions you referred to, sort
8 of what happened with those and when were they?

9 MS. ESSERMAN: Sorry, Susan Esserman. The first
10 Petition was decided in 2004 and then the -- and the
11 Petition to remove India from GSP was denied. And then the
12 anti-dumping and countervailing duty case was filed again
13 India, Indonesia and Thailand and the Commission in I think
14 the spring of 2005 determined there was no injury or threat
15 of injury.

16 And then these same Petitioners filed again
17 against India, Indonesia and Thailand to seek to remove GSP
18 and the decision -- they filed I think in 2007 and the
19 decision to deny GSP was in 2008 so it has been, this is the
20 4th time that India has been brought before this Commission
21 and that's why our esteemed counsel Paul Rosenthal had to
22 ask why is this night different than all other nights.

23 MS. LEVINSON: Mr. Benedetto it's Liz Levinson
24 what we are talking about GSP I might as well bring up
25 NAFTA. NAFTA of course PET resin is duty free under NAFTA

37257
lf

1 from Canada and that is one of the reasons also in response
2 to the question about why the United States is favorable for
3 Canadians because of NAFTA.

4 MR. PORTER: Excuse me if you are going to bring
5 up NAFTA I'm going to bring up Oman. Oman has a free trade
6 agreement with the United States it comes in duty free as
7 well.

8 MS. MENDOZA: Julie Mendoza from China we have no
9 such benefits.

10 MR. BENEDETTO: Mr. Benedetto again. One
11 question on transportation costs I think I understood the
12 argument that the transportation costs are very important
13 for this product and so you want to make sure that you are
14 close to your customer. What I guess I wasn't quite clear
15 on is are you saying that the product is expensive to ship
16 and that's why it is very important or that it is so price
17 competitive that even a little bit of extra transportation
18 cost is going to make a difference.

19 MR. BEHM: Dale Behm, Pacific Rim. Even a little
20 bit of transportation costs makes a difference. We are
21 talking a half a cent we are talking a penny, when you ship
22 a truck from the southeast to the northwest you get over
23 \$3,000.00 of just a truck.

24 MR. BENEDETTO: So the transportation costs
25 aren't necessarily expensive on a percentage basis but even

37257
lf

1 a little bit of difference can make a difference.

2 MR. BEHM: It is all factored into the price
3 because all of our pricing is delivered to the dock.

4 MR. BENEDETTO: Anyone else have any comment on
5 that?

6 MS. MENDOZA: Julie Mendoza, I just had a quick
7 comment on that. And I think what we are saying is not even
8 just the imports, I mean if you look at the way U.S.
9 producers sell, they tend to have a lot of different
10 facilities I don't know if you noticed that in this case but
11 they tend to have a lot of different facilities and that is
12 because they want to get close to their customers and so
13 there tends to be a lot of regionalization within this
14 industry so that what you get is people building the PET
15 resin plant by the PTA facility or building them
16 simultaneously beside each other -- I'm sorry.

17 And then do you have the converters located
18 closely so for example in let's say the California market
19 okay, you can't really talk about the California market in
20 this industry. I mean you are really talking about very
21 specific regions within California because nobody wants to
22 give you an example, nobody wants to ship bottles any more
23 right because they are empty.

24 So you are really getting a very regional, very
25 concentrated development of industry so these transportation

37257
lf

1 costs, because of the structure of the industry are
2 incredibly important.

3 MR. RATHORE: Gautam Rathore from Dhunseri
4 Petrochem. In fact there is a difference in the logistics
5 which is utilized by local suppliers as compared to imports
6 as the bulk of the domestic resin is removed in railcars and
7 the imported resin not necessarily would have access to
8 these railcars and that's the reason why most of it would be
9 moving either in bulk trucks or in big bags.

10 And the other factor would be the rail cars
11 typically you know customers need to have real sightings to
12 be able to get rail cars and most of the customers that we
13 service would not have that facility because they would not
14 be competing directly with the local producers in most of
15 the destinations, thank you.

16 MR. BENEDETTO: If you don't mind elaborating on
17 that, what kind of customers would have access to rail
18 versus wood?

19 MR. RATHORE: Gautam Rathore again there is
20 certain customers who are large enough to be able to create
21 rail sightings and rail lines coming all the way up to their
22 factories and they would have resin being delivered from
23 customers in rail cars from local suppliers into their
24 sightings.

25 And the smaller ones would not want to invest in

1 the rail ramps, thanks.

2 MR. BENEDETTO: Thank you.

3 MR. BEHM: I just had a comment on that same
4 thing, Dale Behm, Pacific Rim. I kind of classify with tier
5 1 customers, tier 2 customers and tier 3 customers and tier
6 1 customers typically take it all by rail. Tier 2 by bulk
7 and by bank and tier 3 by bank.

8 MR. MCCLURE: Excuse me Mr. Jones I think I have
9 seen you edging toward the microphone.

10 MR. JONES: John Jones from Selenis. I would
11 only add that logistics is a fulltime job, it is counter
12 intuitive in many cases it is illogical to me in many cases.
13 There are instances where it costs you less money to ship a
14 further distance than a shorter distance where you would
15 think otherwise. It has to do with how the railroads run
16 their business again whether a particular customer has a
17 rail citing. It's an extremely complex issue that all of us
18 have to deal with.

19 MR. RATHORE: Gautam Rathore once again. I would
20 like to make one extra comment over here, most of the
21 business that we are doing as I have said is with the
22 trucks, both trucks. If you are taking usage off of rail
23 cars you are basically using rail cars for a longer period
24 of time because your cost of transportation is pretty much
25 locked for the whole year but when you are transporting by

37257
lf

1 trucks your transport cost keeps moving with the market and
2 it is important to note that the logistics costs have
3 significantly increased over the last one and one-half year,
4 thank you.

5 MR. BENEDETTO: Thank you all very much.

6 MS. CATALANO: Hi my name is Jennifer Catalano
7 I'm in the Division of Chemicals and Textiles and Mr. Porter
8 I was very interested to hear your process and I have your
9 process written here on the NCR technology. And what I am
10 wondering is how much do you think you are able to sell your
11 product in a cheaper fashion compared to if you had had the
12 other type of technology, the SSP technology?

13 MR. PORTER: Needless to say we will -- sorry Dan
14 Porter with Curtis. We will need transit your question to
15 the business folks who can answer that but I think what the
16 handout shows is the new technology is two-fold. It does
17 allow the producer to save costs and also it produces a
18 resin that allows the customer to save costs, so it is the
19 new technology is actually doing both of those things.

20 MS. CATALANO: Okay and I guess if you can maybe
21 follow-up in a post-hearing brief about what you think about
22 that and so you talked about the difference between the
23 spheres and the cylinders and are you able to get as price
24 premium or will they have a cylinder and I heard some of the
25 other producers say that they also had sphreres.

37257
lf

1 MR. PORTER: This is Dan Porter again with all
2 due respect you are isolating one thing and saying can
3 something happen okay so if everything results the same then
4 logically they would get a price premium because it is
5 getting an extra advantage but at the same time as you are
6 making this sphere which is giving a benefit, you are also
7 having lower cost because of the new technology so again you
8 have both things going on and that's why it is a little hard
9 to sort of disentangle and say can you quantify this
10 advantage specifically.

11 MS. CATALANO: Does anyone else want to comment
12 on that, the spheres verses the cylinders, okay?

13 MR. ALARCON: Jose Antopnia Alarcon from Selenis.
14 I just want to reinforce that customer will not pay premium
15 for that but it will take some advantage on selection.

16 MS. CATALANO: And this question is for everyone
17 so I have heard today that the cost of many of what you do,
18 75 to 80% is dependent on the PTA and the NEG and I am going
19 to ask for comments on what the rest of the cost is, that 20
20 to 25% what is it?

21 MR. RAJVANSHI: Anil Rajvanski from Reliance
22 Industries. Actually the cost of property is not 75% it
23 varies from 80 to 85% and then on top of it about 8 to 9%
24 depending on the market price of the product which is
25 commission cost. Normally it is like a hundred dollars

37257
lf

1 which is a minimum commission cost. We just cover the cost.
2 So we balance -- it is just 7, 2 compared to 7%. I think
3 that much for leverage, the producer always have.

4 Maybe you don't need it for rating index it can
5 be needed for servicing his other costs or maybe a marginal
6 profit of that for the producers, so it is not 75%.

7 MS. LEVINSON: This is Liz Levinson on behalf of
8 Canada, we would love to answer your question we are going
9 to do so those because ANR post-conference brief because it
10 requires proprietary information.

11 MS. CATALANO: Thank you I have no further
12 questions.

13 MR. MCCLURE: The next questioner will be David
14 Fishberg.

15 MR. FISHBERG: Hi, I would like to say good
16 afternoon to this panel. Again David Fishberg for the
17 General Counsel's office. First up I would just like to
18 confirm that no one here is making a like product or even
19 for purposes of the prelim while in agreement that the like
20 product should be pretty much with the scope.

21 MS. ESSERMAN: Yes it is.

22 MS. MENDOZA: Julia Mendoza on behalf of everyone
23 yes.

24 MR. FISHBERG: Okay are you aware of any related
25 party issues in this investigation or do you agree that the

37257
lf

1 domestic industry should be defined as all U.S. producers of
2 PET resin?

3 MS. ESSERMAN: We are not aware of any related
4 party issues that would lead to an exclusion of a company.

5 MS. LEVINSON: We do agree with that.

6 MR. FISHBERG: All right thank you. Again I
7 think you are all aware of the 2005 determination that the
8 Commission made and I am going to ask a similar question to
9 the question that I asked the panel this morning, in that
10 determination the Commission made certain findings regarding
11 conditions of competition at the time as opposed to Mr.
12 Rosenthal's analogy to pass over maybe particularly Indians
13 might think it's more like Groundhog Day and talk about the
14 similarities or whatever the conditions that you think are
15 still in effect today.

16 And again I understand that this determination
17 was made a long time ago but if you could tell us in terms
18 of present day purposes the conditions of competition that
19 you think are still relevant or if you think there are any
20 changes in the conditions of competition that are
21 appropriate for the Commission to consider including if
22 there is technological advances or processes that are
23 different that would be helpful.

24 MS. MENDOZA: Julie Mendoza we will certainly
25 address all of them in our brief but what I would say I

37257
lf

1 think it is very important to keep in mind overall import
2 levels from 2002 through until today and if you look at it
3 imports have played a very consistent and a small presence
4 in the U.S. market over that entire period but we will also
5 talk about what was true in 2002 and what is true today.

6 But I think that's one thing that is extremely
7 important to keep in mind is it not -- I heard some
8 witnesses this morning say oh China they get into a market
9 and then they just you know start exporting in big
10 quantities. Well I mean if you look at the data from 2002
11 that's not what happened.

12 I mean there were very consistent quantities of
13 China but we will address all of that.

14 MS. ESSERMAN: Susan Esserman for the record. I
15 have finally done a Mr. McClure. There are many fundamental
16 conditions of competition that pertain today. First and
17 foremost as the Commission found this industry has an
18 overwhelming share, continues to have an overwhelming share
19 of the market and that is fortified by the fact that they
20 use and we heard this from a number of the witnesses this
21 morning, they use their Mexican supply to supply the U.S.
22 market so it is very important when you are looking as the
23 Commission did before when you are looking at the strength
24 of the U.S. industry that you look at that in conjunction
25 with this ability to control the Mexican exports.

37257
lf

1 The fact that in the last case that factor was
2 there was segmentation of the market that continues to be
3 the case we heard about that. There's a lot of discussion
4 about that in this panel but in the earlier panel as well.
5 The fact that there are substitutes, glass and aluminum was
6 also a fundamental factor there.

7 And you know the market there are different
8 market forces rising prices due to raw material, rising raw
9 material cost. Here we have got the reverse but it has an
10 interesting affect which is that the -- with the declining
11 raw material costs and an effect on PET prices then aluminum
12 -- then PET comes more attractive vis- -vis. The
13 substitutes -- the bright future for the market, rapidly
14 growing industry. There are no many things that remain the
15 same and of course the biggest of all, the fact that raw
16 material prices are Amelia said 80 to 85% of the cost of
17 producing PET resin that was a fundamental aspect of the
18 Commission's decision.

19 And I guess what I would say finally well you
20 know what I'm going to live with that. That is not an
21 exhaustive list but that is you know the core of it and the
22 fact that the industry was quite strong then and I would
23 argue even stronger now. The consolidation has given them
24 strength in certain ways that they certainly did not have
25 before and that they now have integrated production and a

37257
lf

1 little more access to PTA and another condition of
2 competition from the Commission's decision was large buyers
3 are in a position to have greater leverage with their --
4 with their large buyers.

5 MR. GURLEY: This is John Gurley. I would just
6 also mention that I think things are they are voting with
7 their dollars, they are building these facilities precisely
8 because they think the U.S. market is going to have
9 sustained demand and one of the witnesses mentioned that it
10 is U.S. market goes up 2 to 3% but it is a huge base and
11 they are required to build capacity and they seem very
12 confident they are going to be able to fill up that capacity
13 within a few years.

14 MR. ALARCON: Jose Antonio Alarcon. I want just
15 to rephrase some of the 2005 case. The first one is the
16 Canada case. Canada was disputed. Why? Because Canada was
17 belonging to U.S. companies. Now they don't include Mexico
18 because they think that they play a different role and we
19 believe that number one.

20 Number two they stated at that time that they
21 were so stretched in 2005 that they were cutting jobs and
22 they would never invest in the business until the business
23 is enough profitable to do so. Come on. They are going to
24 invest one billion dollar now, the income is such now it was
25 declared by one of the officers of M&G publically that they

37257
lf

1 are going to swap --- sorry sweep all the imports because
2 they are going to be -- they would maintain all the business
3 here.

4 It has been grown for this business, business is
5 growing so what we are expect 2009-2011 Canada was out of
6 the market, Mexico bring exactly the same volume we lost so
7 the question here is get these kids out of my playground and
8 I will bring my kids here, I cannot speak more than that.

9 MR. BEHM: Dale Behm, Pacific Rim. One more
10 competitive advantage that I am trying to create and I have
11 created through the years. As I mentioned before I was
12 involved in the very first manufacturing of the first Pepsi
13 Coke bottle and I have done numerous containers, mayonnaise,
14 ketchup, it just goes on and on and on. I'm working on
15 three right now as an example that have not been converted
16 yet to PET but will be and guess what in years to come that
17 will be a market in its own right.

18 I can't divulge in all three what they are but
19 that is how I compete in the marketplace by bringing in new
20 technologies, new concepts to the marketplace which is a
21 little different.

22 MR. FISHBERG: Thank you I appreciate those
23 comments. I guess on the differences in the domestic
24 industry from 2005 we heard a customer this morning that the
25 domestic industry closed some plants during the period, does

37257
lf

1 anyone have any thoughts on the reasons why the domestic
2 industry closed those plants?

3 MR. ALARCON: Jose Antonio Alarcon. I think lost
4 to the wrong people.

5 MR. FISHBERG: I'll just give you a chance to --
6 I think I know what you are going to say --

7 MS. MENDOZA: Julie Mendoza. I don't actually
8 think that we disagree that much with the domestic industry
9 on this point. I think what everybody is saying is this
10 capacity is coming online to replace old inefficient
11 capacity because they have a great confidence in the long
12 term health and strength of this market so yeah it is true
13 that when you bring on capacity and for reasons that I am
14 not a technical expert but it seems to be lumpy when you add
15 capacity.

16 So for example one of the domestic witnesses
17 today said well when we add capacity and we retire you know
18 our data capacity it is a little lumpy but we think in a
19 five year period we are going to be able to utilize that
20 capacity in the U.S. market and I can tell you that those
21 are the same things we are hearing from our client in China
22 that if you build capacity it is because you are looking at
23 a five year time frame where you are going to have that
24 capacity in place and market growth is going to be able to
25 use it because it takes a while to do it.

37257
lf

1 So I think we actually all sort of agree that the
2 additions of capacity are a positive development in this
3 industry as Mr. Gurley said and what it really confirms is
4 that they understand to be worldwide competitive they have
5 got to get rid of these outmoded facilities, you know close
6 them down and run these new operations right?

7 MR. FISHBERG: Thank you. This morning I
8 mentioned again in the 2005 determination the Commission
9 made a finding that there was overcapacity in the North
10 American market and yet I think in this panel I was hearing
11 about shortages and supply so is it capacity is it shortage
12 of supply?

13 MS. MENDOZA: Well that's a very good question,
14 Julie Mendoza that is a very good question let's make it
15 official. You know what going and it's important because
16 what is going on is you have short-term problems like with
17 fires and the facilities okay that you heard from all of the
18 witnesses, so you have these short-term situations where
19 imports are coming in because you have got outages at BP and
20 the other ones that we talked about so that is going on on a
21 temporary basis so we are looking at time periods for that.

22 When we talk about building capacity what we mean
23 is that they are building it for the normal times. I mean
24 you are going to have outages and problems and things like
25 that and they encounter them during the period but you know

37257
lf

1 in terms of the capacity -- the capacity is going to be
2 there the question is then is it fully competitive state of
3 the art capacity?

4 MS. LEVINSON: Liz Levinson in Canada I think you
5 will see from our questionnaire responses that are operating
6 as Mr. Jones said at almost full capacity at this point and
7 in fact if you are familiar with the Department of
8 Commerce's standards for critical circumstances I was
9 reviewing them with a client in saying that you basically
10 you could not or you should not increase your exports from
11 Canada by more than 15% over a certain period of time and
12 they said we don't have the capacity to come anywhere near
13 increasing 15%.

14 MR. ALARCON: Joseph Antonio Alarcon from
15 Selenis. I want to refer myself to not to our own data. So
16 the communication and you will have post-hearing statement
17 we will make. We are some of them precisely PCI that's no
18 summary running the higher capacity in the globe average
19 number one. Number two North America is short of product so
20 it will have to import product USA product from abroad.

21 Number three the situation will remain up to 16
22 even mid-17. I don't if the capacity due to the situation
23 is right or not but I think I will refer to this statement
24 in order to make the operate to both conclusion.

25 MR. FISHBERG: Would you agree with the

37257
lf

1 statements made this morning that this is a capital
2 intensive industry and that the higher levels of capacity
3 utilization are to be expected throughout the industry? You
4 are nodding, yes?

5 MR. ALARCON: Yes.

6 MR. FISHBERG: Okay are you aware of any
7 documents instances where the domestic industry has been
8 unable to supply customer or a customer has rejected product
9 from the domestic industry?

10 MR. ALARCON: Yes they have cases where we have
11 been called by customers that they have as short supply and
12 asked us to supply and we have in most of the cases reject
13 because we don't have the product.

14 MR. FISHBERG: Do you have anything that you
15 could provide sort of documenting anything would be helpful
16 on that if anyone has anything to that.

17 MR. BEHM: Dale Behm, Pacific Rim. That recently
18 happened on the west coast because of the west coast lawn
19 shoreman slowdown where imports were really, they couldn't
20 get it off the ships. At the Pacific Rim we literally ran
21 out of product, we didn't have any because we couldn't get
22 it off the ships, I am not sure if you are totally aware of
23 what happened on the west coast ports but you couldn't
24 unload a ship for months. And if so they are still
25 recovering today.

37257
lf

1 MR. ALARCON: And you know sir some of the cases
2 where this happened people don't want to number one put
3 understanding in writing so they normally call you by phone
4 and I normally don't recall my phone so I know they call and
5 I know who they are but I cannot make out a statement. I
6 have to ask them and they are willing to declare but this is
7 all I can do.

8 MS. LEVINSON: Liz Levinson just to add with what
9 Jose Antonio said. At least one instance as he recounted to
10 me a customer called and said they were trying to source
11 product from the domestic industry and they were told that
12 the domestic industry did not have any supply to provide
13 them and we can put it in an affidavit, we can give you the
14 details in the post-conference brief.

15 MS. MENDOZA: Julie Mendoza, I just want to -- I
16 think that's good for them to add that I just want to be
17 clear though that I think our position is that imports have
18 played a pretty consistent role in this market and that
19 there is sufficient U.S. capacity in the market, obviously
20 it has outmoded, they are taking it down, but the fact of
21 the matter is we think that what has had an effect on this
22 market and again these are short-term effects is more the
23 PTA's supply with these buyers so that people just couldn't
24 obtain the raw materials for a period of time.

25 So it wasn't a capacity issue it was an issue of

37257
lf

1 having the raw -- the unfortunate of having the raw
2 materials. I just want to be clear about that I mean we are
3 saying that there were temporary phenomenon in the domestic
4 market that may have caused imports to increase, primarily
5 because people couldn't get the raw material not because of
6 capacity issues.

7 MR. RATHORE: Gautam Rathore, Dhunseri. I would
8 like to say what Julie is saying in fact there have been
9 several occasions historically where domestic producers have
10 not been able to provide enough resin to converters. It may
11 because of post measures or because of many other reasons.
12 In fact that is well documented in many publications which
13 are published in the industry.

14 In fact I would just like to cite one instance
15 where there was a Katrina, a hurricane, and during that time
16 several PET plants were shut down and if you wanted to buy
17 PET you would have to pay as high as 30 cents premium just
18 to get the material so I think that's important for the
19 Commission to know thank you.

20 MR. FISHBERG: Thank you. On the issue of
21 quality am I right to assume that basically if the price is
22 pretty much equivalent that's when the customers might
23 decide they have a preference for a certain type of PET
24 resin because they have familiarity with it, it's clearer,
25 is it sort of a secondary assessment then by customers or

37257
lf

1 are there instances where you know it's either this type of
2 product or nothing.

3 MS. MENDOZA: This is Julia Mendoza just to
4 clarify for one second. I mean we probably need to talk
5 about market segments when we talk about that because I
6 think the answer might be different in different market
7 segments like hot fill. I mean they were telling me that
8 you know each manufacturer of a hot fill product would need
9 like a different qualification for a different temperature
10 range is that right because what happens if for some reason
11 the product doesn't meet that temperature requirement.

12 So I think we should answer your question but I
13 think it would be important to talk about market segments,
14 you know hot fill versus strap versus you know like water
15 bottle, that kind of thing.

16 MR. FISHBERG: And you could answer segments
17 again if you prefer to do it in post-conference brief
18 because it will just be too lengthy at this time.

19 MR. BEHM: This is Dale Behm that's like why do
20 you like Pepsi over Coke they are basically the same thing.
21 Why do you go to a certain gas station and get gas here
22 versus getting gas there they are basically the same thing
23 and it comes down to preference and processability in many
24 respects.

25 MR. JONES: John Jones for Selenis. I think the

37257
lf

1 reality is across a range of producers whether they be
2 imported or domestic, there's a level of quality and service
3 available to all customers without which you may be involved
4 with a customer for the short term but not for long if they
5 can get quality they can get service and I think we all wish
6 we could find a way to find a premium price for those
7 things.

8 But they are becoming given if you will is what I
9 am saying so quality issues are quite costly and the buyers
10 make their buying decisions across a whole range of
11 attributes, again relationship, quality, price, service some
12 variation in how the material performs in your particular
13 system so it is difficult to attribute a buying decision to
14 just one factor.

15 But the fact of the matter is in my experience it
16 is very difficult to achieve a premium when I think the word
17 fungible has been used a number of times today products for
18 the most part are interchangeable so. I hope we have
19 answered your question.

20 MR. FISHBERG: Was there anything more you can
21 put in in the post-conference briefs that would be great and
22 Mr. Jones I think you mentioned earlier and I don't want to
23 put words in your mouth so correct me if I am wrong that
24 there was an instance where you were bidding on a contract
25 and you weren't willing to follow the price down so someone

37257
lf

1 at the table won the contract in this room.

2 Okay in this room but could you elaborate a
3 little bit more on what --

4 MR. JONES: Some of the larger and there was some
5 discussion by Mr. Freeman earlier about the emergence of
6 brand donors as purchasers of material as opposed to the
7 actual converters that take the material and turn it into
8 something and that is a trend and he was accurate in his
9 assessment of that trend. These tend to be extremely large
10 global brand owners whose goal frankly I think is to use
11 their size, their scale, their leverage to gain favorable
12 pricing for the raw materials that they buy.

13 A few of these have used very formal RFQ process
14 and they invite vendors to participate in this process. We
15 have done so recently with one of these major brand owners
16 that everybody knows and loves. But with the knowledge that
17 realistically as a small producer of PET that we had and
18 regardless by the way of our geographical position relative
19 to a small number of plants that made sense for us to
20 possibly supply.

21 We entered into this exercise with full
22 recognition that the changes of Selenis achieving share at
23 one of these plants might make sense from a geographical
24 point of view, that was almost non-existent and in a sense
25 we went through the process to kind of stay on the radar if

37257
lf

1 you will, just to be visible to them perhaps if you had a
2 spot need sometime subsequent to the RFQ then making a
3 decision around who would supply for the 2015 calendar year.

4 My comment was that we were very clearly notified
5 that we were not awarded any business based upon pricing
6 that we had submitted in this formal RFQ and that they are
7 buying hundreds of millions of pounds of PET elsewhere so
8 somebody is supplying them at a price that was literally
9 untouchable for some of us that was my comment.

10 MR. FISHBERG: Do you experience I mean is this
11 sort of an isolated incident or do you experience that a
12 lot?

13 MR. JONES: No, this was I think -- not everybody
14 is participating in this formal methodology of describing
15 pricing for a calendar year, in fact relatively you are but
16 they tend to be the very large skilled buyers in volume of
17 PET but I think it is an emerging trend because there is
18 software available, there are mechanisms available that is
19 going to make it easier for other companies to participate
20 in their buying decisions by this methodology so.

21 MR. GURLEY: This is John Gurley I just want to
22 mention something along with him is that a lot of people are
23 not participating in the three year contracts, two year
24 contracts or the usual shipment on a spot basis I think a
25 lot of the imports that you are going to find in this case

1 are not being targeted at Coca Cola, et cetera.

2 MR. GUILBAULT: Bruno Guilbault from Selenis
3 Canada. There has been some case where we had contract with
4 customers. When we got to the point to renegotiate the
5 contract we were not even close to be -- we had to refuse
6 the price that they were requesting because it was too low
7 compared to what we had in the year previously.

8 So we have been facing that issue and in more
9 than one place and this is something that we can bring into
10 the post-hearing brief.

11 MR. FISHBERG: I appreciate that, I appreciate
12 your comments. I know in the opening today you made mention
13 of the fact that the domestic producers are big players in
14 the PET resin industry and control I think a lot of the
15 non-subject imports. Can you elaborate that and sort of how
16 the Commission should view that fact, particularly again
17 there seems to be a lot of control of Mexican imports coming
18 into the United States.

19 Again what is your view on how the Commission
20 should treat that aspect.

21 MR. PORTER: Do you want an answer now or would
22 you like it in the brief?

23 MR. FISHBERG: If you have a short answer I'll
24 take it now and you can expand on it in a brief.

25 MR. PORT: Dan Porter with Curtis. I guess very

37257
lf

1 simply okay our position is that every pound imported from
2 Mexico is a lost sale for another U.S. producer and so you
3 need to look at it like that. I mean how can the industry
4 say we have low capacity utilization yet as an industry we
5 are importing from ourselves? So and that's why in your
6 opening statement you must take that into account.

7 Okay so the Commission very much when they are
8 thinking about capacity utilization okay and when they are
9 thinking about voting effects they need to take into account
10 that the U.S. producers are making a choice, okay. M&G is
11 making a choice or the industry is making a choice to import
12 from Mexico rather than to fill back America's plants and
13 that itself is significant.

14 MS. LEVINSON: Mr. Fishberg Liz Levinson. We
15 intend to invoke the BRAT's argument and we will do so in
16 our post-conference brief but we think it is very relevant.

17 MS. ESSERMAN: I would also just add the
18 perspective of -- Susan Esserman for the record. I would
19 just add the perspective is that I think this situation is
20 actually even different, vis- -vis Mexico than it was in the
21 old case. U.S. producers and their affiliates own 100% of
22 the production and so they control all of the Mexican
23 imports that have come into this country and so when you are
24 looking and assessing the significance of these imports you
25 have got to look at the U.S. industry as not only their

37257
lf

1 shipments here but their Mexican shipments, because they are
2 one and the same and that was a fundamental condition of
3 competition that the Commission found in the old case that
4 they -- beyond their production region is integrated and now
5 it is very clear, it is very clear from the comments this
6 morning and the panel this morning, from the public
7 statements of M&G and others so I would just want to echo
8 what Mr. Porter said which is it is bizarre to hear about
9 low capacity utilization when they are choosing to supply
10 from Mexico.

11 That is because they are looking at it as an
12 integrated operation and that is why the Commission rightly
13 noted that and used that in evaluating the significance of
14 the imports and the strength of the domestic industry.

15 MS. MENDOZA: This is Julia Mendoza I would just
16 add that we agree that in terms of looking at imported
17 subject import market share we have to take into account the
18 impact of Mexico. I think the other important fact to take
19 into account is to look at how much Mexico increased in
20 2014. I mean I think what that tells you because they
21 increased in line with the other -- some of the other
22 subject countries or subject countries overall I think that
23 tells you something about these other factors that were
24 going on in 2014 in terms of the PTA fires and that kind of
25 thing.

37257
lf

1 So I would just add that.

2 MR. ALORCON: Jose Antonio Alarcon from Selenis.
3 For me it is very difficult to understand this case. Why is
4 Mexico different than Canada, we are connected by rail cars.
5 Whatever interest in some of the Petitioner because as a
6 whole market when data are not interested they segregate
7 this side of the other. I say we can bring in the
8 post-conference that every time what happened is when Canada
9 disappear, Mexico take over.

10 So I think this is a way to prefer the import
11 from Mexico and Canada in replaced, it is nothing but that
12 so I think and this in addition to the fact that economic
13 condition now gives them the privilege to invest more than 1
14 million dollar make a huge difference.

15 MR. FISHBERG: Thank you everyone for your
16 comments. Miss Levinson if you want you can come to the
17 federal circuit on May 8th we will be discussing -- I'll be
18 discussing with that in terms of non-attribution, so -- it
19 should be enlightening for all of us.

20 Anyway I have no further questions for this panel
21 and I look forward to reading your post conference briefs
22 thank you very much.

23 MR. MCCLURE: Seriously David looks forward to
24 reading post-conferences.

25 MR. FISHBERG: Anyway.

37257
lf

1 MR. MCCLURE: The next questioner will be Betsy
2 Haines.

3 MS. HAINES: Betsy Haines. I only have two quick
4 questions. One Mr. Porter talked at length about the
5 technology. How recent is that technology and how
6 widespread is it?

7 MR. PORTER: Again I can say what I know as we
8 mentioned in the statement. I believe it is relatively
9 recent somewhere around 2009 or so and our information is
10 that there is one U.S. producer who is not a Petitioner that
11 uses the technology and that is the only one in the United
12 States that has production in the United States that uses
13 that technology.

14 MR. RATHORE: This is Gautam Rathore from
15 Dhunseri Petrochem. In fact Octal was the first producer to
16 use NTR technology and since then there are several of the
17 plants which have used it of course in the Alabama plant is
18 using that technology. There is one producer in Russia
19 using it, one producer in India using it and there's one
20 producer in Belgium also using that, thank you.

21 MS. HAINES: Should we assume that the new plant
22 being built by the domestics will be the two arc technology?

23 MR. PORTER: I don't know that answer.

24 MS. HAINES: You can find that out post-hearing.
25 The new technology does that lead to new applications for

37257
lf

1 PET resin?

2 MR. PORTER: We will answer that question in our
3 post-conference. I can't -- I have no knowledge of that.

4 MS. HAINES: Mr. Behm, earlier in your testimony
5 you were talking about the top tier and then the second tier
6 you referred to being niche markets, what are those niche
7 markets?

8 MR. BEHM: They will be when I talk about tier
9 one and I am talking about the large converters, producers.
10 There's a number of large companies and brand owners that
11 are tier one. And in tier two it is much smaller companies
12 that may have two or three plants or they may only have one
13 and they are rather small.

14 MS. HAINES: So they are doing the same thing as
15 the top tier but they are just smaller?

16 MR. BEHM: They are just much smaller.

17 MS. HAINES: Okay got it okay, that's all I have
18 thank you very much.

19 MR. ALARCON: Can I make a comment to some
20 question you made this morning it's Jose Antonio Alarcon
21 from Selenis.

22 MS. HAINES: Sure.

23 MR. MCCLURE: Non from this morning you can do
24 that post-conference okay. Okay I want to thank the panel
25 for the presentation and especially responsiveness to

37257
lf

1 questions. It's the market participants both for
2 Respondents and Petitioners where we get the real story of
3 what's going on in the industry.

4 Not that we don't get the real story from the
5 lawyers but anyway. I know staff has some outstanding
6 requests from data if you have those please get those in, we
7 are only as good as the data we get, that is the single most
8 important thing you can do.

9 I think there is a fairly wide array of requests
10 out there for revisions and some I think still need to get
11 the original information in. I would add to the list of
12 things you usually don't see in a transcript the term
13 Groundhog Day used by my colleague Mr. Fishberg and now we
14 will turn to the closing arguments each side has 10 minutes
15 each. I don't -- we can take a 5 minute break or Paul if
16 you guys are ready to go, okay we will do that.

17 MR. McCLURE: Mr. Rosenthal is back with more
18 Passover lessons.

19 MR. ROSENTHAL: I'll try not to disappoint Mr.
20 McClure.

21 A couple of quick points I wanted to just get on
22 record. First contrary to what you heard by respondents,
23 the U.S. producers that you heard from this morning have
24 experienced no supply constraints due to the BP force
25 majeure. Each one of them has been able to meet their

37257
lf

1 customer needs without delay. We'll provide more
2 information for you in the post-hearing brief, but as you
3 heard earlier, DAK supplies its own PTAs and wasn't even
4 affected by the BP issues and the other companies did just
5 fine supplying their customers on a timely basis. So that
6 is a red herring.

7 MR. McCLURE: Excuse me, could you speak a little
8 more directly into the mike, they're having trouble hearing
9 you in the back.

10 MR. ROSENTHAL: I think that's wishful thinking
11 on their part.

12 The raw material cost declines, you haven't heard
13 from the respondents, is that the prices in the market are
14 declining faster than the raw material costs are declining
15 which suggest that there's something else going on other
16 than the decline in raw material costs.

17 I was happy to hear that Selenis confirmed the
18 importance in price. There was a finding from the earlier
19 proceeding and it's still true today. There was a lot of
20 talk about so-called "market segments" but there is a single
21 like product and they all confirmed that view. The
22 Commission found in 2005 that the alleged segments are all
23 within the same range, same process, same product, et
24 cetera, just as the Commission found, then you should reject
25 this notion of market segmentation. In fact, there are

37257
lf

1 certain statements about what the Commission found earlier
2 that were totally contrary to the record in that case.
3 We'll talk more about that in our post-conference brief.

4 Indeed, it's very interesting that the
5 respondents want to talk about the previous finding ten
6 years ago when it's convenient. But when there are facts
7 that were inconvenient in that case they totally ignore it.
8 Facts involving cumulation, facts and findings involving the
9 primacea price. They were completely forgotten when the
10 respondents harkens back to the good old days.

11 In fact, now I'll go back to your Passover theme,
12 Mr. McClure. Respondents seem to think that the facts that
13 the Commission found ten years ago are the same today. They
14 think that this document is set in stone, in tablets. It's
15 paper and the facts have changed. They're like the
16 Pharaoh's army, they marched into the dry seabed chasing
17 after the Hebrews and all of a sudden the water came in.
18 Look the facts have changed. And that happened suddenly.
19 We're talking about ten years ago. And there are certain
20 facts that have changed dramatically. Let's go quickly
21 through those.

22 By the way, I just want to say one more thing,
23 the respondents are conflating or confusing M&G with the
24 industry. M&G represents a relatively small portion of the
25 industry and their decisions about whether to import from

37257
lf

1 Mexico or ship from their U.S. facility is their decision.
2 I keep hearing about the M&G -- sorry, the industry's plans
3 to expand, it's M&G, one company. Don't confuse M&G with
4 the entire industry, please.

5 Okay. So what happened? Before in the previous
6 case raw material costs were increasing. In this case, in
7 this period of investigation, they are declining. In the
8 previous case the contracts didn't allow for adjustments for
9 prices due to increasing raw material costs. In this
10 period of investigation the contracts do in fact do that.

11 In the previous case the U.S. added capacity in
12 the period of investigation, while apparently the domestic
13 consumption increased by less than the added capacity.
14 Here, U.S. consumption rose while domestic production
15 capacity declined.

16 Demand in the last time was seasonal.
17 Seasonality has disappeared.

18 In the last case subject imports decreased in
19 absolute and relevant terms in the latter half of the period
20 of investigation. The opposite is true today. Every key
21 factor that the Commission hinged its decision on last time
22 is different today. Nonsubject imports were greater than
23 subject imports. Here Canada is part of this case and a
24 very important part. That wasn't true in the last case. So
25 these facts are very, very different in fundamental ways

37257
lf

1 that should change the total outcome of this case. They may
2 want to hearken back to a few facts that they think are the
3 same, but the most important things about this period of
4 investigation are ones that should result in a totally
5 different outcome in this case.

6 By the way, one last thing. It's almost -- some
7 of the exaggerations I heard earlier were somewhat comical.
8 I was supposed to be jumping up and down at certain
9 arguments or I think one of the claims was that the imports
10 were sinister somehow, the imports from Oman. No, I'm not
11 jumping up and down, I'm not the Easter Bunny. I don't want
12 to introduce another holiday for Mr. McClure to be too
13 complicated. But this is a case about nothing sinister. It
14 is not a case about who is the most efficient. It's a case
15 about whether imports from these sources are underselling
16 the U.S. industry, and they're doing so by using dumping and
17 subsidization. It's that simple. We're not demonizing
18 anybody, and we're also not suggesting that it's only the
19 U.S. industry's market. Subject imports could be here as
20 long as they don't dump and subsidize.

21 As I said before, we're not after non-subject
22 imports or imports that are not undercutting the market and
23 cost the price suppression and depression that this industry
24 has experienced. If you took a look at that chart about
25 operating income, you will understand precisely why we're

37257
lf

1 here. And none of the explanations that the respondent gave
2 accounted for that great price decline -- or excuse me, that
3 great profitability decline. None of them.

4 So I urge you, when you look at this record to
5 write a good report and urge that the Commission find
6 affirmatively in this case.

7 Thank you.

8 MR. McCLURE: Thank you, Mr. Rosenthal. We'll
9 add Easter Bunny to the list of phrases rarely heard.

10 MS. MENDOZA: Julie Mendoza on behalf of
11 respondents. Well, I would suggest to Mr. Rosenthal that if
12 our argument about the supply from BP is a red herring that
13 I haven't heard an explanation of why imports from Mexico
14 increased so much in 2014 and I think that's a very
15 important question.

16 Secondly, on the issue of raw material costs
17 there are limited amounts I can say in this, but we believe
18 that there are significant differences among the U.S.
19 producers particularly in the amount of decline in raw
20 material prices at the beginning of the period and at the
21 end of the period. And that if you look at those, it may
22 have to do with the structure of those producers and we'll
23 get into more detail of that in our post-hearing brief.

24 He says M&G is just one member of the U.S.
25 industry. The reason we focused on them is with their

37257
lf

1 capacity expansions, they're going to expand U.S. capacity
2 by one million tons. So I think what they are saying about
3 what's going on in the industry is very relevant and very
4 significant. And the Commission has to take that into
5 account because it's the industry's own analysis of what's
6 going on in the market that occurs outside of this hearing.

7 I frankly don't see these great profitability
8 declines that Mr. Rosenthal is talking about. I think
9 actually if you look at what happened in terms of exports by
10 this industry, obviously everybody knows the U.S. dollar is
11 very strong, a lot of the industry exported to Latin America
12 the dollar has had a big effect on that. You have to look
13 at what's happening in their data on their profitability, on
14 their capacity utilization, on their shipments, and you have
15 to take into account how much of that is attributable to
16 exports or the lack thereof at the end of the period versus
17 their shipments.

18 So I think that there are some very fundamental
19 issues at play here and, you know, we're very encouraged
20 because the Commission has obviously asked us a lot of
21 questions today and we intend to fully address them in our
22 post-hearing brief.

23 Thank you very much.

24 MR. McCLURE: On behalf of the Commission and the
25 staff I would like to thank the witnesses who came here

37257
lf

1 today as well as the counsel, for helping us gain a better
2 understanding of the product and the conditions of
3 competition in the polyethylene terephthalate resin
4 industry.

5 Before concluding I want to mention a few dates
6 to keep in mind. The deadline for submission of corrections
7 to the transcript and for submission of the post-conference
8 briefs is Friday, April 3rd. If briefs contain business
9 proprietary information, a public version is due on Monday,
10 April 6th. The Commission has tentatively scheduled its
11 vote on these investigations for Thursday, April 23rd and it
12 will report its determinations to the Secretary of Commerce
13 on Friday, April 24th. Commissioners' opinions will be
14 issued on Friday, May 1st.

15 Thanks for coming, the conference is adjourned.

16 (Whereupon, at 2:24 p.m., the conference was
17 adjourned.)

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Polyethylene Terephthalate Resin from Canada, China, India, and Oman

INVESTIGATION NOS.: 701-TA-531-533 and 731-TA-1270-1273

HEARING DATE: 3-31-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 3-31-2015

SIGNED: Mark 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: Larry Flowers
Signature of Court Reporter
Ace-Federal Reporters, Inc.
202-347-3700