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

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INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.: CERTAIN POLYETHYLENE TEREPHTALATE ) 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.
APPEARANCES:

On behalf of the International Trade Commission:

James McClure, Acting Director of Investigations
Michael Haberstroh, Investigator
Jennifer Catalano, International Trade Analyst
John Benedetto, Economist
David Fishberg, Attorney/Advisor
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William R. Bishop, Supervisory Hearings and Information Officer
Sharon Bellamy, Program Support Specialist

Opening Remarks:

Petitioners (Paul C. Rosenthal, Delley Drye & Warren LLP)
Respondents (Susan Esserman, Steptoe & Johnson LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Kelley Drye & Warren, Washington, DC on behalf of DAK Americas, LLC; M&G Chemicals; Nan Ya Plastics:
John McNaul, Vice President, PET Resins, DAK Americas, LLC
Mark Adlam, North America Commercial Manager, M&G Chemicals
APPEARANCES (Continued):

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

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

Gina Beck, Economic Consultant, Georgetown Economic Services, LLC

W. Bradley Hudges, Economic Consultant, Georgetown Economic Services, LLC

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

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

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

Dale Behm, Managing Director, Pacific Rim Traders

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

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

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

John M. Gurley - Of Counsel
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    Bruno Guilbault, Director of Finance Selenis Canada, Inc.
    John W. Jones, Commercial Director, Selenis Canada, Inc.
    Vincent Routhier, Counsel for Selenis Canada, Inc., DS Welch Bussieres LLP
    Lizbeth R. Levinson - Of Counsel
Neville Peterson LLP, Washington, DC on behalf of Ravago Holdings America, Inc.:
    Thomas Glasrud, Managing Director, Ravago Holdings America, Inc.
    John M. Peterson - Of Counsel
Steptoe & Johnson LLP, Washington, DC on behalf of Dhunseri Petrochem Limited:
    Gautam Singh Rathore, Group President, Marketing, Dhunseri Petrochem Limited
    Susan Esserman - Of Counsel
APPEARANCES (Continued):

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

Daniel L. Porter - Of Counsel

Rebuttal/Closing Remarks:

Petitioners (Paul C. Rosenthal, Delley Drye & Warren LLP)
Respondents (Julie C. Mendoza, Morris, Manning & Martin LLP)
Opening Remarks:
Petitioners (Paul C. Rosenthal, Delley Drye & Warren LLP) 9
Respondents (Susan Esserman, Steptoe & Johnson LLP) 13
In Support of the Imposition of Antidumping and Countervailing Duty Orders:
John McNaull, Vice President, PET Resins, DAK Americas, LLC 17
John Freeman, Assistant Director of Sales, Nan Ya Plastics Corporation, America 23
Mark Adlam, North America Commercial Manager, M&G Chemicals 29
John Cullen, Director of PET Resin Sales and Marketing, DAK Americas 34
Kathleen W. Cannon - Kelley Drye & Warren 41
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  96
Canada, Inc.
Thomas Glasrud, Managing Director,  102
Ravago Holdings America, Inc.
Daniel L. Porter, Curtis, Mallet-Prevost,  108
Colt & Mosle LLP
Anil Rajvanshi, Senior Executive Vice President,  119
Reliance Industries, Ltd.
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
real challenge for the court reporter to know who is
talking, so I will call your attention if you fail to
mention your name.

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

Are there any questions?

Madam Secretary, are there any preliminary
matters?

MS. BELLAMY: No, there are not.

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

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

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

As you are aware, a little over a decade ago,
antidumping and countervailing duty petitions were filed
against imports of PET resin from India, Indonesia and
Thailand. While the product in the case that is the subject
of today's conference is essentially the same, there have been significant changes in the domestic industry since that earlier case as well as changes in the sources of foreign competition.

A decade ago, there were seven significant domestic producers of the PET resin subject to investigation. Today there are four producers, in the U.S. These four producers have consolidated operations and invested heavily in their production processes in order to become more competitive. And of course, in today's conference we are discussing imports from Canada, China and Oman as well as India.

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

The facilities can't be shut down easily without having a deleterious effect on efficiency, and cannot operate profitably unless there's a high level of capacity utilization. Unless you understand this business model and
the nature of the production process, you cannot understand how low priced imports can and have materially injured the domestic industry.

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

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

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

Every day the U.S. producers are faced with a choice of giving up volume and the production efficiencies that come with operating at high capacity utilization, or
taking a sale at a lower, unprofitable price.

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

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

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

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

   MS. BELLAMY: Opening statements on behalf of
Respondents, Susan Esserman, Steptoe & Johnson, L.L.P.

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

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

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

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

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

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

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

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

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

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

U.S. producer Indorama announced that its new 540,000 metric ton in Decatur, Alabama is being built, and I quote: "To take advantage of expected growth in North America." Likewise, MMG in its prospectus cites bright
prospects for PET resin, continued growth in the United States and global demand growth of 7.5 percent. In their words, and I quote: "Driven by population growth in developing countries, inter-packaging material substitution, new applications of PET, and a forecast of world gross domestic product growth of 3.8 percent."

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

MR. McCLURE: Thank you, Ms. Esserman.

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

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

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

Everybody ready?

MR. ROSENTHAL: Yes.

MR. McCLURE: Fire away.

MR. ROSENTHAL: Thank you.

Again, Paul Rosenthal on behalf of the Petitioners. We're going to start our testimony this morning with John McNaull. I'll forego the introductions
and have the witnesses introduce themselves as they begin
their testimony.

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

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

    MR. McCLURE: This is true --
    (Laughter)

    MR. McNAULL: Okay, good morning. Are you guys
able to hear okay?
    All right, thank you very much.

    MR. McCLURE: I'm always happy to hear witnesses.
Sometimes counsel -- you know.
    (Laughter)

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

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

    DAK Americas became a stand-alone company when
DuPont sold its position in the joint venture in 2001. I've
been with DAK Americas for almost 25 years. I started in
the polyester staple fiber business before moving to the
My responsibilities have included working as an engineer in the manufacturing operation as well as working in technical marketing, sales, and supply chain management. In my current position, I'm responsible for the sale, manufacture and financial operating results of the DAK Americas PET resin business unit.

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

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

We would not have been able to continue our polyester stable fiber business without relief from Korea,
Taiwan and China. I saw firsthand the decline of low priced import offerings after the positive outcome of the case, as well as the improvement in our operating position and returns.

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

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

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

As a result, these dumped imports have already affected our bottom line. The domestic industry has had to sacrifice market share in the interest of maintaining price levels and meager operating returns. Over the 2012 - 2014
period, our industry saw both market share and profits erode due to increasingly lower subject import prices. DAK Americas was forced to shutter its facility in Cape Fear, North Carolina in 2013, costing 600 of our workers their jobs and reducing our production operations as subject imports surged into the market.

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

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

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

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

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

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

Since the prior PET case ten years ago, the
industry has undergone a number of changes and acquisitions of note. DAK purchased the Eastman Viridian Division in January 2011. Viridian specialized in the manufacture of PET resin, and one of the U.S. producers identified in the prior PET trade case.

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

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

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

One thing that has not changed, however, is the price-sensitive nature of this market, and the interest that foreign producers of subject imports have in displacing
U.S. sales based on lower price to offerors.

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

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

MR. ROSENTHAL: Mr. Freeman.

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

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

Nan Ya's PET resin manufacturing facilities are located in Lake City, South Carolina. The Lake City plant rests on 700 acres, and began production of PET resin in
1995.

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

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

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

The PET resin is converted into the end use
applications by converters or sometimes larger brand owners that have their own conversion and bottling operations. For example, some of the larger soda and water companies.

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

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

I brought some examples of these uses as you'll see it here. It also goes into packaging for household chemical, personal care, automotive, pharmaceutical and other consumer products. These broad bottling uses encompass both hot and cold fill applications. Hot fill applications include packaging for jams and jellies. PET resin is often used for strapping on large bulk substances.
such as lumber, and in the production of carpet fiber.

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

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

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

Going to Slide 4, the second step is solid state
polymerization. In the process, the amorphous PET chips are
baked in large cylindrical reaction towers to form
crystalline chips. During the solid stating process, glycol is driven off the amorphous PET chip and the molecular chain is extruded, or elongated. Impurities are also removed and the IV is increased. Ultimately, the PET resin chips are cooled and loaded into silos or rail cars for storage and delivery.

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

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

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

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

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

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

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

Thank you very much.

MR. ROSENTHAL: Mr. Adlam.

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

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

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

We currently produce PET resin at our apple grove, West Virginia facility. Presently we employ 176 workers in our manufacturing operations producing PET resin.
In addition to this facility, M&G has started construction of a new plant in Corpus Christi, Texas. This plant is expected to become operational in mid-2016. This plant will be a state-of-the-art facility and is being built to increase efficiencies to supplant M&G imports from Mexico and to supply increasing demand from our U.S. customers.

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

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

The same cannot be said for imports from Canada, China, India and Oman. Over the past three years, our industry has seen a rapid increase in the imports of PET resin from these four countries. These imports have been sold in the U.S. market at such consistently low prices that
the only way we have been able to compete is to sell our
products without being able to receive a satisfactory
return. We have been forced to substantially lower our
prices, often to levels that are below our production costs.

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

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

Imports from Canada alone have grown by nearly 50
million pounds during the past three years. This growth in
import volumes has occurred as a result of price. Even more
harmful is the loss of revenue we have suffered on sales we
have been able to maintain. We compete directly with the
Canadian producer Selenis for sales in the U.S. market.
Selenis has significantly undercut M&G's prices, often at
levels below our costs, and the result has taken our sales
and cost us severe financial harm.
Third, based on our own market intelligence, each of the subject countries has significant excess capacity, well above the home market demand. They are heavily export-oriented and backed by government support and programs. M&G and other U.S. producers should not be required to compete for sales in their own home market with unfairly traded imports.

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

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

There is a limit to how much we can control. Despite substantial investments by U.S. producers in our facilities, we cannot compete with the irrationally low prices of the subject imports. Prices have been so low that
we either have had to forego sales to try to minimize losses
or accept sales at prices below cost in order to maintain
some market share. Neither choice is a viable option to
sustain our PET resin operations.

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

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

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

MR. ROSENTHAL: Our next witness will be Mr. John
Cullen.
MR. CULLEN: Good morning. I am John Cullen, Director of PET Resin Sales and Marketing at DAK Americas. I have served in my current position since 2012, and have been with DAK Americas for 15 years.

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

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

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

The light weight and aesthetics of PET make it a popular choice in packaging over materials such as glass and aluminum. We project that demand for PET will remain strong and show modest growth in the next few years.
In terms of supply, the U.S. market is currently supplied by four U.S. producers along with imports from a number of countries. As Mr. McNaul described, there have been a number of consolidations and ownership changes in the United States over the past ten years.

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

Another important competitive condition is the high degree of substitutability of PET resin regardless of source. Whether PET resin is produced in the United States or in Canada, China, Oman or India, it is an interchangeable product. As a result, we operate in a highly price-sensitive market with price driving purchasing decisions. The low price offerings by subject importers have allowed them to increase their penetration of our market, forcing us to cut our prices to the lower levels to maintain sales or lose sales and customer accounts to imports.
A factor on which the Commission focused extensively in the prior PET resin trade case was the effect of changing raw material costs on U.S. producers' prices due to contracts; it did not take raw material cost fluctuations into account. Fortunately, that has changed since those cases were filed. Our long term contracts with customers now take into account raw material cost fluctuations through mechanisms that can be adjusted on a monthly basis as the raw material costs fluctuate.

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

That is not to say, however, that the domestic industry is insulated from the effects of import pricing. We have to negotiate with our customers for the overall price of the product. Subject imports regularly undercut our prices, causing us to cut our prices to try to keep the sale. Even when long term contracts are involved, customers
come back to us during the life of the contract to seek a lower price when they are offered the lower priced imports. It is a constant battle for us.

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

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

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

Recognizing that the Commission has not yet seen all the data, and that some of the data can't be discussed in this public hearing because of confidentiality concerns, I'd like to briefly summarize the data that are available
You can see from Chart 1, imports of PET resin from Canada, China, India and Oman increased from over 504 million pounds in 2012 to 752 million pounds in 2014, an increase of almost 44 percent.

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

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

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

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

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

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

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

In short, all the data corroborate what you've
heard from the industry witnesses. As you analyze the data and the testimony, consider the following: There is simply no explanation for the rapid increase in subject imports other than load, dumped and subsidized imports.

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

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

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

In any event, the M&G facility will not come on line for another year. Neither the M&G facility nor any other domestic capacity adjustments account for the declining prices over the period of an investigation. These lower prices are due solely to subject imports.
Of course, as you've heard, the increased import volumes are not the only cause of injury, as the purchasers have used the low priced import prices as levers to negotiate lower price offers from the domestic producers, and that happens every day.

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

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

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

MS. CANNON: Good morning. I am Kathleen Cannon and I will conclude our testimony this morning by addressing
a few legal issues.

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

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

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

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

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

   A second legal issue to consider is cumulation.

   Petitions against imports from each of the subject countries
were filed on the same day. There is also a reasonably
overlap in competition among the subject imports based on
the factors the Commission typically considers.

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

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

   A third issue of importance is direct imports. I
know the direct import scenario is one you are seeing more
and more, as companies bypass the middle man and import products directly from foreign countries. In the PET resin market, as you heard Mr. Cullen describe, many purchasers are also importing the product directly from the subject countries. That means competition for those sales occurs between the U.S. producer and the foreign producer as the foreign producer's offered price is the price that the U.S. producer must compete with to win the sale.

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

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

If this level of competition is ignored, the injurious and price destructive effects of the dumped and subsidized imports will not be fully taken into account, in direct contravention of the statutory purpose.
The final legal issue I'd like to address is causation. As you see in the database and in the slides we presented, the domestic PET resin industry is struggling to make sales and to earn a reasonable return on the sales it does make. The cause of that injury is subject imports.

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

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

The causal nexus is evident, and the record presented here more than sufficient to establish a reasonable indication of material injury by reason of the subject imports.
Thank you very much.

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

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

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

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

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

MS. CANNON: I'm not sure that we have seen enough of it. We just received an APO release -- I'm sorry, Kathleen Cannon for Kelley Drye. We just received the APO
release at the end of the day yesterday, Mr. Haberstroh, so
we're still pouring through it and aggregating everything.
We will certainly address that in our brief, if we see some
gaps. But it's still being aggregated, I think at this
point.

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

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

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

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

In looking at export orientation from the subject
countries, there seems to be a certain degree of variation
from each of the individual subject countries, and I don't
know if you want to cover this now or in a brief; but just
maybe expand on each of the individual countries themselves
as well.

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

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

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

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

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

I just wanted to know if you could expand a
little bit more on I guess the reasoning for the Corpus
Christi plant, specifically because it seems, at least it's
characterized, that the Mexico plant is, as you said, maybe
almost an intercompany transfer? So I just wondered if you
could go into a little bit more detail on why that decision
was made and what benefit that you might get from that.

MR. ADLAM: This is Mark Adlam from M&G Polymers.
Yes, the Corpus Christi plant we really invested
because we see growth in the U.S. market. So the first
reason for the plant is to keep up with that growth. We do
not want to cede that volume to unfairly traded imports. We
want to be part of that growth of the U.S. market.

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

MR. HABERSTROH: Thank you.
Mr. McNaul, you just kind of briefly mention the
fact that there was a seasonal market to the PET resin; at
least it was moreso maybe ten years ago when the first
investigation came around.

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

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

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

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

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

MR. CULLEN: John Cullen, DAK Americas.

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

Today the converters and the brand companies have installed capacity so they can deal with that consumption on
a just-in-time basis; and that I think is the big difference
in seasonality over the last ten years.

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

MR. HABERSTROH: Michael Haberstroh again.

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

MR. McNAULL: John McNaull with DAK Americas.

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

In the PET case, any recyclate that we use in our
process or that we understand that comes in competitively
from the subject countries that are dumping at low prices is
negligible at best. And when you look at the overall supply
chain and availability of recycleate material for PET, it's
very limited.

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

MR. HABERSTROH: Okay, Michael.

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

MR. McNAULL: John McNaull again for DAK.

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

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

MR. CULLEN: Mr. Haberstroh, I would just add --
John Cullen, DAK Americas -- that I think, John, we've seen
a reduction in the use of staple fiber in the carpet
industry, right? As a result of the growth of the use of
PET resin to make the bulk continuous filament, right?

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

MR. HABERSTROH: Michael Haberstroh. Thank you.

I think that's it for me. I appreciate your answers.

MR. McClURE: Thank you, Michael.

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

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

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

Are you usually, to the extent you can tell me
now, are you usually selling to the converter and
negotiating with the end user? Is that my understanding?

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

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

    MR. BENEDETTO: This is John Benedetto again.

Does anyone else from the panel have anything to add to
that?

    MR. FREEMAN: John Freeman, Nan Ya Plastics.

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

    MR. BENEDETTO: Okay, thank you.

    And regarding the brand owners, I guess my
assumption would be that you're dealing with a different
brand owner for carpet fiber than for say bottles, but is
that assumption correct?
MR. FREEMAN: John Freeman, Nan Ya Plastics.

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

MR. BENEDETTO: Mr. Cullen.

MR. CULLEN: John Cullen, DAK Americas.

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

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

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

MR. CULLEN: John Cullen, DAK Americas.

No, converters are unique to the industry. So there are converters that make bottles or other types of containers, specifically. And again, most of the carpet industry is self-manufacture. There are a few third party people who will make some type of carpet and sell it to one of the large brands; and then there are also a segment that
makes, as we discussed in the presentation, some of these thermaform clamshells and things that you tend to see at salad bars; those are also self-manufacture typically type operations for, not what we would call brand companies like the beverage companies, but in their industry there are brand companies.

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

MR. McNaul: John McNaul, DAK Americas.

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

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

MR. BENEDETTO: This is John Benedetto again.

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

So I guess what I'm wondering is: How
restrictive are these contracts? They don't sound very restrictive. In other words, the prices are changing all the time because of raw materials, and then you can also renegotiate them anyway.

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

MR. McNAULL: John McNaull, DAK Americas.

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

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

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

I would add as well that many contracts have a
'meet comp' provision as well, and that allows -- the volume is tied down, but then you are subjected to meeting competitive offers as well.

MR. BENEDETTO: Thank you. Anyone else?

MR. CULLEN: John Cullen, DAK Americas.

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

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

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

MR. McNaul: And this is John McNaul.

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

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

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

MR. BENEDETTO: This is John Benedetto again.

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

MR. CULLEN: John Cullen, DAK Americas.

It's not across-the-board any one mechanism, but it is typical to have some kind of a mechanism which is tied
to either raw materials or to a reference price plus some kind of adder that would determine the final delivered price to the customer. So it's typical, and in the case of where we're competing specifically against the respondents, we tend to have to put our offer into the same mechanism that they've offered, whereas we might prefer a different mechanism based on, say U.S. raw materials plus some adder, that we might have to prepare a price based on some let's say index price from another part of the world plus an adder, and again that's typically what our customers expect us to do in order to drop our prices to the very low price that they've offered.

MR. McNaul: This is John McNaul.

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

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

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

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

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

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

MR. McNAULL: John McNaull, DAK Americas.

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

As a PET producer, if you look at your PTA options, the pricing in North America is higher, but if you look at other options for PTA from other parts of the world
landed in your facilities, it's logical that you acquire your PTA from a North American producer.

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

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

MR. FREEMAN: John Freeman, Nan Ya Plastics.

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

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

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

MR. BENEDETTO: Thank you.

MR. McNAULL: This is John McNaull. Just one follow-up comment. I mean, as we try to benchmark and understand PTA production of other countries, particularly China: given some of the basic inputs that you need for raw materials and conversion of raw materials to PTA, the pricing information that we get through consultants, third
parties available, we don't really understand how on earth it's humanly possible to manufacture and sell material at the cost that we see in some of those markets.

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

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

MR. McNAULL: John McNaull.

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

So PET is very well established. It is the largest share for most major brand companies in terms of
what they use to distribute their products. It's institutionalized in terms of a lot of capital investment around conversion and distribution, and it continues to grow very modestly versus the alternatives of glass and aluminum.

MR. BENEDETTO: Thank you.

Anyone else?

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

MR. ADLAM: This is Mark Adlam from M&G Polymers. The market is sort of made up of a number of different PET end uses. Some of them are shrinking and a lot of them are growing. So look at the aggregate, and it ends up, it does sort of two to three percent type of growth level. You know, certain parts of the market are bright spots, some parts are duller, but we've got a very positive outlook for PET growth as we go forward.

MR. BENEDETTO: Anyone else?

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

The carbonated soft drink segment is declining, and that's primarily driven by consumers' healthy
life\^style choices; but offset by the tremendous growth in bottled water, flavored waters; PET growth in carpet has been significant; the substitution of PET for other materials in this thermoformed clamshell industry has been significant.

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

MR. BENEDETTO: Did you have another comment?

MR. McNAULL: John McNaull, DAK Americas. I think when you think about the market, you know, it's growing 200-, 250 million pounds of consumption every year.

MR. BENEDETTO: In the United States.

MR. McNAULL: In the United States.

So it's a modest rate of growth, but it's a massive base, and it requires us in terms of capital planning to be anticipating our customers' needs and building facilities, because, you know, at 250 million a year, you take -- a Corpus-type facility is going to be filled in six-eight years, right? So you have to be ahead of the curve in terms of capital deployment to be able to
keep the industry at a utilization rate where we can provide
good service and be able to meet the needs of our U.S.
consumers.

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

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

MR. CULLEN: John Cullen, DAK Americas.

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

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

MR. BENEDETTO: Just two more questions. Mr.
Benedetto again.

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

MR. McNAULL: John McNaull, DAK Americas.

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

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

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

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

MR. BENEDETTO:  Thank you all very much.

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

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

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

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

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

MR. McCULURE:  Next will be Jennifer Catalano, our industry analyst.
MS. CATALANO: I'm Jennifer Catalano, I'm from the Division of Chemicals and Textiles.

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

MR. McNAULL: John McNaull, DAK Americas.

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

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

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

So we talked about how approximately 75 percent of the cost is PTA and MEG, and we also talked about how pennies per pound can make a difference. So I'm wondering if you could speak to the other 25 percent of the cost to produce PET resin, and do you think you're losing to the
competition on MEG and PTA, which is 75 percent of the cost; or do you think you're losing to this 25 percent of the cost?

MR. McNAULL: John McNaull, DAK Americas.

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

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

MR. ROSENTHAL: This is Bob Rosenthal.

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

The cost issue, with all respect, is really not in my view the concern here. I think that pretty much on a worldwide basis, the domestic industry and the respondents are facing comparable costs. What has driven the petitioners to this hearing today is the inability to
explain why the pricing in the U.S. by the respondents is as low as it is, given the costs that we understand are being available on a worldwide basis.

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

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

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

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

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

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

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

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

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

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

For example, CSD versus water might be a slight difference in the intrinsic viscosity physical property which is set by making very slight adjustments to the basic manufacturing process. So when you look at it from a cost perspective, recipe perspective, capacity perspective, it's
all basically the same. Right? And when you get into
pricing in the industry, very low differentiation. And that
differentiation is not tied necessarily to products. It's
more tied to commercial circumstances that create the
outcome of any differentiation of price. So, you know,
we're engineers, right? We love to get into technical
details about our products, but the fact is, looking at the
P&L, and our financial performance is basically no
differentiation between the products.

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

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

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

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

    First I'd just like to confirm that you do not
believe that there are any related party issues in this case
and that the domestic industry should be defined as all U.S.
producers of PET resin?
MS. CANNON: Yes, we agree. This is Kathy Cannon of Kelley Drye. Yes, we agree.

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

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

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

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

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

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

MR. FISHBERG: Thank you.

In its 2005 determination, the Commission stated that there was overcapacity for this product in North
America and I think Mr. Cullen mentioned that capacity is
even greater today than it was back then. Would it be fair
to say that there continues to be overcapacity in North
America or is that not the case today?

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

And I will add, Mr. Fishberg, I was maybe going
to save this for the final or my closing, but I'll mention
it. On Friday is the holiday of Passover and one of the
questions that's raised at the Passover Seder is why is this
inght different from every other night? Part of our theme
will be, why is this case different from the previous case?
On Passover you only get to ask four questions and four
answers. In this particular case there will be a lot more
and we'll save most of them for the post conference brief.

I will highlight a few of them when I get to

closing.

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

(Laughter.)

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

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

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

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

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

So those are two major differences from the way the Commission viewed and the industry was characterized ten years ago.
MR. FISHBERG: I heard a little bit about this, this morning. But could you discuss the impact of nonsubject imports on the market? I mean, they're present, but are you saying that they are not having the price effects subject imports are having?

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

MR. FISHBERG: I also heard this morning about the capital intensive nature and the industry. This is probably better in a post-conference brief, but if the domestic industry could describe what it views as it's full, practical capacity utilization rates that would be helpful. And one more question for the post-conference brief, if you could just go through the factors the Commission traditionally considers in its threat of material
injury finding, that would also be helpful.

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

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

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

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

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

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

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

MS. HAINES: Yes. Uh-huh.

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

MS. HAINES: Okay. The new plant coming on line
in 2016, will that be fully operation in 2016 or will it come on line over a couple of -- over a year or two?

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

MS. HAINES: Okay.

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

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

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

MS. HAINES: Okay.

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

MS. HAINES: Okay. Okay.

MR. ROSENTHAL: There was some reference to seasonality in the previous case to the extent that existed before, our view is that it doesn't exist today. Or if it exists at all, it's a very, very small band that 1 or 2 percent quarter over quarter. When it comes to the
increases in demand and how capacity gets installed, that
really hasn't changed. Demand continues to increase 2 to 3
percent per year. When new capacity comes on line, it comes
on line in big chunks.

MS. HAINES: Okay. Okay.

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

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

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

MR. CULLEN: John Cullen, it never has.

MS. HAINES: Okay.

(Laughter.)

MR. McNAUL: John McNaul from DAK Americas and it
never will.

(Laughter.)

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

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

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

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

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

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

MS. HAINES: Thank you. Let me see.

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

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

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

MR. ROSENTHAL: Country markets?

MS. HAINES: Yes.

MR. CULLEN: Do you mean like third world?
MS. HAINES: Or outside the United States.

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

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

MS. CANNON: Kathy Cannon, Kelley Drye, I was just going to add, Ms. Haines, that even though there is some growth in the Asian markets as Mr. Cullen mentioned, what we're seeing even more is capacity expansion, massive, massive capacity expansions at a far greater rate than demand growth. And that's why we're seeing some of the
exports and expect to continue to see the exports here because they have a significant oversupply situation.

    Thank you.

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

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

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

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

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

    MR. FISHBERG: Okay. And if you could provide some context in terms of how the decision is made in terms
of where the supply is going to come from, whether, you
know, what rationale goes into whether it's going to be a
domestic supply or non-subject supply, that would be
helpful.

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

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

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

MR. FISHBERG: Thank you.

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

(Laughter.)

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

(Laughter.)
MR. McCLURE: Figure that one out.

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

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

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

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

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

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

STATEMENT OF MR. DALE BEHM

MR. BEHM: Good morning or good afternoon. We're
getting close to both of them. My name is Dale Behm, Managing Director of Pacific Rim Traders from San Francisco, California.

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

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

The U.S. PET resin market has a number of important features that I would like you to keep in mind as you consider the testimony you hear today. First, this is an industry that is dominated by domestic PET producers. DAK, Indorama, M&G, NanYa, collectively account for approximately 80 percent of the U.S. PET resin market today, based on my estimation drawn from public sources. This market share has been relatively stable over time and reflects the importance of geographical proximity. Carbonated Soft Drink producers, CSD, bottled water
producers and converters of a variety of both containers and
extruded thermoformed packaging need to be close to their
end user customers.

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

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

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

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

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

Third, the domestic producers have been continuously expanding and modernizing their North American capacity. M&G is currently in the process of building the world's largest integrated PTA/PET plant in the world in Corpus Christi with production expected to begin next year. DAK has expanded its capacity by acquiring the PET assets formerly operated by Eastman Chemical and Wellman. Indorama built a new facility in Decatur, Alabama in 2010 that is collocated with BP Chemical's PTA facility. Indorama has announced plans to double the capacity of that facility by the end of 2015. Indorama has acquired the former INVISTA PET facility in 2011 and just recently purchase a PET production facility in Montreal, Canada.

As new capacity is added, domestic producers are closing less efficient facilities. This is what happened in the case of DAK closing at its Cape Fear facility in 2013. DAK had acquired the former Eastman Chemical facility in South Carolina in 2011. After a debottlenecking project was completed in that facility, it consolidated operations
there and then closed the Cape Fear plant.

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

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

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

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

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

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

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

In the case of my business, we are not selling
into the carbonated soft drink industry, CSD, carbonated beverage, or the hot-fill segments of the market at all. Rather we are selling primarily to second tier water bottle producers, converters of various niche market applications, thermal form clam shells, and specialty containers.

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

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

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

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

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

STATEMENT OF MR. JOHN W. JONES

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

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

I live and work out of my home in the
Philadelphia area. We employ two direct report commercial representatives. And it's the responsibility of the three of us to cover opportunities -- PET opportunities in both Canada and the U.S. Selenis, Canada was founded in 2009. We purchased a manufacturing facility in Montreal, Canada that was outfitted to produce a different technology, converted that to the ability to make PET. And we enjoyed our first commercial sales to the marketplace in 2011.

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

From the outset, I would emphasize that Selenis is a North American producer and we are driven by the same market dynamics as the Petitioners. We purchase all of our raw materials to make PET in North America, including the PTA and the MEG that we've discussed extensively today.
Prices for our raw materials are typically higher than those for our overseas competitors as well.

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

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

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

The Commission needs to be aware of the fact that the North American market for PET resin was adversely affected by two significant effects during the period of investigation. The BP issue that was mentioned a little bit
earlier which significantly constrained the availability of PTA to the market space. Our figures show that some 728,000 metric tons of PTA became unavailable to the marketplace as a result of this incident. That translates into over 600 million pounds of PET resin in 2014 alone.

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

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

And we can cite numerous examples whereby based on the raw plus that we discussed earlier today very significant buyers of PET have used their scale, their leverage, and their -- of information to effectively describe the prices that they want to pay, that they are willing to pay in the market space. There's a major brand owner represented by one of the bottles up on the table off
to my left. All of the PET producers were recently invited
to participate in an RFQ.

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

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

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

New capacity will have a major affect on market
balances in late 2016 and early 2017, as we've discussed.

Petitioners M&G, in conjunction with DAX USA have announced
future capacity additions. The cumulative volume of these
capacity additions will dwarf the volume of imported resins.

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

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

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

Selenis is in an enviable position in the
(0:20:24:0) marketplace as a result of excellent commercial
coverage, highly repeatable product quality, and excellent processing characteristics rather than price. And we have, in fact, lost many sales due to our unwillingness to participate at the pricing levels that have been described to us in the marketplace by many customers.

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

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

MR. PETERSON:  Good afternoon. I'm John Peterson, counsel for Ravago Holdings America Inc. Our testimony will be presented by Tom Glasrud. He's the managing director of Millstein, a company.

STATEMENT OF THOMAS GLASRUD

MR. GLASRUD:  Good afternoon. Members of the Commission staff thank you for the opportunity to appear today. My name is Tom Glasrud. As indicated, I'm the managing director of Milstein, a division of Ravago Americas Holdings based in Wilton, Connecticut. Milstein imports and resells PET resin from all four of the countries which are subject of this preliminary investigation. We also purchase and resell PET resin from domestic manufacturers.
Our company has a unique view of Pet resin market in the United States. The PET which is the subject of this investigation is primarily bottle grade resin used in food and beverage packaging and is also used in application such as the production of PET sheet, thermal formed goods and carpet fibers.

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

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

Plastic News speaking last week of declines in PET prices correctly indicated that the driver behind these price declines "Of course, is the global oil market. Oil prices affect petra chemical prices, though natural gas is
the more commonly used feedstock in North America and the
Middle East. West Texas crude prices were $47 per barrel in
late trading March 12 continuing the slide from over a
hundred dollars a barrel seen recently as mid-2014.'

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

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

The Commission should examine whether domestic
long-term and annual contracts have equally efficient
pricing mechanism. The market dynamics in place today are
similar to those 10 years ago when the Commission conducted
an anti-dumping investigation of bottle grade PET resin from
India, Indonesia, and Thailand. At that time petroleum
prices were increasing dramatically and the domestic
industry was caught in a cost price squeeze.
The Commission agreed, but the Commission also found the squeeze was not caused by imports, but by rising petroleum prices which drove increases in raw material costs. The squeeze being experienced by the domestic producers resulted from the fact that annual and long-term contract obligations did not allow them at that time to pass on cost increases to customers as quickly as they might have.

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

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

More over, in 2014, domestic PET producers suffered two setbacks in ability to supply the United States market demand. These were referenced earlier. At different points in the year, two domestic feed stock suppliers, Flint
Hills Resources and British Petroleum announced forced
majeure conditions, which limited their ability to supply
the domestic PET manufacturers with purified phthalic acid,
PTA, which along with the isothalic acid, IPA, and MEG are
the principle raw materials in resin production.

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

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

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

In addition, there's a quality component
associated with the PET resin imported from Canadian, several of our customers in the food packaging market sector specify the Selenis product because it has a clarity and brightness desired in their products. They are willing to pay a modest premium for that merchandize.

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

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

More over, when new PET capacity comes online, it places significant quantities of PET in the market. Because the principal demand for PET is in mature markets such as food and beverage packaging demand for bottle grade material
If there's any threat on the horizon, it comes not from imports, but from domestic producers' decisions to make major additions to capacity that is already underutilized. This again harkens back to the 2005 investigation where the Commission found that the woes of the domestic industry were not caused by imports, but by the domestic producers' decision to build new capacity.

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

STATEMENT OF DANIEL PORTER

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

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

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

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

Very simply, the rate of increase of import from Oman results from the fact that Octal's share of the market in 2012 was so, so tiny. It is Octal's understanding that even after the increase of the past three years; at the end of 2014 its share of the U.S. market was barely 2 percent. It is Octal's position that a country supplier with barely 2
percent share cannot be the cause of concern for U.S. producers.

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

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

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

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

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

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

As you can see in the handout, the formulation of PET consists of two main reactions; namely, estrification and poly-condensation. While the SSP and MTR technologies share similar estrification processes, they employ totally different poly-condensation processes. SSP technology requires two phases of condensation to produce PET poly-grade chips. This process takes places in several
separate reactors, as can be seen in the visual on the first slide.

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

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

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

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

First, the perfect sphere shape provides for better air flow around the PET resin chip and thereby allows quicker drying time. Second, the Octal PET resin chip
allows the customer to enjoy faster re-melting time, which reduce the customer's energy costs.

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

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

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

The second attribute of Octal's PET resin is Octal's unique flexibility in modes of delivering its PET resin to customers. Octal offers three different modes of delivery, boat trucks, super sacks, and sea bulk container. It's Octal's understanding that they're the only foreign supplier that offer all three deliver options to U.S. customers.
In short, it's been Octal's innovation and flexibility that has allowed it to increase its sales to the U.S. market. And this should not be a surprise to Petitioners. Indeed, one of the Petitioners, M&G, itself made this point explicit in its November 2013 global offering. M&G stated, and I quote, "Unlike the typical commodity chemical industry where products manufactured by all suppliers have the same formulation and are fungible, product innovation is very important in this industry."

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

The next topic I want to address is the significant regional difference in raw material costs for PET resin. As you know well, the two primary raw material costs of PET resin are PTA and MEG. Taken together, these two raw materials account for 70 to 80 percent of the PET resin selling price; however, what is most unusual for supposed global commodity chemical product is that there are significant differences between what U.S. producers have to pay for these two raw materials and the raw material costs
Earlier this morning, you heard Mr. Rosenthal say that cost is not important. I beg to differ. Very simply, based on their experience as a global purchaser of raw material for PET resin production, PET MET prices in the United States are higher than anywhere else. Now, of course, Petitioners' counsel, and in particular, Mr. Rosenthal will jump up and down and proclaim that it's because of unlawful government subsidies that they have alleged. However, it is Octal's experience that PTA and MEG can be purchased much more cheaply from suppliers in countries in which there have not been any allegations of countervailing subsidies, including Korea, Europe, Thailand and Brazil.

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

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

STATEMENT MS. SUSAN ESSERMAN

MS. ESSERMAN: Good afternoon Mr. McClure and members of the staff. I am Susan Esserman from Steptoe & Johnson, appearing on behalf of Dhunseri Petrochem Limited.
and I'm accompanied by Gautam Rathore, who is President of Marketing, Dhunseri Group.

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

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

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

During the decade, since the Commission's previous injury determination, India has remained a small,
stable, and non-disruptive source of supply to the U.S.
market. These are the facts of India's consistent, proven,
and actual participation in the U.S. market regardless of
any change or allegations of new capacity.

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

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

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

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

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

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

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

STATEMENT OF ANIL RAJVANSHI

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

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

According to PCA, the Indian PET resin market has grown by over 20 percent per year in the last five years. More importantly, analysts, including PCA project that PET resin market in India will continue to grow by over 30 percent per year in the next five years. This translates into a projected demand of over 1.5 million metric tons in 2017. India is unique in this regard and the PET producers
have a great advantage of having such a strong home market. India home market has numerous key features which drive increase in consumption.

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

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

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

The U.S. has always been a minor market for lands and other exporters. We would never double up new capacity to sell to the U.S. market when the U.S. market has
traditionally played a very minor role in our business plans. Reliance has always focused on the Indian market, but like other Indian companies we also sell in several regional markets. We call them deficient markets.

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

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

India itself was a very minor player in this whole episode. The import status from India back our claims. From 2013 to 2014, total exports from India is actually flat. As a percentage of total U.S. imports, India imports were only 6.64 percent, down from 7.92 percent in 2013. Even this small amount of an Indian exports over the actual impact that India plays in the U.S. market.
We understand that U.S. domestic market controls around 80 percent of the total market. That means imports from India accounts for only 1 percent of U.S. consumption. This is truly a minuscule amount. In the future, even if Indian exports were to increase it would still be a very minor factor in the U.S. market. Of course, we expect Petitioners to claim that in their small market share in Indian. But Mexico has shipped 50 percent more PET resin into the U.S. in 2014 alone than India in 2012 to 2014. Almost 30 percent of imports into U.S. are from Mexico. And interestingly, domestic producers doesn't consider that to be the numerous loss sales and revenue for them, imports from Mexico. One wonders how Petitioners can possibly justify bringing this case on India when imports from Mexico dwarfs imports from India. Having failed on all other occasions to bring in the business against India, it's a testimony of fact that imports from India causes no injury to domestic industry, less the volumes.

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

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

First of all I think it's extremely --
MR. MCCLURE: Excuse me do you want a time check just so --

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

MR. MCCLURE: Sure. 20 minutes.

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

MR. MCCLURE: We can only hope.

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

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

And what I think you are going to find over time is that imports have been very, very stable into this market. In fact in the year of 2006 imports were 1.4 billion. In 2014 they were 1.2 billion. China in 2005 was 227 or 228 million. In 2014 they were 249 million so what you are going to see over time in fact is that import levels into the U.S. market have been quite stable and even subject suppliers, particularly as I said India and China and some of the others have been very consistent over time and that's a very relevant fact because it bears on how easy it is to enter into this market and gain any real percentage of the market.
It tells you when imports have been at that level for a long period of time that in fact they are pretty much maxed out in terms of their contribution to that market and I would say that it also confirms the statements you have heard today about the fact that many of these developing markets are a much better source of growth for these producers in these foreign countries.

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

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

You can expect that these trends would continue and that China would continue to depend on its domestic market. I think people have talked about M&G's global offering prospectus and its discussion regarding growth rates in China and how even though the Chinese market,
everybody has been hearing Chinese markets are slowing down a little bit but the fact of the matter is the consumer market in China is extremely strong and has continued to grow.

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

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

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

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

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

Because imports are overwhelmingly concentrated in that west coast market and so you know and the reason isn't because that's where imports necessarily want to be but what has happened is that because bottlers and other converters prefer to be close by to their sources, that has created very regional markets in the U.S. and that is a very unique quality in this market.
Another comment that I wanted to say was that you know this morning we heard almost nothing about this hot filled market and if we look at the pricing data, the pricing data has about four segments and if you compare the coverage of the pricing categories with the trade data you are going to see that it is extremely high.

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

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

Now the Chinese can do that obviously in China and that is also a growing market in China, hot filled, there's a lot of tea sales, hot tea sales in China that are packaged but again it is a qualification process and it is
also just the idea that they have such specific requirements
and you had to qualify for that brand manufacturer and I
think that is much truer of that segment of the market and
we didn't hear anything about that today so I thought that
was interesting.

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

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

And then my final point is formula pricing. Okay
when people say they saw on a formula the question is what
formula, what are the factors, how does it work. I mean you
know lots of people from what our understanding is that a lot of people have a lot of different types of formulas that they used and that we think it would be very important for the Commission to try to understand how those formulas work and also how often they are adjusted because you know in many cases if you are not able to adjust them on a regular basis you know, that's going to have the same effect that you saw in the earlier case.

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

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

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

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

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

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

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

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

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

MR. MCCLURE: Thank you.

MR. HABERSTROH: Michael Haberstroh thank you
Jim. And I guess to cover just the foreign markets or the
foreign producers and also the importers specifically
because of Ms. Mendoza's comment if there are any foreign
producers that you find in your market that we have missed,
many major players the U.S. import that would be great to know. You can either comment on that now or if you want to talk about it a little bit in your briefs that's fine as well.

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

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

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

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

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

MS. MENDOZA: Julie Mendoza, I think we would
have to look at that. I don't have any particular comments at this time about scope. I mean I think even though I know Commerce has been revising the scope on the end use side of it but I think that's just for purposes of the difficulty for customs of keeping track of what's covered and what's not covered.

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

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

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

MR. BEHM: Dale Behm Pacific Rim. Especially on the west coast -- you have most of your domestic suppliers really located in the southeast and their transportation cost to the west coast gives us an opportunity to import
resin on the west coast for the west coast. So there is a definite advantage to imports on the west coast through all the west coast ports.

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

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

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

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

MR. ALARCON: As my colleague John Jones said before PCI which is a recognized advisor in the polyester ward, U.S.A. is short in domestic supplier as required for imports that still require imports in the coming years and
maybe this change when MNG in correlation with back

Americas, they need 2 billion pound, 2 billion pound plant
in Corpus Christy that they claimed was sweep out of imports
to recover production inland.

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

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

    MR. ALARCON: Jose Antonio Alarcon. I come from
Selenis. It is not just the logistic is different than anyplace else. Most of the product moved in the North American market is made by RICAH, which is radically different than what happened in the rest of the world.

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

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

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

MR. BEHM: Dale Behm, Pacific Rim. When we import we import on containers, each container has a 22 metric tons per container. We bring it into the port, we take it to a local warehouse right near the port so we can
offload the container and return that container back to the port so we can go back to Asia, that's called drainage, and then we take the container and the bags the super sacks we either deliver them directly in the super sacks which is probably 60% of our customers want super sacks, they don't want bulk or they don't want rail cars and then the remainder is in bulk trucks.

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

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

MR. HABERSTROH: Thank you. I want to touch a little bit on the possible different qualities of the PET resin and specifically if I could from -- maybe even from the gentleman from Ravago who not only imports but also buys from domestic producers as well and this can be if you guys
want to include it in the briefs that's fine but just the
different -- it seems like there are different qualities
from different markets, obviously Octal seems to present
theirs, there is a mention to it from Selenis as well.

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

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

And the only other comment I will make is you
know regarding the other countries involved. We purchase
product on the spot basis from all of them. We have bought
both prime and non-prime quality levels and we would be
happy to provide you more details on that and we would have
to do some analysis but that probably is something that you
should factor into your determination.
MR. MCCLURE: Mr. Behm you look like you were poised to say something? Mr. Behm?

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

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

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

If you think about a cylindrical pullet it has sharp edges as it moves through material handling systems it
can abrade and create dust, spherical dust and to do that less so there is a benefit in terms of less dusting and those sort of issues in material handling in certain customer plants as well.

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

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

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

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

MR. ALARCON: Jose Anthonio Alarcon from Selenis.
The outcome was the mechanism in order to work on the market price. There's a reference that is very much utilized in the region, I say region not just a country that is widely used because it is a way to couple the price of the material to the rule material prices so the raw material that I have seen some of the Petitioners have says this before.
The raw material is moves up and down and this is also in the Petition of 2005 they were claiming that because they have fixed prices they were fairly highly heat so it was this system in order to know that the raw material -- the selling price and the raw material is more or less moving in such a way that the moving of the raw material.

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

MS. MENDOZA: Julie Mendoza. I think that perhaps we would address that in a post-hearing brief and hopefully everyone else would too. Because I do think this issue of how the formulas work and what they are based on
and all of that is important because I'm really getting the feeling after talking to a number of different people in the industry that it does vary quite a bit and it does seem to be kind of a confidential thing.

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

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

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

The Ross plus formula is quite popular with customers. It is transparent to both parties seller and buyer. Obviously sellers would like to negotiate the
highest adder that we possibly can but competitive forces
obviously bear on that, what's achievable. There has been
spot buy which is quite often a one-time purchase and then
there is customers that prefer neither and would like to
buy, negotiate if you will on a monthly basis to establish
if you will a fixed price for that period of time.

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

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

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

I am sort of not sure the evidence in the
questionnaire bears that out.
MR. HABERSTROH: Michael Haberstroh, thank you again. Very briefly I guess with the hot-filled market it sounded to me that that's a separate qualification than doing the cold fill or another type of packaging is that correct and is it the case I guess Ms. Mendoza might be best to answer this or anyone else, that once you are qualified for cold fill or hot fill by a brand is it easier then to be qualified on the other side by that brand or is it just a completely new qualification process?

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

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

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

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

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

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

MS. MENDOZA: And I think if you look at the data again using the pricing data as a surrogate for the market segment, if you look at it what you are going to see is that
it's pretty consistent who is selling into that market, it didn't change over the period so even among the U.S. producers if you look at it producer by producer it tells you a lot, I mean obviously we will address the rest of it in our brief.

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

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

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

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

MS. MENDOZA: This is Julie Mendoza. Just to
clarify that so as we understood the questionnaire you were asking if you could consume the product as imported right?
If you import it and consume it that you should report that price.

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

MR. MENDOZA: Thank you we will check that.

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

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

MS. LEVINSON: It should be.

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

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

MR. BENEDETTO: Okay. Secondly the first panel stated and I may not say this exactly correctly what they said I don't want to put words in their mouth exactly but I believe Miss Cannon stated that the pricing data should be
compared on the basis of margins of underselling including
for the data that the cost data could you please address
this argument in your post-hearing brief and if you think
there is anything else that ought to be adjusted on the
direct import costs please estimate those costs if you can
when you make such an argument.

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

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

MR. BENEDETTO: Why not?

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

MR. RATHORE: Gautam Rathore from Dhunseri
Petrochem. In fact hot filled resin needs to be customized
depending on the beverage that you are filling because
different beverages are filled at different temperatures and
because of which you might need to have better barrier in
certain resins. Because of that the production cycle is the
production for these resins are very small and when you are
running really large production lines being able to manage
these short runs is completely impossible so that is the
reason why we don't participate in this application, thank
you.

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

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

MR. BENEDETTI: Will your methodology give us an
estimate of how large the hot fill market is as a percent of
the entire U.S. market?
MS. MENDOZA: We can certainly try to do that. I think it would probably be good if the U.S. producers also responded to that because our understanding is it is pretty significant and it almost has to be if you consider that this is a pretty consolidated industry so you have very few producers so if you see how much they are selling into that market I mean it kind of tells you how much it is of the total U.S. market because they are what -- 85% of consumption so I think you can kind of derive it.

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

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

MS. ESSERMAN: One thing I could keep straight though is that you are absolutely right and that's an important point and I think our point is that let's look at where the U.S. producers are really competing so one of the things we looked at was we compared how much U.S. producers were selling into each of those markets and what we were able to determine is that the hot fill market is you know I can't tell you the figure but it is a lot, okay so we have basically got and we don't think that they are going to be -- there will be some import competition we believe but it
will be very low and our understanding from our clients in China is that they are not now selling into the hot fill market for all of the reasons people have been talking about today just in terms of how difficult it is and all the requirements and all of that.

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

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

MR. BEHM: Dale Behm Pacific Rim. How do I answer that one. There are slight differences between resin suppliers. Where it really shows up is on the production floor for the converter. When they are processing the resin the heat of the machines, the blowing cycles and everything else -- it is better to have a consistent source at any given production plant rather than having multiple sources
and multiple processes because there are slight differences,
there is always some difference between everybody's resin
when it comes to -- but it is hard to evaluate chemically.

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

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

MR. BENEDETTO: Mr. Alarcon?

MR. ALARCON: Jose Antonio Alarcon from Selenis.

In some cases there is not as John said there is not a
premium or big premium differentiation but it is also to
make the customer give you a preferred supplier because this
performs better than other cases.

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

MR. BENEDETTO: Could you elaborate please, this
is Mr. Benedetto again, what kind of services you are
talking about or if it is BPI?

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

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

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

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

MS. LEVINSON: Mr. Benedetto it's Liz Levinson what we are talking about GSP I might as well bring up NAFTA. NAFTA of course PET resin is duty free under NAFTA
from Canada and that is one of the reasons also in response
to the question about why the United States is favorable for
Canadians because of NAFTA.

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

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

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

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

MR. BENEDETTO: So the transportation costs
aren't necessarily expensive on a percentage basis but even
a little bit of difference can make a difference.

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

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

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

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

So you are really getting a very regional, very concentrated development of industry so these transportation
costs, because of the structure of the industry are incredibly important.

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

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

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

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

And the smaller ones would not want to invest in
the rail ramps, thanks.

MR. BENEDETTO: Thank you.

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

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

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

MR. RATHORE: Gautam Rathore once again. I would like to make one extra comment over here, most of the business that we are doing as I have said is with the trucks, both trucks. If you are taking usage off of rail cars you are basically using rail cars for a longer period of time because your cost of transportation is pretty much locked for the whole year but when you are transporting by
trucks your transport cost keeps moving with the market and
it is important to note that the logistics costs have
significantly increased over the last one and one-half year,

Thank you.

MR. BENEDETTO: Thank you all very much.

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

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

MS. CATALANO: Okay and I guess if you can maybe
follow-up in a post-hearing brief about what you think about
that and so you talked about the difference between the
spheres and the cylinders and are you able to get as price
premium or will they have a cylinder and I heard some of the
other producers say that they also had sphereres.
MR. PORTER: This is Dan Porter again with all due respect you are isolating one thing and saying can something happen okay so if everything results the same then logically they would get a price premium because it is getting an extra advantage but at the same time as you are making this sphere which is giving a benefit, you are also having lower cost because of the new technology so again you have both things going on and that's why it is a little hard to sort of disentangle and say can you quantify this advantage specifically.

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

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

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

MR. RAJVANSHI: Anil Rajvanski from Reliance Industries. Actually the cost of property is not 75% it varies from 80 to 85% and then on top of it about 8 to 9% depending on the market price of the product which is commission cost. Normally it is like a hundred dollars
which is a minimum commission cost. We just cover the cost. So we balance -- it is just 7, 2 compared to 7%. I think that much for leverage, the producer always have.

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

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

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

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

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

MS. ESSERMAN: Yes it is.

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

MR. FISHBERG: Okay are you aware of any related party issues in this investigation or do you agree that the
domestic industry should be defined as all U.S. producers of PET resin?

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

MS. LEVINSON: We do agree with that.

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

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

MS. MENDOZA: Julie Mendoza we will certainly address all of them in our brief but what I would say I
think it is very important to keep in mind overall import levels from 2002 through until today and if you look at it imports have played a very consistent and a small presence in the U.S. market over that entire period but we will also talk about what was true in 2002 and what is true today.

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

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

MS. ESSERMAN: Susan Esserman for the record. I have finally done a Mr. McClure. There are many fundamental conditions of competition that pertain today. First and foremost as the Commission found this industry has an overwhelming share, continues to have an overwhelming share of the market and that is fortified by the fact that they use and we heard this from a number of the witnesses this morning, they use their Mexican supply to supply the U.S. market so it is very important when you are looking as the Commission did before when you are looking at the strength of the U.S. industry that you look at that in conjunction with this ability to control the Mexican exports.
The fact that in the last case that factor was there was segmentation of the market that continues to be the case we heard about that. There's a lot of discussion about that in this panel but in the earlier panel as well. The fact that there are substitutes, glass and aluminum was also a fundamental factor there.

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

And I guess what I would say finally well you know what I'm going to live with that. That is not an exhaustive list but that is you know the core of it and the fact that the industry was quite strong then and I would argue even stronger now. The consolidation has given them strength in certain ways that they certainly did not have before and that they now have integrated production and a
little more access to PTA and another condition of
competition from the Commission's decision was large buyers
are in a position to have greater leverage with their --
with their large buyers.

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

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

Number two they stated at that time that they
were so stretched in 2005 that they were cutting jobs and
they would never invest in the business until the business
is enough profitable to do so. Come on. They are going to
invest one billion dollar now, the income is such now it was
declared by one of the officers of M&G publically that they
are going to swap --- sorry sweep all the imports because they are going to be -- they would maintain all the business here.

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

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

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

MR. FISHBERG: Thank you I appreciate those comments. I guess on the differences in the domestic industry from 2005 we heard a customer this morning that the domestic industry closed some plants during the period, does
anyone have any thoughts on the reasons why the domestic industry closed those plants?

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

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

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

So for example one of the domestic witnesses today said well when we add capacity and we retire you know our data capacity it is a little lumpy but we think in a five year period we are going to be able to utilize that capacity in the U.S. market and I can tell you that those are the same things we are hearing from our client in China that if you build capacity it is because you are looking at a five year time frame where you are going to have that capacity in place and market growth is going to be able to use it because it takes a while to do it.
So I think we actually all sort of agree that the additions of capacity are a positive development in this industry as Mr. Gurley said and what it really confirms is that they understand to be worldwide competitive they have got to get rid of these outmoded facilities, you know close them down and run these new operations right?

MR. FISHBERG: Thank you. This morning I mentioned again in the 2005 determination the Commission made a finding that there was overcapacity in the North American market and yet I think in this panel I was hearing about shortages and supply so is it capacity is it shortage of supply?

MS. MENDOZA: Well that's a very good question, Julie Mendoza that is a very good question let's make it official. You know what going and it's important because what is going on is you have short-term problems like with fires and the facilities okay that you heard from all of the witnesses, so you have these short-term situations where imports are coming in because you have got outages at BP and the other ones that we talked about so that is going on on a temporary basis so we are looking at time periods for that.

When we talk about building capacity what we mean is that they are building it for the normal times. I mean you are going to have outages and problems and things like that and they encounter them during the period but you know
in terms of the capacity -- the capacity is going to be
there the question is then is it fully competitive state of
the art capacity?

MS. LEVINSON: Liz Levinson in Canada I think you
will see from our questionnaire responses that are operating
as Mr. Jones said at almost full capacity at this point and
in fact if you are familiar with the Department of
Commerce's standards for critical circumstances I was
reviewing them with a client in saying that you basically
you could not or you should not increase your exports from
Canada by more than 15% over a certain period of time and
they said we don't have the capacity to come anywhere near
increasing 15%.

MR. ALARCON: Joseph Antonio Alarcon from
Selenis. I want to refer myself to not to our own data. So
the communication and you will have post-hearing statement
we will make. We are some of them precisely PCI that's no
summary running the higher capacity in the globe average
number one. Number two North America is short of product so
it will have to import product USA product from abroad.

Number three the situation will remain up to 16
even mid-17. I don't if the capacity due to the situation
is right or not but I think I will refer to this statement
in order to make the operate to both conclusion.

MR. FISHBERG: Would you agree with the
statements made this morning that this is a capital
intensive industry and that the higher levels of capacity
utilization are to be expected throughout the industry? You
are nodding, yes?

MR. ALARCON: Yes.

MR. FISHBERG: Okay are you aware of any
documents instances where the domestic industry has been
unable to supply customer or a customer has rejected product
from the domestic industry?

MR. ALARCON: Yes they have cases where we have
been called by customers that they have as short supply and
asked us to supply and we have in most of the cases reject
because we don't have the product.

MR. FISHBERG: Do you have anything that you
could provide sort of documenting anything would be helpful
on that if anyone has anything to that.

MR. BEHM: Dale Behm, Pacific Rim. That recently
happened on the west coast because of the west coast lawn
shoreman slowdown where imports were really, they couldn't
get it off the ships. At the Pacific Rim we literally ran
out of product, we didn't have any because we couldn't get
it off the ships, I am not sure if you are totally aware of
what happened on the west coast ports but you couldn't
unload a ship for months. And if so they are still
recovering today.
MR. ALARCON: And you know sir some of the cases where this happened people don't want to number one put understanding in writing so they normally call you by phone and I normally don't recall my phone so I know they call and I know who they are but I cannot make out a statement. I have to ask them and they are willing to declare but this is all I can do.

MS. LEVINSON: Liz Levinson just to add with what Jose Antonio said. At least one instance as he recounted to me a customer called and said they were trying to source product from the domestic industry and they were told that the domestic industry did not have any supply to provide them and we can put it in an affidavit, we can give you the details in the post-conference brief.

MS. MENDOZA: Julie Mendoza, I just want to -- I think that's good for them to add that I just want to be clear though that I think our position is that imports have played a pretty consistent role in this market and that there is sufficient U.S. capacity in the market, obviously it has outmoded, they are taking it down, but the fact of the matter is we think that what has had an effect on this market and again these are short-term effects is more the PTA's supply with these buyers so that people just couldn't obtain the raw materials for a period of time.

So it wasn't a capacity issue it was an issue of
having the raw -- the unfortunate of having the raw
materials. I just want to be clear about that I mean we are
saying that there were temporary phenomenon in the domestic
market that may have caused imports to increase, primarily
because people couldn't get the raw material not because of
capacity issues.

MR. RATHORE: Gautam Rathore, Dhunseri. I would
like to say what Julie is saying in fact there have been
several occasions historically where domestic producers have
not been able to provide enough resin to converters. It may
because of post measures or because of many other reasons.
In fact that is well documented in many publications which
are published in the industry.

In fact I would just like to cite one instance
where there was a Katrina, a hurricane, and during that time
several PET plants were shut down and if you wanted to buy
PET you would have to pay as high as 30 cents premium just
to get the material so I think that's important for the
Commission to know thank you.

MR. FISHBERG: Thank you. On the issue of
quality am I right to assume that basically if the price is
pretty much equivalent that's when the customers might
decide they have a preference for a certain type of PET
resin because they have familiarity with it, it's clearer,
is it sort of a secondary assessment then by customers or
are there instances where you know it's either this type of product or nothing.

MS. MENDOZA: This is Julia Mendoza just to clarify for one second. I mean we probably need to talk about market segments when we talk about that because I think the answer might be different in different market segments like hot fill. I mean they were telling me that you know each manufacturer of a hot fill product would need like a different qualification for a different temperature range is that right because what happens if for some reason the product doesn't meet that temperature requirement.

So I think we should answer your question but I think it would be important to talk about market segments, you know hot fill versus strap versus you know like water bottle, that kind of thing.

MR. FISHBERG: And you could answer segments again if you prefer to do it in post-conference brief because it will just be too lengthy at this time.

MR. BEHM: This is Dale Behm that's like why do you like Pepsi over Coke they are basically the same thing. Why do you go to a certain gas station and get gas here versus getting gas there they are basically the same thing and it comes down to preference and processability in many respects.

MR. JONES: John Jones for Selenis. I think the
reality is across a range of producers whether they be imported or domestic, there's a level of quality and service available to all customers without which you may be involved with a customer for the short term but not for long if they can get quality they can get service and I think we all wish we could find a way to find a premium price for those things.

But they are becoming given if you will is what I am saying so quality issues are quite costly and the buyers make their buying decisions across a whole range of attributes, again relationship, quality, price, service some variation in how the material performs in your particular system so it is difficult to attribute a buying decision to just one factor.

But the fact of the matter is in my experience it is very difficult to achieve a premium when I think the word fungible has been used a number of times today products for the most part are interchangeable so. I hope we have answered your question.

MR. FISHBERG: Was there anything more you can put in in the post-conference briefs that would be great and Mr. Jones I think you mentioned earlier and I don't want to put words in your mouth so correct me if I am wrong that there was an instance where you were bidding on a contract and you weren't willing to follow the price down so someone
at the table won the contract in this room.

Okay in this room but could you elaborate a
little bit more on what --

MR. JONES: Some of the larger and there was some
discussion by Mr. Freeman earlier about the emergence of
brand donors as purchasers of material as opposed to the
actual converters that take the material and turn it into
something and that is a trend and he was accurate in his
assessment of that trend. These tend to be extremely large
global brand owners whose goal frankly I think is to use
their size, their scale, their leverage to gain favorable
pricing for the raw materials that they buy.

A few of these have used very formal RFQ process
and they invite vendors to participate in this process. We
have done so recently with one of these major brand owners
that everybody knows and loves. But with the knowledge that
realistically as a small producer of PET that we had and
regardless by the way of our geographical position relative
to a small number of plants that made sense for us to
possibly supply.

We entered into this exercise with full
recognition that the changes of Selenis achieving share at
one of these plants might make sense from a geographical
point of view, that was almost non-existent and in a sense
we went through the process to kind of stay on the radar if
you will, just to be visible to them perhaps if you had a
spot need sometime subsequent to the RFQ then making a
decision around who would supply for the 2015 calendar year.

My comment was that we were very clearly notified
that we were not awarded any business based upon pricing
that we had submitted in this formal RFQ and that they are
buying hundreds of millions of pounds of PET elsewhere so
somebody is supplying them at a price that was literally
untouchable for some of us that was my comment.

MR. FISHBERG: Do you experience I mean is this
sort of an isolated incident or do you experience that a
lot?

MR. JONES: No, this was I think -- not everybody
is participating in this formal methodology of describing
pricing for a calendar year, in fact relatively you are but
they tend to be the very large skilled buyers in volume of
PET but I think it is an emerging trend because there is
software available, there are mechanisms available that is
going to make it easier for other companies to participate
in their buying decisions by this methodology so.

MR. GURLEY: This is John Gurley I just want to
mention something along with him is that a lot of people are
not participating in the three year contracts, two year
contracts or the usual shipment on a spot basis I think a
lot of the imports that you are going to find in this case
are not being targeted at Coca Cola, et cetera.

MR. GUILBAULT: Bruno Guilbault from Selenis Canada. There has been some case where we had contract with customers. When we got to the point to renegotiate the contract we were not even close to be -- we had to refuse the price that they were requesting because it was too low compared to what we had in the year previously.

So we have been facing that issue and in more than one place and this is something that we can bring into the post-hearing brief.

MR. FISHBERG: I appreciate that, I appreciate your comments. I know in the opening today you made mention of the fact that the domestic producers are big players in the PET resin industry and control I think a lot of the non-subject imports. Can you elaborate that and sort of how the Commission should view that fact, particularly again there seems to be a lot of control of Mexican imports coming into the United States.

Again what is your view on how the Commission should treat that aspect.

MR. PORTER: Do you want an answer now or would you like it in the brief?

MR. FISHBERG: If you have a short answer I'll take it now and you can expand on it in a brief.

MR. PORT: Dan Porter with Curtis. I guess very
simply okay our position is that every pound imported from
Mexico is a lost sale for another U.S. producer and so you
need to look at it like that. I mean how can the industry
say we have low capacity utilization yet as an industry we
are importing from ourselves? So and that's why in your
opening statement you must take that into account.

Okay so the Commission very much when they are
thinking about capacity utilization okay and when they are
thinking about voting effects they need to take into account
that the U.S. producers are making a choice, okay. M&G is
making a choice or the industry is making a choice to import
from Mexico rather than to fill back America's plants and
that itself is significant.

MS. LEVINSON: Mr. Fishberg Liz Levinson. We
intend to invoke the BRAT's argument and we will do so in
our post-conference brief but we think it is very relevant.

MS. ESSERMAN: I would also just add the
perspective of -- Susan Esserman for the record. I would
just add the perspective is that I think this situation is
actually even different, vis- -vis Mexico than it was in the
old case. U.S. producers and their affiliates own 100% of
the production and so they control all of the Mexican
imports that have come into this country and so when you are
looking and assessing the significance of these imports you
have got to look at the U.S. industry as not only their
shipments here but their Mexican shipments, because they are one and the same and that was a fundamental condition of competition that the Commission found in the old case that they -- beyond their production region is integrated and now it is very clear, it is very clear from the comments this morning and the panel this morning, from the public statements of M&G and others so I would just want to echo what Mr. Porter said which is it is bizarre to hear about low capacity utilization when they are choosing to supply from Mexico.

That is because they are looking at it as an integrated operation and that is why the Commission rightly noted that and used that in evaluating the significance of the imports and the strength of the domestic industry.

MS. MENDOZA:  This is Julia Mendoza I would just add that we agree that in terms of looking at imported subject import market share we have to take into account the impact of Mexico.  I think the other important fact to take into account is to look at how much Mexico increased in 2014.  I mean I think what that tells you because they increased in line with the other -- some of the other subject countries or subject countries overall I think that tells you something about these other factors that were going on in 2014 in terms of the PTA fires and that kind of thing.
So I would just add that.

MR. ALORCON: Jose Antonio Alarcon from Selenis.

For me it is very difficult to understand this case. Why is Mexico different than Canada, we are connected by rail cars. Whatever interest in some of the Petitioner because as a whole market when data are not interested they segregate this side of the other. I say we can bring in the post-conference that every time what happened is when Canada disappear, Mexico take over.

So I think this is a way to prefer the import from Mexico and Canada in replaced, it is nothing but that so I think and this in addition to the fact that economic condition now gives them the privilege to invest more than 1 million dollar make a huge difference.

MR. FISHBERG: Thank you everyone for your comments. Miss Levinson if you want you can come to the federal circuit on May 8th we will be discussing -- I'll be discussing with that in terms of non-attribution, so -- it should be enlightening for all of us.

Anyway I have no further questions for this panel and I look forward to reading your post conference briefs thank you very much.

MR. MCCLURE: Seriously David looks forward to reading post-conferences.

MR. FISHBERG: Anyway.
MR. MCCLURE: The next questioner will be Betsy Haines.

MS. HAINES: Betsy Haines. I only have two quick questions. One Mr. Porter talked at length about the technology. How recent is that technology and how widespread is it?

MR. PORTER: Again I can say what I know as we mentioned in the statement. I believe it is relatively recent somewhere around 2009 or so and our information is that there is one U.S. producer who is not a Petitioner that uses the technology and that is the only one in the United States that has production in the United States that uses that technology.

MR. RATHORE: This is Gautam Rathore from Dhunseri Petrochem. In fact Octal was the first producer to use NTR technology and since then there are several of the plants which have used it of course in the Alabama plant is using that technology. There is one producer in Russia using it, one producer in India using it and there's one producer in Belgium also using that, thank you.

MS. HAINES: Should we assume that the new plant being built by the domestics will be the two arc technology?

MR. PORTER: I don't know that answer.

MS. HAINES: You can find that out post-hearing.

The new technology does that lead to new applications for
PET resin?

MR. PORTER: We will answer that question in our post-conference. I can't -- I have no knowledge of that.

MS. HAINES: Mr. Behm, earlier in your testimony you were talking about the top tier and then the second tier you referred to being niche markets, what are those niche markets?

MR. BEHM: They will be when I talk about tier one and I am talking about the large converters, producers. There's a number of large companies and brand owners that are tier one. And in tier two it is much smaller companies that may have two or three plants or they may only have one and they are rather small.

MS. HAINES: So they are doing the same thing as the top tier but they are just smaller?

MR. BEHM: They are just much smaller.

MS. HAINES: Okay got it okay, that's all I have thank you very much.

MR. ALARCON: Can I make a comment to some question you made this morning it's Jose Antonio Alarcon from Selenis.

MS. HAINES: Sure.

MR. MCCLURE: Non from this morning you can do that post-conference okay. Okay I want to thank the panel for the presentation and especially responsiveness to
questions. It's the market participants both for Respondents and Petitioners where we get the real story of what's going on in the industry.

Not that we don't get the real story from the lawyers but anyway. I know staff has some outstanding requests from data if you have those please get those in, we are only as good as the data we get, that is the single most important thing you can do.

I think there is a fairly wide array of requests out there for revisions and some I think still need to get the original information in. I would add to the list of things you usually don't see in a transcript the term Groundhog Day used by my colleague Mr. Fishberg and now we will turn to the closing arguments each side has 10 minutes each. I don't -- we can take a 5 minute break or Paul if you guys are ready to go, okay we will do that.

MR. McCLURE: Mr. Rosenthal is back with more Passover lessons.

MR. ROSENTHAL: I'll try not to disappoint Mr. McClure.

A couple of quick points I wanted to just get on record. First contrary to what you heard by respondents, the U.S. producers that you heard from this morning have experienced no supply constraints due to the BP force majeure. Each one of them has been able to meet their
customer needs without delay. We'll provide more
information for you in the post-hearing brief, but as you
heard earlier, DAK supplies its own PTAs and wasn't even
affected by the BP issues and the other companies did justine supplying their customers on a timely basis. So that
is a red herring.

MR. McClure: Excuse me, could you speak a little
more directly into the mike, they're having trouble hearing
you in the back.

MR. ROSENTHAL: I think that's wishful thinking
on their part.

The raw material cost declines, you haven't heard
from the respondents, is that the prices in the market are
decreasing faster than the raw material costs are declining
which suggest that there's something else going on other
than the decline in raw material costs.

I was happy to hear that Selenis confirmed the
importance in price. There was a finding from the earlier
proceeding and it's still true today. There was a lot of
talk about so-called "market segments" but there is a single
like product and they all confirmed that view. The
Commission found in 2005 that the alleged segments are all
within the same range, same process, same product, et
cetera, just as the Commission found, then you should reject
this notion of market segmentation. In fact, there are
certain statements about what the Commission found earlier
that were totally contrary to the record in that case.
We'll talk more about that in our post-conference brief.

    Indeed, it's very interesting that the
respondents want to talk about the previous finding ten
years ago when it's convenient. But when there are facts
that were inconvenient in that case they totally ignore it.
Facts involving cumulation, facts and findings involving the
primacea price. They were completely forgotten when the
respondents harkens back to the good old days.

    In fact, now I'll go back to your Passover theme,
Mr. McClure. Respondents seem to think that the facts that
the Commission found ten years ago are the same today. They
think that this document is set in stone, in tablets. It's
paper and the facts have changed. They're like the
Pharaoh's army, they marched into the dry seabed chasing
after the Hebrews and all of a sudden the water came in.
Look the facts have changed. And that happened suddenly.
We're talking about ten years ago. And there are certain
facts that have changed dramatically. Let's go quickly
through those.

    By the way, I just want to say one more thing,
the respondents are conflating or confusing M&G with the
industry. M&G represents a relatively small portion of the
industry and their decisions about whether to import from
Mexico or ship from their U.S. facility is their decision.
I keep hearing about the M&G -- sorry, the industry's plans
to expand, it's M&G, one company. Don't confuse M&G with
the entire industry, please.

Okay. So what happened? Before in the previous
case raw material costs were increasing. In this case, in
this period of investigation, they are declining. In the
previous case the contracts didn't allow for adjustments for
prices due to increasing raw material costs. In this
period of investigation the contracts do in fact do that.

In the previous case the U.S. added capacity in
the period of investigation, while apparently the domestic
consumption increased by less than the added capacity.
Here, U.S. consumption rose while domestic production
capacity declined.

Demand in the last time was seasonal.
Seasonality has disappeared.

In the last case subject imports decreased in
absolute and relevant terms in the latter half of the period
of investigation. The opposite is true today. Every key
factor that the Commission hinged its decision on last time
is different today. Nonsubject imports were greater than
subject imports. Here Canada is part of this case and a
very important part. That wasn't true in the last case. So
these facts are very, very different in fundamental ways
that should change the total outcome of this case. They may want to hearken back to a few facts that they think are the same, but the most important things about this period of investigation are ones that should result in a totally different outcome in this case.

By the way, one last thing. It's almost -- some of the exaggerations I heard earlier were somewhat comical. I was supposed to be jumping up and down at certain arguments or I think one of the claims was that the imports were sinister somehow, the imports from Oman. No, I'm not jumping up and down, I'm not the Easter Bunny. I don't want to introduce another holiday for Mr. McClure to be too complicated. But this is a case about nothing sinister. It is not a case about who is the most efficient. It's a case about whether imports from these sources are underselling the U.S. industry, and they're doing so by using dumping and subsidization. It's that simple. We're not demonizing anybody, and we're also not suggesting that it's only the U.S. industry's market. Subject imports could be here as long as they don't dump and subsidize.

As I said before, we're not after non-subject imports or imports that are not undercutting the market and cost the price suppression and depression that this industry has experienced. If you took a look at that chart about operating income, you will understand precisely why we're
here. And none of the explanations that the respondent gave accounted for that great price decline -- or excuse me, that great profitability decline. None of them.

So I urge you, when you look at this record to write a good report and urge that the Commission find affirmatively in this case.

Thank you.

MR. McCLURE: Thank you, Mr. Rosenthal. We'll add Easter Bunny to the list of phrases rarely heard.

MS. MENDOZA: Julie Mendoza on behalf of respondents. Well, I would suggest to Mr. Rosenthal that if our argument about the supply from BP is a red herring that I haven't heard an explanation of why imports from Mexico increased so much in 2014 and I think that's a very important question.

Secondly, on the issue of raw material costs there are limited amounts I can say in this, but we believe that there are significant differences among the U.S. producers particularly in the amount of decline in raw material prices at the beginning of the period and at the end of the period. And that if you look at those, it may have to do with the structure of those producers and we'll get into more detail of that in our post-hearing brief.

He says M&G is just one member of the U.S. industry. The reason we focused on them is with their
capacity expansions, they're going to expand U.S. capacity
by one million tons. So I think what they are saying about
what's going on in the industry is very relevant and very
significant. And the Commission has to take that into
account because it's the industry's own analysis of what's
going on in the market that occurs outside of this hearing.

I frankly don't see these great profitability
debts that Mr. Rosenthal is talking about. I think
actually if you look at what happened in terms of exports by
this industry, obviously everybody knows the U.S. dollar is
very strong, a lot of the industry exported to Latin America
the dollar has had a big effect on that. You have to look
at what's happening in their data on their profitability, on
their capacity utilization, on their shipments, and you have
to take into account how much of that is attributable to
exports or the lack thereof at the end of the period versus
their shipments.

So I think that there are some very fundamental
issues at play here and, you know, we're very encouraged
because the Commission has obviously asked us a lot of
questions today and we intend to fully address them in our
post-hearing brief.

Thank you very much.

MR. McClure: On behalf of the Commission and the
staff I would like to thank the witnesses who came here
today as well as the counsel, for helping us gain a better understanding of the product and the conditions of competition in the polyethylene terephthalate resin industry.

Before concluding I want to mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of the post-conference briefs is Friday, April 3rd. If briefs contain business proprietary information, a public version is due on Monday, April 6th. The Commission has tentatively scheduled its vote on these investigations for Thursday, April 23rd and it will report its determinations to the Secretary of Commerce on Friday, April 24th. Commissioners' opinions will be issued on Friday, May 1st.

Thanks for coming, the conference is adjourned.

(Whereupon, at 2:24 p.m., the conference was adjourned.)
CERTIFICATE OF REPORTER

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INVESTIGATION NOS.: 701-TA-531-533 and 731-TA-1270-1273

HEARING DATE: 3-31-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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