

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
SEAMLESS REFINED COPPER PIPE AND
TUBE FROM CHINA AND MEXICO

) Investigation Nos.:
) 731-TA-1174 AND 1175
) (REVIEW)

Pages: 1 - 184
Place: Washington, D.C.
Date: Tuesday, October 11, 2016



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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
SEAMLESS REFINED COPPER PIPE AND) 731-TA-1174 AND
TUBE FROM CHINA AND MEXICO) 1175 (REVIEW)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, October 11, 2016

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Vice Chairman David S. Johanson

6 Commissioner Dean A. Pinkert

7 Commissioner Meredith M. Broadbent

8 Commissioner Rhonda K. Schmidtlein

9

10

11 Staff:

12 Bill Bishop, Supervisory Hearings and Information

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17 Karl Tsuji, International Trade Analyst

18 John Giamalva, International Economist

19 Jennifer Brinckhaus, Accountant/Auditor

20 David Goldfine, Attorney

21 Douglas Corkran, Supervisory Investigator

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24

25

1 Opening Remarks:

2 In Support of Continuation of Orders (Jack A. Levy, Cassidy

3 Levy Kent (USA) LLP)

4 In Opposition to Continuation of Orders (Jeffrey M. Winton,

5 Law Office of Jeffrey M. Winton)

6

7 In Support of the Continuation of Antidumping Duty Orders:

8 Cassidy Levy Kent (USA) LLP

9 Washington, DC

10 on behalf of:

11 Cerro Flow Products, LLC

12 Wieland Copper Products, LLC

13 Howell Metal Company

14 Mueller Copper Tube Products

15 Mueller Copper Tube Company, Inc.

16 Michael Pfeiffenberger, General Manager, Precision Tube

17 Company, LLC

18 Steffen Sigloch, President - Extruded Products, Mueller

19 Industries, Inc.

20 Thomas G. Baker, Chief Executive Officer, Wieland

21 Copper Products, LLC

22 Jack A. Levy, Jonathan M. Zielinski and Ulrika K.

23 Swanson - On Counsel

24

25

1 In Opposition to the Continuation of Antidumping Duty

2 Orders:

3 Law Office of Jeffrey M. Winton

4 Washington, DC

5 on behalf of:

6 Nacional de Cobre, S.A. de C.V. ("Nacobre")

7 Ramon Elorriaga, Commercial Director, Metals, Division,

8 Nacobre

9 Jeffrey M. Winton and Daniel E. Parga - Of Counsel

10

11 Rebuttal/Closing Remarks:

12 In Support of Continuation of Orders (Jack A. Levy, Cassidy

13 Levy Kent (USA) LLP)

14 In Opposition to Continuation of Orders (Jeffrey M. Winton,

15 Law Office of Jeffrey M. Winton PLLC)

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1 PROCEEDINGS

2 9:33 a.m.

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

5 CHAIRMAN WILLIAMSON: Good morning. On
6 behalf of the U.S. International Trade Commission, I welcome
7 you to this hearing on Investigation No. 731-TA-1174, 1175,
8 a review involving Seamless Copper Pipe and Tube from China
9 and Mexico. The purpose of these five year review
10 investigations is to determine whether revocation on the
11 anti-dumping duty orders on seamless refined copper pipe and
12 tube from China and Mexico will be likely to lead to
13 continuation or a recurrence of a material injury within a
14 reasonably foreseeable time.

15 The schedule setting forth the presentation
16 of this hearing, Notices of Investigation and transcript
17 order forms are available at the public distribution table.
18 All prepared testimony should be given to the Secretary.
19 Please do not place testimony directly on the public
20 distribution table. All witnesses must be sworn in by the
21 Secretary before presenting testimony. I understand that
22 parties are aware of the time allocations. Any questions
23 regarding the time allocations should be directed to the
24 Secretary.

25 Speakers are also reminded not to refer in

1 their remarks or answers to questions to business
2 proprietary information. Please speak clearly into the
3 microphone and state your name for the record for the
4 benefit of the court reporter. If you will be submitting
5 documents that contain information you wish classified as
6 business confidential, we request you comply with
7 Commission Rule 201.6. Mr. Secretary, are there any
8 preliminary matters?

9 MR. BISHOP: Mr. Chairman, I would note
10 that all witnesses for today's hearing have been sworn in.
11 There are no other preliminary matters.

12 CHAIRMAN WILLIAMSON: Very well. Let us
13 proceed with opening statements.

14 MR. BISHOP: Opening remarks on behalf of
15 those in support of continuation of the orders will be given
16 by Jack A. Levy, Cassidy Levy Kent USA.

17 CHAIRMAN WILLIAMSON: Okay. Welcome Mr.
18 Levy, and you may begin when you're ready.

19 OPENING STATEMENT OF JACK A. LEVY

20 MR. LEVY: Thank you Mr. Chairman,
21 Commissioners. It's good to be with you this morning.
22 Again, this is Jack Levy from the law firm of Cassidy, Levy,
23 Kent on behalf of Cerro Flow Products, Wieland Cooper
24 Products and the Mueller group of companies, all domestic
25 producers of copper tube. In November 2010, this Commission

1 issued a unanimous affirmative determination in its
2 investigation of copper tube from China and Mexico.

3 In reaching its original affirmative
4 determination, the Commission observed tangible
5 post-petition effects in 2010. Subject import volumes and
6 share had decreased, and U.S. industry share had improved.
7 With respect to price, it's important to note that
8 conversion revenues, that is to say the FOB price, excluding
9 the metal costs, sometimes referred to as the FAB charge.

10 These conversion revenues recovered in
11 response to the case and have remained relatively stable
12 since that time. Consistent with these trends, the U.S.
13 industry has been able to keep its head above water
14 throughout this period of review. Operating profits
15 remained relatively stable in this industry, in the 2.4 to
16 3.8 percent range. Jobs increased by roughly ten percent,
17 and U.S. producers have continued to make significant
18 investments in their plants and in their products. These
19 improvements would not have been possible without the
20 anti-dumping orders.

21 Now notwithstanding these improvements, the
22 U.S. industry is vulnerable, and if the orders were revoked,
23 it's likely that material injury would ensue within a
24 reasonably foreseeable time? Why? Capacity utilization in
25 the U.S. industry remains low, in the 50 to 55 percent

1 range. This means that every incremental pound of volume
2 lost has a significant impact on per unit cost, and the
3 unused capacity in China and in Mexico is so large as to
4 stupify the mind.

5 It's easily enough to supply well more than
6 half of the entire U.S. market, and more capacity is being
7 added as we speak. In terms of relative price levels, the
8 U.S. is an attractive market for these Chinese and Mexican
9 companies, and they have every incentive to buy their way
10 back into the U.S. market at dumping rates which, according
11 to the Commerce Department, would be as high as 61 percent
12 for China and 28 percent for Mexico if the orders were
13 revoked.

14 As we will explain during our panel
15 presentation, the case for continuation of the orders is
16 clear. Major Chinese and Mexican producers, including
17 Golden Dragon, IUSA, Hailiang and Luvata apparently
18 recognize as much, as they have not even bothered to show up
19 today. The lone voice of opposition is Nacobre. We
20 welcome Nacobre to the conversation here today, because Mr.
21 Winton is sure to provide a thoughtful presentation, and
22 also frankly because it provides us with a foil for
23 presenting our arguments and our affirmative case. Thank
24 you so much.

25 CHAIRMAN WILLIAMSON: Thank you.

1 MR. BISHOP: Opening remarks on behalf of
2 those in opposition to continuation of the orders will be
3 given by Jeffrey M. Winton, the Law Office of Jeffrey M.
4 Winton.

5 CHAIRMAN WILLIAMSON: Welcome Mr. Winton.
6 You may begin when you're ready.

7 OPENING STATEMENT OF JEFFREY M. WINTON

8 MR. WINTON: Thank you. I'm Jeff Winton of
9 my own law firm, here today on behalf of Nacobre. It's a
10 little hard to start. I used to -- I appreciate Jack's
11 compliment that I would make a thoughtful presentation. I'm
12 not sure I will live up to it. But I have to say, I find
13 this a strange case. I've been working in this area for
14 more than 30 years now, and this is one of the stranger
15 ones, because I can't tell who's on which side of this case
16 without a program.

17 Now on one side you have Mueller, which
18 owns Howell, I think, so they're two of the U.S. industry.
19 They've produced in the United Kingdom and Canada. I missed
20 that in our prehearing brief. They own something called
21 Great Lakes Copper. They produce in China, and they produce
22 in the United States. You have Wieland, produces in
23 Austria, Germany, the United States and maybe other
24 countries. It's a little hard working from websites to
25 tell who's producing what where. It's not entirely

1 transparent.

2 But that's the Petitioners. Then on the
3 so-called Mexican side, you have Golden Dragon, which
4 produces in China, in Mexico and in the United States. You
5 have Luvata, which produces in China, Mexico, Finland,
6 Thailand and the United States. You have IUSA, which as far
7 as we can tell mostly produces in the United States. They
8 do have production in Mexico but it's kind of moribund right
9 now, and then you have Nacobre, which in our view is
10 actually the only Mexican producer because we produce in
11 Mexico and that's all. Ramon Elorriaga will tell you some
12 more later about Nacobre and its sales.

13 So that's on the production side. You
14 can't tell who's who because everyone except for Nacobre is
15 a U.S. producer and a foreign producer. The customers, well
16 there's the plumbing segment, the construction segment, and
17 that's in the United States. The other segment, the
18 so-called industrial segment, things like refrigerators, air
19 conditioners, well that's mostly in Mexico now, you know.

20 It's been going on for decades. Mr. Levy
21 can tell you more about this than I can because his client
22 Whirlpool, who you've seen before, is one of the biggest
23 producers of refrigerators, maybe the biggest producer of
24 refrigerators in Mexico and the trend has continued, and has
25 nothing to do with copper tubing.

1 Incidentally, it's our understanding that
2 in the Mexican market right now, the lowest priced supplier
3 of copper tubing is Mueller, who is complaining about dumped
4 imports from Mexico but is actually undercutting the Mexican
5 producers in Mexico. It's a strange, strange case. The
6 last time you looked at this, you found no injury, only a
7 threat of injury, and with respect to Mexico, we submit that
8 there's no reason to find that there's any injury or threat
9 of injury, or that there's any likelihood of continuation or
10 recurrence.

11 The U.S. producers, Golden Dragon, Luvata
12 and IUSA, if they were to increase their sales from Mexico
13 it would mean cannibalizing their U.S. sales, and maybe they
14 would do that. I don't know. That's a corporate decision.
15 It has nothing to do with dumping. Just like Mueller would
16 produce in the UK or Canada or China or wherever they want
17 to supply their customers in Mexico or other countries,
18 these are corporate decisions and I don't think the
19 anti-dumping law is the tool or has the means to address the
20 problem.

21 As for Nacobre, well let me say Nacobre is
22 a great producer of copper tubing and we've produced, as I
23 understand it, a full line of products we produce and sell.
24 I shouldn't say we. They produce and sell in the plumbing
25 market, in the industrial market in Mexico. But with

1 respect to the U.S. market, because of their commitment to
2 Mexico, they're really not a major player in the U.S.
3 market. They're focused on small niches, profitable
4 niches. They've continued to sell with the anti-dumping
5 order in place. They will continue to
6 sell regardless of what you do. They've been selling in the
7 U.S. market for decades without hurting anyone. This case
8 was not brought because of Nacobre. It was brought because
9 companies like Golden Dragon and Luvata invested in Mexico
10 and scared the U.S. industry into filing a case against
11 Mexico when the real concern seems to have been China, and
12 we are kind of the victims, we feel, of this.

13 So as I said, it's a strange case. It
14 doesn't fall into your normal mode of analysis. When you
15 look at things like capacity as a big number, but when you
16 -- it may seem like a big number. It looks like a big
17 number. But when you drill down into what's really going on
18 in this case, I think you'll find that for Mexico at least,
19 there's no threat, no likelihood of recurrence or
20 continuation of injury. Thank you.

21 CHAIRMAN WILLIAMSON: Thank you.

22 MR. BISHOP: Would the panel in support of
23 continuation of the anti-dumping duty orders please come
24 forward and be seated?

25 (Pause.)

1 CHAIRMAN WILLIAMSON: I'm going to welcome
2 the panel, and Mr. Levy you may begin when you're ready.

3 STATEMENT OF JACK A. LEVY

4 MR. LEVY: Thank you again, Mr. Chairman.
5 For the record, Jack Levy from Cassidy Levy Kent. I'm
6 joined this morning from my colleagues from Cassidy Levy
7 Jonathan Zielinski and Ulrika Swanson. But more
8 importantly, our industry witnesses who are here today, Tom
9 Baker from Wieland Copper Products, Steffen Sigloch from
10 the Mueller group of companies, and Mike Pfeiffenberger from
11 Precision Tube.

12 Before we turn things over to our industry
13 witnesses, I thought it would be of some use to get levels
14 set and to remind us all about the conditions in the
15 industry that gave rise to the original affirmative
16 determination in the investigations, and what has been
17 happening during the POR from a data perspective, and then
18 turn it over to the industry witnesses to give you their
19 real world experiences on the ground. Maybe if we could
20 start by turning to Slide 2.

21 In the original investigations, let's look
22 at what we saw from data perspective. On the volume side,
23 subject import market share had increased 20 percent, even
24 as apparent domestic consumption was decreasing in this
25 period by 30 percent. This was the 2007 to 2009 period.

1 Commissioner Williamson, you were of course a participant in
2 the original investigation. Commissioner Pinkert, as I
3 recall, you were recused from the original investigation but
4 nonetheless a participating member of the Commission.

5 I think you'll both recall this was an
6 interesting period. We were in the midst of the recession
7 and the recovery therefrom. You saw a lot of cases where
8 demand was crashing in exactly this way, and it raised
9 challenges, I think, for the Commission to assess cause and
10 effect relationships between subject imports and the
11 condition of the domestic industry.

12 But in an environment where demand was
13 decreasing, subject import share was increasing markedly,
14 and at the same time when the petition was filed, it caused
15 an immediate response, where subject imports dropped by over
16 43 percent over the interim periods. Of course, there was
17 an associated improvement in terms of the share position of
18 the domestic producers.

19 On the price side, subject import
20 underselling in that case was admittedly mixed, which is not
21 unusual in a commodity case. But on a volume basis, more
22 than two-thirds of the volume was undersold. Subject
23 import prices fell by nearly 30 percent, then responded by
24 increasing more than 60 percent over the interim periods.
25 Now some of this is fluctuation of metal prices to be sure,

1 but the trend is measurable.

2 As I indicated in my opening statements,
3 the conversion revenues, that is to say once you set aside
4 the metal cost, which is intended to be a pass-through, the
5 FAB, you know, essentially the dollars that you're getting
6 for the fabrication of the metal into copper tube,
7 conversion revenues had plummeted around the time the case
8 was filed and improved measurably in response to the case.

9 So what was the impact, the injury that we
10 saw in the original Period of Investigation. Well, U.S.
11 companies were going bankrupt back then. Mills were closing.
12 Almost a 1,000 American workers lost their jobs, and income
13 in the U.S. industry fell by nearly 80 percent. It was
14 bleak set of circumstances. Those are the data.

15 Now if we turn to the next slide, here is
16 sort of a vignette from one of our industry witnesses in the
17 original investigation. It gives you sort of a real world
18 sense of what was happening on the ground for workers, and
19 if I can quote from Mike Flowers, who is a plant worker in
20 Alabama, he testified Wolverine, then a U.S. producer, felt
21 that it could not compete with the cheaper imports from
22 Golden Dragon.

23 So instead of producing copper tube, it
24 decided to start importing Golden Dragon products to sell to
25 its customers. About 440 plant workers and their families

1 were affected by this decision. He said "I deeply regret
2 that Wolverine gave up on us, and instead decided to begin
3 acting as Golden Dragon's distributor." Of course I'm under
4 no illusion that this anti-dumping case is going to restore
5 jobs in the Decatur mill. These jobs are lost permanently
6 forever. I am testifying before you today in the hopes that
7 you'll do things right, and create a level playing field for
8 other workers and protect what is left of America's copper
9 industry.

10 Well, the industry witnesses that you have
11 before you today are, you know, essentially representatives
12 of those mills that are left standing, and they're here on
13 behalf of U.S. manufacturers and U.S. workers. If we turn to
14 Slide 4, as Mr. Winton noted, the unanimous affirmative
15 decision of the Commission was one of threat, not present
16 injury. The Commission found that subject imports would
17 cause the industry to cede market share, that it would
18 likely experience adverse price effects through higher unit
19 cost, compressed margins and some price suppression.

20 That was all quite clear, and when the
21 Commission vote came out, I remember speaking with Mr.
22 Flowers, and he was befuddled why the Commission issued a
23 negative present injury determination. His initial reaction
24 was that the Commission somehow didn't believe him, that he
25 and his hundreds of co-workers had been injured. What I

1 tried to explain was it was the demand side. Demand was
2 down 30 percent and in this environment it was not unusual
3 for the Commission to ground an affirmative determination
4 based on threat.

5 There were a lot of affirmative threat
6 decisions in this period of time when demand was down, and I
7 explained that it was more of a causation issue. No one was
8 doubting the blood on the flood during the Period of
9 Investigation, and he appreciated that explanation. You
10 know, with the benefit of hindsight and now we are in the
11 first sunset review, the fact that it was a threat finding
12 is something of a blessing in disguise, because the
13 conditions that we see in the current Period of Review are
14 very similar to the conditions that supported an affirmative
15 threat vote, which is forward-looking in the original
16 investigation.

17 Just as, for example, cumulation is
18 discretionary in the context of a threat assessment, so is
19 cumulation discretionary in the context of a sunset review.
20 So that many of the facts that supported the affirmative
21 threat vote are very much the same in this case, and it
22 somewhat simplifies, I think, the analysis of the Commission
23 for purposes of this review.

24 So let's just talk a little bit about the
25 effect of the case, starting with volume on Slide 5. It's

1 quite striking. The volume of subject imports from the
2 filing of the petition in 2009 through the imposition of the
3 order in November of 2010 was quite striking. From
4 beginning to end, almost 120 million pounds of subject
5 imports disappeared from the market, and the presence of
6 subject imports from a volume point of view has been fairly
7 stable ever since.

8 Turning to Slide 6, you know in other
9 respects, the condition of the domestic industry has also
10 improved. As I mentioned, conversion revenues have
11 recovered since the trough in the POI, and has remained
12 stable ever since that time. That can be shown visually in
13 Attachment A to our prehearing brief, if you're interested
14 in looking at APO data. Operating profit, as I mentioned,
15 is stable. PRWs increased, and the orders have supported
16 reinvestment in American manufacturing.

17 Cambridge Lee in Redding, Pennsylvania
18 installed a cast and roll mill. Wieland completed
19 integration of its cast and roll technology and has made new
20 capital equipment investments at its North Carolina plant,
21 and you'll hear more from Tom Baker about that. Mueller for
22 its part has made significant new investments in Fulton,
23 Mississippi. Steffen Sigloch will speak to that, and Golden
24 Dragon has invested in a new plant, reportedly adding
25 upwards of 200 jobs in Alabama.

1 But turning to Slide 7, again the key point
2 here is that not all is swell. The domestic industry is
3 treading water. It's doing the right things. It's not
4 resting on its laurels. It's reinvesting in technology,
5 efficiency and workers adding jobs, but it is still quite
6 vulnerable. Now why? Well, China and Mexico are, by their
7 very nature, highly export oriented. The unused capacity in
8 China and Mexico equals more than half of U.S. apparent
9 consumption, and as we will testify, more capacity is being
10 added, significantly more capacity as we speak.

11 And the United States is an attractive
12 market. There are higher prices in the United States than
13 other potential export markets. The terms of sale in the
14 United States market offer greater liquidity for the
15 sellers. Canada and Brazil, two other important markets in
16 the Americas, already have AD/CUD orders in place, and it
17 goes without saying that Chinese and Mexican producers have
18 established relationships here on the ground, good channels
19 of distribution for penetrating the U.S. market.

20 From an underselling point of view, if you
21 look at what's going on in the Period of Review it continues
22 to be the case that when China and Mexico does participate
23 in the U.S. market, they do so with a healthy dose of
24 underselling. They access the U.S. market through price,
25 and again, it's a commodity product. We see mixed

1 underselling. Two-thirds of the volume being undersold,
2 almost the identical percentages from the investigation, the
3 record that allowed the Commission to issue an affirmative
4 threat finding.

5 And we think that the case on this record
6 in the period of review is if anything more compelling than
7 what you saw in the original investigation. So with that
8 introduction, I'd like to turn things over first to Tom
9 Baker from Wieland Copper Products, who will talk to you a
10 little bit more about the product, how it's produced and how
11 it's sold.

12 Thank you very much.

13 STATEMENT OF THOMAS G. BAKER

14 MR. BAKER: Good morning. My name is Tom Baker,
15 CEO of Wieland Copper Products. I had the pleasure of
16 meeting members of the Commission Staff recently when they
17 came to our facilities in North Carolina and I appreciate
18 the opportunity to be here today.

19 Wieland has two copper plants in the United
20 States, one in Pine Hall, North Carolina and another in
21 Wheeling, Illinois. In total we employ approximately 530
22 American workers at our facilities. I would like to focus
23 the first part of my testimony on the product itself, how it
24 is made and how it gets sold in the U.S. Market.

25 Copper tube is typically characterized as either

1 plumbing tube which is produced to a standard ASTM
2 specification or industrial tube which might also be
3 produced to a standard specification or OEM specific
4 standards. Copper tube comes in a wide variety of
5 dimensions depending on its intended use. There is hard and
6 soft tube in straight lengths and there is soft tubing sold
7 in coils. There is Oxymed tube for the transportation of
8 medical gases. There is also refrigeration service tube,
9 which is used for the conveyance of refrigerants. You also
10 have line sets which are coils of liquid lines and suction
11 lines with one or both being insulated.

12 As you can imagine, these varying forms of copper
13 tube are used in a wide range of applications. For example,
14 in the construction industry copper tube is used in
15 single-family homes at one end of the spectrum and then
16 hospital shopping malls, schools and large commercial
17 building at the other end. Not surprisingly,
18 smaller-diameter tubes are commonly found on the housing end
19 and larger diameters are found in commercial buildings.
20 There is a similar continuum of HVAC applications ranging
21 from residential air conditioning units in houses to large
22 chillers for office buildings and are specialty applications
23 such as ice makers, refrigeration cases and kitchen and bath
24 fixtures.

25 The point is that copper tubes are used in a wide

1 range of applications and there are no clear dividing lines
2 among them. We brought some samples to show you at any time
3 to explain that, to show that better. Sample 1, this sample
4 is a 1-inch type K plumbing tube produced by our domestic
5 competitor Cerro. You might find a product like this on a
6 shelf at your local Home Depot.

7 Sample 2 is a half-inch type L plumping tube,
8 similar to the first example except for smaller diameter and
9 a thinner wall. Sample 3 is also a half-inch tube and you
10 might think this looks exactly like the plumbing tube which
11 is in sample 2 and you would be right, but technically
12 speaking this is an engineered straight-length product to an
13 OEM specification. We call this commercial tube or
14 industrial tube.

15 Sample 4 is a coil sitting here. It's a 3/8-inch
16 diameter refrigerant service tube in a fifty-foot coil. It
17 is produced to an ASTM spec and sold in retail as well as
18 wholesale so most folks in the industry would call this
19 plumbing tube. If you had the same package as a larger
20 level wound coil and sold it to an OEM, we would treat it as
21 a commercial tube and call it smooth bore.

22 Finally, the last sample we have here is a small
23 piece of commercial tube from a level wound coil. This is
24 also 3/8-inch diameter same as Sample 4, but it is not
25 smooth bore. If you look carefully on the inside, you will

1 see that it is internally enhanced to optimize heat
2 exchange. This is also referred to as IGT or inter groove
3 tube.

4 Now, I would like to give you a brief overview of
5 the production process. There are three main steps to
6 producing copper tube. The initial step is called
7 prefabrication and this can be done using either an
8 extrusion press or a cast and roll process. Producers
9 typically use one or the other. Wieland in fact uses both
10 methods. The extrusion press involved vertical casting with
11 solid billets that are hot-work extruded while the cast and
12 roll process involves horizontal casting of a shell that
13 then is hot-worked through planetary rolling. In either
14 case, the prefabrication process results in the creation of
15 a mother tube and the remaining steps are the same for all
16 downstream products.

17 The second step is called intermediate
18 fabrication. It involves various indurations of cold
19 drawing to produce tubes in a variety of diameters,
20 thicknesses and lengths. The final step is finishing.
21 Here, producers use a variety of finishing methods to create
22 smooth bore level on coils, pancake coils, inter groove
23 tubes, smooth straight lengths or other types of copper tube
24 products. Ultimately the difference among all these
25 products are subtle and created by minor adjustments in the

1 manufacturing process.

2 The key point I wanted to make is that no matter
3 which prefabrication technology is used a finished product
4 manufactured to a given specification will always be the
5 same. Now let me describe the way copper tube is sold.
6 First, I should explain that there are four basic channels
7 of distribution in the United States. Mills, which sell to
8 a master distributor who in turn sell to a wholesaler;
9 mills, which sell directly to the wholesalers, mills which
10 sell directly to retailers and finally mills which sell
11 directly to original equipment manufacturers.

12 Nearly all plumbing tube sales are spot sales.
13 Bidding is generally based on a published price sheet which
14 is adjusted periodically to account for changes in a copper
15 metal cost and other market conditions. Usually, a customer
16 invites bidding for an estimated quantity of pounds and a
17 competition takes place on the basis of a negotiated
18 multiplier applied to that price list. Multipliers change
19 very frequently based on metal prices and head-to-head
20 competition among suppliers.

21 So the sales price is the list price times the
22 multiplier. To give you a simple example, if a product has
23 a list price of 5 dollars per foot and the winning bid is a
24 multiplier of 0.5 then the actual sales price to the
25 customer is \$2.50/foot. The sales process for commercial

1 tube generally involves annual contracts that specify
2 forecasted volumes for a 12-month period. Because sales
3 occur over an extended period and because copper prices are
4 often extremely volatile the metal cost is a pass-through
5 and competition occurs based on the fabrication charge
6 which is expressed on a dollar per pound basis.

7 Just to be clear, all producers pay the same
8 global prices for the copper metal. In other words, the
9 pricing process for plumbing tube and commercial tube
10 products is fundamentally the same and that metal price is
11 intended to be static among all producers. While the
12 competition occurs based on how much companies charge for
13 copper tube fabrication. This is the same regardless of
14 whether a customer purchased domestically produced tube or
15 an import.

16 Once copper tube is produced to a given
17 specification products from different sources are generally
18 viewed as interchangeable in the marketplace. This is
19 certainly true with products from China, Mexico and the
20 United States and is also true for other sources of supply
21 as well. At the end of the day, it's price that matters.
22 That is a big part of why we are so vulnerable to dumping
23 and why we would suffer if the orders were lifted. Prior to
24 the orders, Chinese and Mexican producers were dumping
25 significant quantities into the U.S. Market and threatening

1 further additional harm.

2 To unload large quantities of product, they
3 reduced their price with the result being lost sales,
4 reduced conversion revenues and mill closures. The orders
5 help to curb the large volumes of dumped imports and help
6 support the U.S. Industry's survival. Wieland for example
7 was able to complete the integration of its cast and rolled
8 technology soon after the orders were imposed as we were
9 able to further invest in plant equipment throughout the
10 period of review.

11 These investments would not be possible without
12 the orders. Assuming the orders are continued we plan to
13 make further investments in plant equipment in the future.
14 If the orders are revoked we fully expect Chinese and
15 Mexican producers to target the U.S. Market once again. The
16 large amounts of unused capacity are still there in China
17 and Mexico. In fact, we understand that Nacobre in Mexico
18 recently added capacity and Hailiang in China recently
19 announced a major capacity expansion.

20 Both Chinese and Mexican producers still focus on
21 exporting their product and the United States continues to
22 be an attractive market for Subject Imports for several
23 reasons. First, the U.S. Market is attractive because of
24 its size. Second, the relatively high market prices here in
25 the U.S. as compared with other markets. And finally, the

1 terms of sale in the United States are generally more
2 favorable, which means better liquidity for Chinese
3 manufacturers.

4 If the orders are revoked, I have no doubt the
5 Chinese and Mexican Imports will once again attempt to
6 capture U.S. Market share using the only tool they have by
7 undercutting the Domestic Industry's prices. Thank you for
8 your attention and I would be happy to answer any questions
9 you may have at the conclusion of our presentation.

10 STATEMENT OF STEFFEN SIGLOCH

11 MR. SIGLOCH: Good morning, my name is Steffen
12 Sigloch and I appreciate the opportunity to speak with you
13 today. I have been the President of the Extruded Products
14 Division at Mueller Industries for the past five years.
15 Before that I had Tom's job. I was the CEO of Wieland
16 Copper Products for eight years.

17 The Mueller Group includes such companies as
18 Mueller Copper Tube Company, Mueller Copper Tube Products,
19 Line Sets Inc., Howard Metal Company and Precision Tube
20 Company. The Mueller Group employs roughly one thousand
21 American workers in our copper tube manufacturing operations
22 around the country. I can tell you that many of those
23 workers owe their jobs to the existence of the Anti-Dumping
24 Orders.

25 In fact, as one of the original Petitioners in

1 this case and the largest Domestic Producer, Mueller has a
2 very informed view of the U.S. Market, the effect of the
3 Anti-Dumping Orders and how Domestic Producers would be
4 effected if the Orders were revoked. Before the orders were
5 imposed, the U.S. Market was suffering because of dumped
6 imports from china and Mexico. We saw huge volumes of
7 low-priced imports from China and Mexico and enormous
8 amounts of unused capacity in those countries which
9 threatened to increase exports even further.

10 We saw Domestic prices being depressed as Chinese
11 and Mexican imports used underselling to gain market share
12 and prevent Domestic price increases. We saw customers
13 switching suppliers from Domestic Producers to Foreign
14 Imports based on their low prices. The antidumping cases
15 improved the situation measurably, even while the case was
16 pending we saw an immediate shift in market share away from
17 Mexico and China and to the Domestic Industry and our
18 conversion revenues that is the fabrication charge of the
19 metal cost, again to return to sustainable levels.

20 Another significant effect of the Orders was the
21 shifting of some foreign production to the United States.
22 In particular IUSA began supplying the U.S. Market almost
23 exclusively through its U.S. subsidiary Cambridge-Lee and
24 Golden Dragon opened a new factory in Alabama. This
25 shifting was easy because of existing relationships and a

1 strong familiarity with the U.S. Market.

2 I want to be clear that we welcomed Golden
3 Dragon's decision to invest in Alabama because we welcome
4 fair competition on a level playing field. You see, copper
5 tube is a commodity product. It's sold on the basis of
6 price meaning that customers will, for the most part, simply
7 buy from whoever sells at the lowest price. When we compete
8 against product made in China or Mexico by Golden Dragon or
9 IUSA, we would be competing against the dumped imports.
10 These companies have a track record of doing whatever it
11 took to gain market share in the United States. We were
12 losing in this unfair environment.

13 Now when we compete against Golden Dragon USA and
14 Cambridge-Lee, we are all playing by the same rules. The
15 orders created a more level playing field for Domestic
16 Producers and the American worker is the beneficiary. To be
17 sure, we continue to face competition from imports from
18 countries other than China and Mexico and those countries
19 increased their market share once China and Mexico shifted
20 their exports away from the United States.

21 These countries have not yet presented the same
22 threat as Mexico and China. In particular the pricing from
23 these countries is typically higher than pricing from
24 Subject Imports, even after China and Mexico came under
25 anti-dumping orders. You can see this price comparison in

1 the exhibit on the screen. As easy as it was for companies
2 to shift production from China and Mexico to the United
3 States, it would be just as easy for them to shift back if
4 the orders were revoked. With even larger amounts of unused
5 capacity than what was available during the initial
6 investigation period, it makes economic sense that Golden
7 Dragon and IUSA would shift production back outside the
8 United States so they can resume the dumping.

9 This is particularly true with respect to Mexico.
10 Mexico is right next door. In the past, Mexican Producers
11 have taken full advantage of that proximity to target the
12 relatively high-priced U.S. Market by adding capacity,
13 leveraging their relationships with U.S. customers and
14 selling at dumped prices to gain market share. Mexico
15 pivoted away from the United States because of the orders
16 but they continue to have the proximity, capacity and
17 relationships that enable them to injure as previously.

18 We know that Nacobre recently expanded its
19 capacity to add a cast and roll production line and if the
20 orders were revoked I have no doubt, none at all that
21 Nacobre would immediately start selling into the U.S.
22 Market. We also see companies like IUSA actively pursuing
23 business opportunities in the market place and I have no
24 doubt that IUSA as well as other Mexican producers like
25 Golden Dragon would also aggressively penetrate the U.S.

1 Market if the orders were revoked. Why? Because they have
2 so much unused capacity and because the United States would
3 be the most attractive market in the region for Mexico to
4 unload its production capacity.

5 The two other largest potential markets for
6 copper tube in the Americas, Canada and Brazil, have already
7 imposed Anti-Dumping Duty orders against Mexico. Mexican
8 producers would certainly take advantage of the U.S. Market
9 because of its size and relatively higher prices. If this
10 is allowed to occur, Domestic Producers would be harmed.
11 The same analysis applies to China. The unused capacity in
12 China is enormous and growing. In fact, Hailiang which
13 was the number two Chinese supplier in the original Period
14 of Investigation recently announced that it will be adding
15 enough capacity that it would be large enough to supply
16 almost the entire U.S. Market. Again, the U.S. prices are
17 among the most attractive in the world. The prices in China
18 by contrast are terrible. We know from our own commercial
19 intelligence that market prices in China barely allow you to
20 cover your variable costs so the Chinese would have every
21 incentive to enter the U.S. Market immediately at cut-rate
22 prices. Again, the result would be devastation for Domestic
23 Producers.

24 Finally, I would like to end my testimony by
25 pointing out one of the other important effects of the

1 Anti-Dumping Orders. The orders have given the Domestic
2 Industry the ability to reinvest tens of millions of dollars
3 in American Manufacturing. Mueller for example has
4 increased capital expenditures by many multiples since 2010
5 and we anticipate continuing to make these investments if
6 the orders remain in effect but we need a level playing
7 field to ensure that we can get a fair return on these
8 investments.

9 Thank you for your attention. I would be pleased
10 to answer any questions you may have at the conclusion of
11 our presentation.

12 STATEMENT OF MICHAEL PFEIFFENBERGER

13 MR. PFEIFFENBERGER: Good morning. Thank you for
14 the opportunity for allowing me to speak to you today. I am
15 Michael Pfeiffenberger. For the past six years I have been
16 the general manager of Precision Tube a copper tube redraw
17 mill located in North Wales, Pennsylvania. I'd like to talk
18 about the tube company a little bit, the significant effect
19 of the Anti-Dumping Duty Orders and what they have had on
20 our company and the adverse impact that would result if the
21 orders are revoked.

22 By the way of introduction let me first explain
23 that North Wales where our mill is located is a small town
24 of about three thousand people. Precision has been there in
25 business for 80 years and then at the location for the past

1 64 years. We may be part of the Mueller Group, but
2 Precision is not like a lot of the big corporations.

3 We employ about 100 people, members of the United
4 Steel Workers 6816-1 and a lot of our employees stay with us
5 for their entire career. It is not uncommon to find
6 employees with more than 40 years of seniority. We give
7 good people the chance to earn a good living so they can own
8 a home and send their kids to college. Some would call us a
9 niche producer. That's why I'm here. I read Nacobre's
10 brief and I was surprised by their assertion that they do
11 not threaten the U.S. Industry.

12 Steffen has already told you why Nacobre is not
13 really a niche player. Our experience has been that Nacobre
14 is very much a direct competitor and they threaten the
15 viability of our entire operation. Let me give you a very
16 real example of our experience competing against Nacobre.
17 In the years prior to the orders we were struggling to
18 compete with the low-priced imports from China and Mexico
19 and we often lost business to them.

20 Back in the 2009-2010 timeframe there was one
21 piece of business we tried over and over again to win. We
22 would bid lower and lower for the business at that
23 particular customer account but always told simply we were
24 not as competitive as Nacobre pricing. Once the antidumping
25 order on Mexico was put in place, we immediately won this

1 customer away from Nacobre at higher prices than were
2 offering just months before.

3 This customer has been our number one copper tube
4 customer ever since. We supply them with 100 percent of the
5 straight-length copper tube requirements. Before that, it
6 was sourced through Nacobre. Earning this customer saved
7 us. As a direct result of winning this business we added a
8 draw bench line and more importantly we added 17 plant
9 workers to our payroll.

10 I understand the Commission handles big cases and
11 17 jobs may not seem like much but in North Wales where job
12 opportunities are limited this is a big deal. Seventeen
13 houses in the North Wales area are much better off as a
14 direct result of this case. The effects of this business
15 are felt also beyond our factory walls. Because of adding
16 this customer, we added new suppliers for packaging, oils,
17 lubes, machine repair items, trucking and other items.

18 Again, all of this was because the orders stopped
19 Nacobre from undercutting our bids at every turn. The
20 Antidumping order forced Nacobre to stop dumping and with a
21 level playing field we were able to earn our number one
22 customer. Although this is our most dramatic story, we have
23 been seeing business stabilize with other key customers also
24 since the orders were imposed.

25 We have also seen recovery in our operations.

1 Production quantities and sales values are up, our capital
2 expenditures on averages are higher than they were in 2010.
3 We just recently invested in a significant upgrade to our
4 mill sprinkler system which we would not have been able to
5 do without the benefits of the orders. The orders had real
6 effect and our business would not be what it is today
7 without them.

8 However, despite these successes we are still
9 very vulnerable. Without going into detail, our profit has
10 been down over the past 5 years but the cost of goods has
11 risen. U.S. demand has not increased as a result and we
12 continually have a large amount of unused capacity. So even
13 though the Anti-Dumping Orders have allowed us to survive we
14 have not been able to prosper as much as we would like,
15 which leads me to the future.

16 Revocation of the orders would reverse the gains
17 we have earned since the orders were imposed. The influx of
18 low-priced Mexican and Chinese product would devastate us
19 and the threat is real. I have no doubt that Nacobre would
20 return to unfair prices to steal back our number one
21 customer. I also have no doubt that our number one customer
22 would run back into Nacobre's arms if they had a chance to
23 get cheaper product. Why wouldn't they?

24 We estimate that we would experience a
25 significant loss of business if the orders were removed. We

1 would not be able to sustain the jobs we added after the
2 orders were imposed and we certainly would lose even more.
3 Again, we are a small producer that focuses on a wide range
4 of specialty products.

5 One final point I want to make is the copper tube
6 work we do requires a very unique and specialized skill set.
7 Our workers are first-rate but the skills they have mastered
8 will not easily transfer to other industries, not even to
9 other metal working factories. That makes them especially
10 vulnerable too. I am also here on behalf of those workers.
11 I'm here because although we are a small producer compared
12 with other members of the Domestic Industry we're just as
13 vulnerable as anyone else and we don't want you to forget
14 about us. I am here because we would probably not survive
15 the future without the discipline of the Anti-Dumping
16 Orders.

17 This industry suffered for many years because of
18 the flood of dumped imports from Mexico and China. This
19 Commission found the threat posed by those imports were real
20 and imminent. The orders reduced the floods to a steady but
21 manageable stream and we have survived but we know that
22 Nacobre and other Mexican and Chinese producers have the
23 ability and desire to return to dumped prices. If the
24 orders are revoked, I have no doubt they will return. We
25 will then lose not only our number one customer but other

1 business as well.

2 Simply put, without the orders the threat of
3 injury from Mexico and Chinese imports is just as real and
4 just as imminent as it was in the original investigation.
5 Thank you for your time and attention.

6 STATEMENT OF JACK A. LEVY

7 MR. LEVY: Jack Levy, once again for Domestic
8 Producers. I would like to conclude with just a few
9 thoughts, and then we'll turn things over for questions.

10 I think perhaps the best way to conclude is to
11 address some of the arguments and issues that were raised in
12 Nacobre's prehearing brief.

13 Nacobre seems to be picking up on perhaps two
14 general themes that we often see from Respondents' playbook.
15 One is sort of the attenuated competition theme, and another
16 which we heard more of today in Mr. Winton's opening
17 remarks, this sort of multi-national corporation dynamic and
18 what if anything that means for your analysis.

19 With regard to attenuated competition, this is
20 not a very serious argument. We saw in the investigation
21 significant overlap of competition between China, between
22 Mexico, between U.S. producers. Copper tube is fungible.
23 Everyone is in the same geographic market. Everyone is
24 selling into the same channels. It's not a serious
25 argument.

1 And in the investigation when cumulation was
2 discretionary for purposes of threat, the Commission of
3 course cumulated, and of course they should cumulate Mexico
4 and China again in this case for exactly the same reasons.
5 Nothing has changed.

6 And the fiction that Nacobre is the only Mexican
7 producer is just that, a fiction. Let us not forget Golden
8 Dragon. Let us not forget Luvata. These are significant
9 players in the marketplace, and they threaten to be major
10 presence in the U.S. market should the Orders be lifted.

11 But perhaps the more interesting argument that
12 Mr. Winton raised is the point that many producers of copper
13 tube are global players. As a general rule, it is economic
14 to produce copper tube in a geographic region to support
15 that region. Movement expenses are nontrivial.

16 So, you know, it is not surprising, therefore,
17 that Mueller has production operations in different places
18 in the world to serve those markets.

19 What is remarkable is that in an environment
20 without any dumping orders, the presence of not only
21 Mexican, because Mexico is a neighbor, but Chinese volumes
22 in the U.S. market was stunning.

23 The assertion is in the first instance that, what
24 does it matter if a company sources from U.S. manufacturing
25 or from an overseas plant--say Golden Dragon? What does it

1 matter if they supply the U.S. market now, or if they supply
2 from China and Mexico if the Orders are revoked? Same
3 thing. And there seems to be some strain of that in the
4 brief.

5 And we respectfully submit that the antidumping
6 law cares very much about the difference. It's the
7 difference as to whether or not there is to be U.S.
8 manufacturing that is sustainable, and there's to be U.S.
9 employment that's sustainable. And so there's a very big
10 difference, and this is not about multinational corporate
11 supply decisions. This is about who manufactures what
12 where, and where there are jobs.

13 And in an environment where structurally we have
14 tremendous overcapacity and there's too much supply chasing
15 not enough demand, which workers, and which manufacturing
16 will be destroyed? And that's really the world in which we
17 operate.

18 Also on the subject of multinational
19 corporations, we always hear this argument that foreign
20 producers, the Golden Dragons of the world, why would they
21 ever want to cannibalize their U.S. investments? Isn't that
22 protection enough for all the rest of us?

23 And I think that's a question that's worth
24 exploring a little more by focusing our attention on Golden
25 Dragon and their experience in the United States.

1 So perhaps we can start by turning to slide 11.
2 During the original Period of Investigation, Golden Dragon's
3 Chairman, Chairman Lee, made it very clear that he was in an
4 epic battle against U.S. manufacturers. He was on a mission
5 to seize share. And his plan was to do that through
6 exports. That's what they were all about. And they tend to
7 frame things in bellicose terms.

8 What happened once the orders were revoked--
9 excuse me, the Orders were imposed in 2010? Well if you
10 turn to slide 12, here is Golden Dragon's response to the
11 Orders, as reported by The Washington Post.

12 Alabama allowed its state to reimburse Golden
13 Dragon for several prior years of tariffs. Ultimately, the
14 company was given the choice between antidumping duty
15 reimbursements or an extra \$20 million in cash. Golden
16 Dragon chose the cash. Golden Dragon's Chairman Lee said in
17 a phone interview that the quality of workers in Wilcox is,
18 quote, "not very good."

19 All-in, we estimate that the benefits for Golden
20 Dragon to lure them in was something in the \$200 million
21 range, including \$20 million which was initially represented
22 as reimbursement of antidumping duties, and then in the face
23 of a lobbying campaign from the Alabama Teachers Union they
24 changed the source of the funding.

25 But it's very clear that Alabama--excuse me,

1 Golden Dragon was drawn to Alabama not out of a desire to
2 leverage American workers, but they were simply brought by
3 the cash. They came for the cash in Alabama. They had no
4 love or admiration for Alabama workers.

5 Just to go on, on the theme, turning to slide 13,
6 the Alabama Media Group further characterizes this and
7 provides some more color, quote, "No one could have asked
8 for a bigger butt-kissing festival than the one that took
9 place during the delayed opening ceremony of this plant.
10 The place looks like a commune with the number of dorms
11 built around it for Chinese employees. These are Chinese
12 ex-pats. Last week Golden Dragon was fined \$196,000 in
13 penalties by the Department of Labor for unguarded machine
14 parts, no safety rails, no fire extinguishers, exposing
15 workers to electric shock, and for not training employees
16 on an emergency plan of action or first aid. They claim to
17 have our interests in mind, but it is by their fruit that
18 you can know them."

19 I think this report highlights a few interesting
20 points. We understand there's something on the order of 80
21 Chinese ex-pats at the plant occupying all important
22 positions throughout the facility. They treat their
23 American workers like drones, reportedly, much the way they
24 succeed at treating them in Mexico and China. And there is
25 no love for the folks at this plant.

1 Just to get a sense of the culture and the
2 environment in Alabama, turn to slide 14. At the top you'll
3 see the motto at Golden Dragon USA across the banner there:
4 "You," speaking to the plant worker, "are GD Copper. GD
5 Copper is you. You control our," that is to say Golden
6 Dragon's, "future."

7 And at the bottom you see sort of that
8 commune-like arrangement where you have these Chinese
9 ex-pats that exist functioning in something of an insulated
10 bubble, imposing their values and their disdain for U.S.
11 regulations and compliance on others.

12 This is the Golden Dragon that we see in Alabama.
13 Most recently, turning to slide 15, the head of the U.S.
14 operations, Chen Mingxu, was quoted in saying, "The best way
15 to beat the enemy is probably to go to their homeland." And
16 he said this, quote, "smiling wanly over bacon-wrapped
17 meatloaf and banana pudding." Close quote.

18 I don't know what plant manager refers to America
19 as "the enemy" and its workers as "dumb" or "inept," and
20 these are the kinds of things we see in the press. The
21 question is: Is Golden Dragon having a love affair with its
22 investment in Alabama? Are they wedded to their workers?
23 Or is their presence just that, a presence of necessity
24 because there are these antidumping orders imposed against
25 China and Mexico?

1 And we respectfully submit that it's the latter.
2 I would also refer you to, if you can look at your pink
3 paper, to the first page along the top. We've excerpted
4 some information relating to the performance of Golden
5 Dragon in Alabama. And, you know, take that in conjunction
6 with these public statements that are so disdainful of
7 American workers, so indifferent to U.S. compliance to
8 safety requirements for its workers.

9 And again, we respectfully submit that their
10 experience is one that is arrogant, they're anti-American,
11 and they would promptly and with great alacrity shift
12 manufacturing back to Mexico and China if the Orders were
13 revoked.

14 The only reason they came to Alabama was because
15 of the Orders and because of subsidies, most of which have
16 now been exhausted.

17 Would they move back? We respectfully submit
18 they would move back in a heartbeat. So on this question of
19 multinational corporate behavior, we respectfully submit
20 that just as the Orders brought Golden Dragon here, so would
21 American manufacturing move back to Mexico and back to
22 China. And when we say "move," we don't mean capital
23 equipment. The equipment is already in Mexico. The
24 equipment is already in China.

25 So where would they focus their activity? Where

1 would they utilize their capacity? And we respectfully
2 submit the answer is: Mexico. The answer is: China. In a
3 big way, like we saw in the original period of
4 investigation. More than a hundred-plus million more pounds
5 in the U.S. market in a reasonably foreseeable time.

6 Of course this case is not only about Golden
7 Dragon, turning to slide 16. Nacobre is a factor, sure. We
8 understand that during the Period of Review--I should also
9 say, during the Period of Investigation Nacobre was the
10 number two supplier of copper tube into the U.S. market.
11 They were a big player serving all sorts of customers and
12 all sorts of products.

13 We understand during the Period of Review a
14 company named Ching Wrong helped them install a cast and
15 roll mill, or cast and roll technology for prefabrication
16 during the Period of Review.

17 Their parent, Elementia, talked about a \$40
18 million upgrade. We think that much of that total went to
19 the cast and roll mill in the 2014-15 timeframe. I would
20 again call your attention back to the pink paper on the
21 first page at the bottom, and you'll see the proprietary
22 reporting of Nacobre's capacity figures from its foreign
23 producer questionnaire response. And I would just ask you
24 to reflect carefully on those numbers and juxtapose that
25 with what you see here.

1 I can't comment any further because it's
2 proprietary information.

3 And I think one final point would be Hailiang.
4 They too in the Period of Investigation, they were the
5 number two supplier out of China. Hailiang is gearing up
6 for a capacity expansion in China like one we have never,
7 ever seen before.

8 This is just from a few weeks ago. \$276 million.
9 They're going to add capacity equal to more than 600 million
10 pounds. That's almost the entire size of the U.S. market.

11 So before unused capacity in China and Mexico was
12 enough to supply well more than half of the U.S. ADC, and
13 now Hailiang all by itself is prepared to add another 600
14 million pounds of capacity in China. And you bet your
15 bottom dollar that if the Orders are revoked their number
16 one preferred market for the sale of that product will be
17 the U.S. market. And they'll come in at lower prices. The
18 Commerce Department has told us. They'll be dumped prices.
19 And the effect will be consolidation of U.S. manufacturing,
20 lost jobs, and inability to reinvest operating losses.

21 The cause-and-effect relationship between the
22 revocation of the Orders and the condition of the domestic
23 industry is not at all speculative. It's pretty clear. The
24 case is more compelling than the record you had in the
25 original investigation.

1 And for all these reasons, we ask you to make an
2 affirmative determination in these sunset reviews. So thank
3 you very much for your time and attention. We look forward
4 to your questions.

5 CHAIRMAN WILLIAMSON: Thank you. I want to
6 express our appreciation to all of the witnesses for coming
7 to testify today.

8 And this morning we will begin our questioning
9 with Vice Chairman Johanson.

10 VICE CHAIRMAN JOHANSON: Thank you, Chairman
11 Williamson. And I would also like to thank all the
12 witnesses for appearing here today.

13 Mr. Levy, you have given a colorful description
14 of Golden Dragon's investments in the United States. That
15 being said, based on Golden Dragon Copper USA's intent to
16 increase its domestic output, why shouldn't the Commission
17 expect this to mitigate any risk, or risks of an increase in
18 volume of subject imports from China by its Chinese
19 affiliates or other Chinese producers in the event of
20 revocation? After all, Golden Dragon now has a plant in
21 Alabama in which it has made significant investments.

22 MR. LEVY: Thank you again, Commissioner Johanson.
23 I think a few things.

24 It's of course worth remembering that, setting
25 aside Golden Dragon for a minute, in Mexico we have IUSA.

1 We have Luvata. We have Nacobre. Setting aside Golden
2 Dragon, we have Hailiang that's adding 600 million more
3 pounds of capacity in China, and they were the number two
4 supplier even before that in the original Period of
5 Investigation.

6 So even if Golden Dragon is not a player, if
7 their global capacity would disappear, frankly the case for
8 an affirmative would still be compelling. But it is a very
9 fair question to ask, which is, you know, what do you make
10 of the fact--and we see this in lots of cases--where you
11 have a U.S. producer, and nobody doubts that Golden Dragon
12 has U.S. manufacturing, and they also have foreign
13 affiliates that have a track record of supplying significant
14 volumes into the United States.

15 And we respectfully submit that their experience
16 in the United States has not been a happy one. There's no
17 question that the reason they came here was in response to
18 the Orders. And if the Orders were lifted, just as they
19 came we would see a reversal of that trend. And we welcome
20 their competition here on a level playing field.

21 What the U.S. industry dreads is the prospect of
22 competing against dumped imports from Golden Dragon out of
23 Mexico and China. We can speak more to the data in our
24 post-hearing submission. I think again it's a fair
25 question. But the color that we provided was not to somehow

1 impugn the reputation of Golden Dragon, but to give you a
2 very real sense of when you bring Chinese ex-pats to run the
3 plant, and then you treat them with the level of disrespect
4 that maybe you're accustomed to in China, or that you can
5 get away with in Mexico, it's pretty clear that the way they
6 run their operation is one where they're holding their nose
7 in Alabama for one reason, and that's the Antidumping
8 Orders.

9 VICE CHAIRMAN JOHANSON: Thank you. Then again,
10 it appears that Golden Dragon is looking to increase its
11 production in Alabama. Is that correct?

12 MR. LEVY: We can comment on that further in our
13 post-hearing submission.

14 VICE CHAIRMAN JOHANSON: Okay. I understand.

15 Okay, according to the staff report at page 212,
16 most responding firms reported a decrease in U.S. demand for
17 seamless refined copper tubular products since 2010 and
18 expect demand to decrease over the next few years, or to
19 fluctuate with no clear trend.

20 Why isn't demand for these products trending
21 upward, with the improvement in the U.S. economy?

22 MR. LEVY: Steffen, would you like to address
23 that?

24 MR. SIGLOCH: Demand, for the most part, is
25 stagnant since years, partly driven by substitution, partly

1 driven by offshoring of manufacturing, but substitution is
2 certainly a factor. If you have somewhere in the range of
3 one to two percent of substitution ongoing, it's about
4 pretty much compensate for the market growth.

5 VICE CHAIRMAN JOHANSON: I believe you all state
6 in your post-hearing brief, in fact it is at page 2 of your
7 prehearing brief, I apologize, that you believe the rate of
8 substitution has declined? Why is that the case?

9 MR. SIGLOCH: It depends which part of the market
10 you look at. So if I may be split it into three major areas
11 of substitution, you have residential plumbing and the trend
12 to substitution of tubular to plastics has reduced because
13 there's almost no copper left. So for the most part,
14 whatever needs to be done, or wants to be done in copper,
15 some homeowners strictly prefer the higher quality, will
16 continue in copper materials. To a degree also maybe the
17 price of copper has an influence to this.

18 But residential plumbing, the trend of
19 substitution has slowed down and has leveled out to a steady
20 demand of some low percentage number of the market. So the
21 majority players is plastic and copper has the smaller
22 share.

23 If you go into commercial plumbing, the majority
24 is still copper. There's very little plastics currently in
25 commercial construction. And certain substitution we see,

1 and partly driven by the rise of copper. One day it will
2 get fueled towards plastics, but also due to technology
3 changes. So there it has not slowed down. It has not
4 really taken off yet, but substitution is a real threat in
5 that side of things.

6 The third area of the market is air conditioning.
7 And there the threat is rather aluminum. And the rate of
8 substitution also there a lot has been substituted. And the
9 rate of substitution is slowing down, but certainly
10 substitution is still ongoing in air conditioning.

11 VICE CHAIRMAN JOHANSON: Is substitution one
12 reason for the persistent capacity, relatively low capacity
13 utilization in the industry?

14 MR. SIGLOCH: Yes, it is one reason. Certainly a
15 big reason, the other one is still that non-subject import
16 countries have captured some share, so that is a
17 contributing factor. But, yes, overall if you look at
18 historic levels of 20 years ago type thing, partly it is
19 driven by substitution.

20 VICE CHAIRMAN JOHANSON: Because you all, the
21 Domestic Producers, have commented in your brief on various
22 positive indicators in the industry's recent performance,
23 but you all have noted that capacity utilization within the
24 industry remains low, in the 49 to 55 percent range during
25 the Period of Review.

1 This is very low. And you all have an Order in
2 place. So I'm just kind of curious as to why capacity
3 utilization remains so low?

4 MR. SIGLOCH: The other thing we should say, the
5 market of housing, residential housing, had peaked maybe
6 around the 2005-2006 time frame, and this is when the market
7 share of copper was still high. And we had to build this
8 capacity in order to satisfy the construction demand in the
9 United States.

10 So also the market of building houses has never
11 returned to these 2 million units a year type levels. So
12 you have both the market coming to more a long-term average
13 type level for construction of houses, plus of those houses,
14 off the lower level, plastic having a more larger share than
15 historically they always had.

16 And the third trend I haven't mentioned, that is
17 at least worth mentioning, is miniaturization. So air
18 conditioning units have shrunk. Even the house sizes are no
19 longer growing as much as they used to. So that's also a
20 factor, that if you compare it to 30 years ago the average
21 size of a house grew, and with it the number of air
22 conditioning units, and the number of copper has grown. But
23 with the higher cost of that higher priced air conditioning
24 system, people try to miniaturize and use technological
25 advantages.

1 VICE CHAIRMAN JOHANSON: Thank you, Mr. Sigloch.

2 Mr. Baker?

3 MR. BAKER: One other element here is that Golden
4 Dragon and IUSA invested in capacity here. So that brought
5 that utilization back down. While the domestic suppliers
6 were trying to right-size, like Cerro did, you had Golden
7 Dragon and IUSA during this time frame that came in and made
8 significant investments in capacity.

9 VICE CHAIRMAN JOHANSON: And along those lines, I
10 mentioned a moment ago possible growth of GD copper in the
11 United States. I think I was actually referring to Cam-Lee,
12 which I know is expanding. And once again, why would that
13 be the case, if capacity utilization is so low?

14 MR. LEVY: So, Steffen, do you want to speak to
15 that?

16 MR. SIGLOCH: Well that facility that they
17 invested in used to be in Mexico. So same story here. Due
18 to the Orders, they moved that facility that was fully
19 installed into the United States.

20 VICE CHAIRMAN JOHANSON: Okay. It just, it seems
21 to me that capacity utilization is low here; it's also
22 relatively low in the subject countries. Does this suggest
23 a need for rationalization in the industry?

24 MR. SIGLOCH: Correct.

25 VICE CHAIRMAN JOHANSON: And that does not seem to

1 be occurring, because there's expansion of the industry in
2 the United States.

3 MR. SIGLOCH: No, the--we do it all over the
4 world. So if I speak for Mueller Company, we have invested
5 in England to reduce from two factories to one. We have
6 done idling of capacity in our Virginia plant. We have done
7 idling of capacity in our wind plant. But once you have a
8 \$150 million type factory, it's not that you just throw it
9 into the garbage. The disposal of it is almost more costly
10 than to just have it sit around. But, yes, these factories
11 are just running idle.

12 That's where the low capacity utilization comes
13 from. It is a hard step to dismantle a factory for good.

14 VICE CHAIRMAN JOHANSON: Alright, thank you for
15 your--yes, Mr. Levy?

16 MR. LEVY: Very briefly. I know your time's up.
17 But I should say, and Mr. Sigloch alluded to this,
18 non-subject imports are a nontrivial presence in the U.S.
19 market. This is a domestic industry that views cases as an
20 absolute last resort. They do everything within their
21 control to solve their own problems, through reinvestment,
22 through commercial efficiencies.

23 But to be sure, non-subject imports are a factor,
24 and this is an industry that reserves the right to bring
25 future trade remedy actions vis-a-vis non-subject imports in

1 the future, which may address some of the capacity
2 utilization issues to which you refer.

3 VICE CHAIRMAN JOHANSON: Alright. Thank you for
4 your responses.

5 CHAIRMAN WILLIAMSON: Thank you. Commissioner
6 Pinkert.

7 COMMISSIONER PINKERT: Thank you, Mr. Chairman.
8 And I thank all of you for being here today to help us to
9 understand these issues.

10 Your last answer, Mr. Levy, referred to the
11 non-subject imports and my question has to do with the
12 impact of the orders. Have they simply caused non-subject
13 producers or U.S. affiliates of subject producers to replace
14 subject imports in the U.S. market? Is there anything else
15 that shows up in our data besides that kind of replacement?

16 MR. LEVY: So if you're referring to say
17 Cambridge-Lee of a U.S. affiliate of a foreign producers,
18 Golden Dragon USA or to say Golden Dragon as a foreign
19 affiliate of a U.S. producer I think there's no doubt that
20 Golden Dragon expanded U.S. capacity in order to replace
21 some of the lost volume that had been supplied from subject
22 imports and the same of IUSA, through Cambridge-Lee, by
23 moving equipment south to Redding, Pennsylvania and that is
24 a trend that, again, you've heard from the witnesses that
25 they welcome that competition; but beyond that, it is clear

1 that there was very real and positive effect from the case
2 for U.S. production as a whole.

3 To some degree on the volume side, but much more
4 so in terms of volume effects and you've heard testimony
5 about conversion revenues and you see that in Attachment A
6 in our brief. Conversion revenues were at unsustainable
7 levels at the time of the original case and the affect of
8 the orders to bring those conversion revenues to more
9 sustainable levels.

10 I don't know if that speaks to your question.

11 COMMISSIONER PINKERT: I appreciate it.
12 Perhaps for the post-hearing, if you could look at the data
13 in our staff report and show me where there is something
14 other than this substitution going on in terms of the impact
15 of the orders I think that would be helpful.

16 I have a follow-up question. You talked about
17 welcoming the competition on a level playing field from U.S.
18 production, albeit, perhaps U.S. production that is
19 foreign-owned. Is it truly a level playing field? In other
20 words, is the U.S. production that is foreign-owned
21 benefiting from something that is not available to the U.S.
22 producers?

23 MR. SIGLOCH: So it is as close as it gets of a
24 level playing field in regards to the worker, but certainly
25 there are subsidies distorting competition. State subsidies

1 of Alabama, but even more so also the machinery comes from
2 China typically, almost all of it and with it the spare
3 parts and the tooling, et cetera, and almost all comes out
4 of a subsidized environment of China. So no, it's not level
5 playing field, but at least the labor part is level playing
6 field and the factor and the rules of OSHA and the rules of
7 labor laws are the same.

8 COMMISSIONER PINKERT: Thank you for that
9 answer.

10 Now production began at the GC Cooper USA plant
11 in 2014. What impact is that having on the U.S. market?

12 MR. BAKER: You know they've had a rough start,
13 as we've talked about it. We have lost a little bit of
14 business to them. We probably compete more directly with
15 them than others, but because of some of the issues that
16 have been well publicized we have not lost much.

17 What the impact they've had is prevented the
18 prices from increasing or growing slightly, so they've
19 dampened that side of it, but they the struggle and having
20 you know 75 Chinese managers running a place with the
21 American workers has caused them some issues, so they're
22 nowhere near the levels they wanted to be at when they came
23 in and I'm not sure what their next move will be with that.

24 COMMISSIONER PINKERT: Thank you.

25 Now I want to ask specifically about Mexico for

1 purposes of this question. I know that this case is not
2 just Mexico. I'm not confused about that, but if the order
3 were lifted just on Mexico, which is certainly a suggestion
4 of some, would you expect imports from Mexico to compete in
5 different segments of the U.S. market or a different segment
6 of the U.S. market than the U.S. product?

7 MR. BAKER: Absolutely not. It'd be right on
8 top of us. It'd be directly in the markets we're in.

9 MR. SIGLOCH: I would confirm all four players
10 would compete across the board, so you would see it on the
11 commercial side. You would see on the plumbing side, but
12 every copper tube player would come back with imports.

13 MR. LEVY: Steffa, can you elaborate? I think
14 you talked about industry meetings and the presence of
15 Mexicans making sales calls. Can you just talk a little bit
16 about the activity of Mexican producers, sort of feeling out
17 the U.S. market opportunities?

18 MR. SIGLOCH: I can speak for all four. All
19 four players are exactly -- they run their operations in the
20 U.S., but they all four have presence. All four are
21 continuously seen in the United States, so it's not that
22 this is something that they would have to start. The
23 infrastructure is in place and that infrastructure, more or
24 less, within days and weeks would be able to shift volume.

25 MR. PFEIFFENBERGER: Now with Precision Tube I

1 gave the example. I mean Nacobre would directly compete
2 with our product and take back that business at doubling
3 price.

4 COMMISSIONER PINKERT: Thank you.

5 Now why do U.S. producers generally sell
6 seamless refined copper pipe and tube from inventory while
7 importers generally sell them to order? Is this indicative
8 of a commodity product, which is what you've said that the
9 product is?

10 MR. SIGLOCH: So commercial tube is not sold
11 from inventory in the domestic industry. Also, we make it
12 to order. On the plumbing side, we typically concentrate or
13 we typically service the entire United States, not just some
14 large metropolitan areas. And if you're in downstate
15 Illinois or somewhere in Idaho, you need to have a
16 wholesaler stocking and you need to provide logistics with
17 inventory, so if you cherry pick and just go after the high
18 volume players that are able to import container loads
19 directly you probably can do this with made-to-order. If
20 you want to service everyone, you need infrastructure and
21 inventory in the field.

22 MR. PFEIFFENBERGER: And with our product we
23 make nothing as a commodity item. Everything is to a
24 customer order, so 100 percent of our business we first have
25 a customer order and then we make the product.

1 COMMISSIONER PINKERT: So then I would ask
2 again. I heard testimony earlier that you regard this as a
3 commodity product. How does the answer that I just heard
4 fit with your description of the product as a commodity
5 product?

6 MR. LEVY: So just by way of clarification, and
7 I think you heard this from the industry witnesses, you have
8 products that are produced to an ASTM specification. Those
9 products are exactly the same. Once they're labeled as
10 meeting an ASTM spec, copper tube is copper tube and it
11 competes on the basis of price, so this is your commodity
12 ASTM product.

13 You also have products that are produced to an
14 OEM specification, which may be different. So this would be
15 your commercial tube. Once those products are produced to
16 the spec of the OEM, they're perfectly interchangeable on
17 the basis of price, but you know what you cannot do is sell
18 to an OEM who requires this and say, here, take this. So in
19 that regard in the sense that each OEM has their own
20 proprietary specification there are, we should say, feature
21 differences or product differences among OEMs. Although,
22 increasingly, I gather there's a lot of convergence in
23 terms of the particular specs.

24 MR. SIGLOCH: Maybe one point to add for
25 clarification, most or all of our upstream processes run

1 generic, so if you use the one press or the other process,
2 nobody in the casting shop, in the extrusion shop or in the
3 cast and roll shop would know to which order this goes.
4 It's a generic mother tube. Even in the drawing operation,
5 that's at some point you will start where you are located to
6 orders and only the finishing end is where it becomes order
7 specific. So that's why the majority of the capital
8 investment, the majority of the factory work is actually
9 generic and it becomes inventory only to properly service
10 the market.

11 COMMISSIONER PINKERT: Thank you.

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner
13 Broadbent?

14 COMMISSIONER BROADBENT: Thank you. Just a
15 couple of questions right now about the domestic industry,
16 just trying to get it sorted out in my mind.

17 Nacobre in the pre-hearing brief, Exhibit 1,
18 provides information on the firm Luvata, including a
19 description of the manufacturing plant in Kentucky. Does
20 Luvata have U.S. production of the domestic-like product? I
21 didn't see it in the discussion of the domestic industry in
22 the staff report.

23 MR. LEVY: So I'll ask our witnesses. In the
24 United States is Luvata producing seamless tube or welded
25 tube?

1 MR. SIGLOCH: 100 percent of the domestic
2 production is welded tube.

3 COMMISSIONER BROADBENT: Is what?

4 MR. SIGLOCH: Welded.

5 COMMISSIONER BROADBENT: Welded? Okay.

6 MR. SIGLOCH: So not part of this investigation.

7 COMMISSIONER BROADBENT: So not part of the
8 domestic industry?

9 MR. SIGLOCH: They have a plant in Mexico that
10 produces seamless copper tube.

11 COMMISSIONER BROADBENT: Okay.

12 And then what about Cerro's Cedar City, Utah
13 plant, what's going on there, what type of production?

14 MR. SIGLOCH: There's no production in Cedar
15 City. It was mothballed about three and a half years ago.

16 COMMISSIONER BROADBENT: Okay, alright, that
17 makes sense then.

18 You know I took the comments about Golden Dragon
19 were pretty strong and I just want to make sure that the
20 rest of the industry is kind of comfortable with how Mr.
21 Levy was characterizing Golden Dragon and their practices.
22 I know you were talking to our plant tour about it a bit. I
23 thought the other two guys I would like them to --

24 MR. LEVY: Let them answer, yes.

25 MR. SIGLOCH: I subscribe to the story.

1 Certainly, no, it's typically a style where you're a little
2 bit hesitant to throw mud at the one you meet twice in life.

3 COMMISSIONER BROADBENT: Wait. Slow down.
4 Slow down. Say that again. What about mud?

5 MR. SIGLOCH: You typically don't throw mud at
6 your competitors, so that's a style we typically don't want
7 to do, but in this case it is the most unique approach to
8 manufacturing I've ever seen at Golden Dragon. I've seen
9 factories in China and I've seen factories in the United
10 States and there's a distinct difference, but bringing such
11 an approach to the U.S. and really run it with their own
12 chef and run it with --

13 COMMISSIONER BROADBENT: With their own chef?

14 MR. SIGLOCH: Oh yeah, they cook for their
15 Chinese employees. Yeah.

16 COMMISSIONER BROADBENT: Oh, I see.

17 MR. SIGLOCH: And they live there. And for the
18 most part, the handling of materials is done by U.S.
19 workers, but the key functions, casting, wherever you need
20 high tech, high technology-type people that's where I have
21 Chinese operators. So I don't appreciate that kind of
22 competition, so I especially think Matt is justified here
23 since I wonder if the State of Alabama is proud of their
24 subsidies in the meanwhile hearing of what's going on at
25 that factory.

1 COMMISSIONER BROADBENT: Well, is there a debate
2 in Alabama? There was nothing written, so I was trying to
3 follow his PowerPoint with all those quotes. What's
4 generally the sense? I know this is one of the poorer
5 counties in Alabama where the plant went in. Are they upset
6 with the management there?

7 MR. SIGLOGH: Yes, you can see unrest and they
8 as one of the first employers have activity to get
9 unionized, which is rather unusual in Alabama. There you
10 can see how the approach between management and workforce is
11 that even in Alabama where it's so unusual. They have
12 succeeded and the union is in, so they're currently
13 negotiating terms between the union and management. And it
14 is a -- the press called it a hostile work environment. I
15 don't know what that means, but I read it like everyone
16 else.

17 COMMISSIONER BROADBENT: Okay.

18 Mr. Pfeiffenberger, did you have any perspective
19 on Golden Dragon?

20 MR. PFEIFFENBERGER: No, I do not have any
21 experience with them.

22 COMMISSIONER BROADBENT: Okay, I appreciate
23 that. I mean I think it's just important that we stick to
24 the facts and not get so strident. I'm just a little bit
25 concerned about the tone that you took in your

1 presentations, but I'm just being introduced to this
2 industry right now.

3 MR. LEVY: So Commissioner Broadbent, a couple
4 of comments. I think it's worth remembering that in the
5 original investigation there was a mill in Decatur, Alabama,
6 Wolverine. Wolverine was one of the greatest copper tube
7 producers in the world and they made first-rate product in
8 Alabama and more than 500 jobs were destroyed.

9 Wolverine ultimately made the decision if they
10 can't beat them they joined them and they became a
11 distributor of Golden Dragon rather than competitor of
12 Golden Dragon. And as Michael Flowers testified in that
13 case, that mill is gone. Those jobs are lost, but the
14 Alabama worker has every capacity to make first-grade
15 product in copper tube.

16 What we're seeing in Wilcox in Alabama under the
17 management of Golden Dragon is something that is
18 qualitatively different and quite shocking. And I agree,
19 the words are shocking, but these are words that are
20 quotations from Golden Dragon's own management. So as
21 shocking as the language is, I've never heard of management
22 speaking with such derision about its own workers or
23 talking about America as the enemy. And so you know these
24 are their words, not ours and I apologize for having to
25 repeat them here, but the question has been raised by

1 Nacobre as to whether Golden Dragon, as a company that is
2 wedded to U.S. production or whether they would pick and up
3 and move back from where they came. And we think that their
4 experience in Alabama indicates that if given the
5 opportunity they would switch back.

6 COMMISSIONER BROADBENT: Okay.

7 Let's see, this is for the industry witnesses.
8 How would you compare the growth and manufacturing of
9 downstream products like air conditioners and water heaters
10 in the United States and Mexico over the last five years and
11 for the next two years as you project out?

12 MR. BAKER: Well, we still see growth in the
13 U.S. I know the argument earlier from the other side was
14 that all the ^^^^ a lot of this is moving to China -- I
15 mean, excuse me, moving to Mexico. In the U.S. HVAC market
16 is still a very large component of our business and we see
17 it staying that way.

18 COMMISSIONER BROADBENT: So what percentage of
19 it.

20 MR. BAKER: It's about a third of our business,
21 okay, 35 percent, and it's with the big guys in that
22 industry and we have a solid position with them and we do
23 not see any more movement going down to Mexico. Most of
24 that, which has happened on the copper base side, has
25 happened. We supply nothing to Mexico. We supply all in

1 the U.S. So you know we see it still growing some. There
2 is a substitution threat, but we don't know what's going to
3 happen with the price of aluminum, the metal, versus the
4 price of copper.

5 You know the copper is a better product than the
6 aluminum product, but when copper goes to \$4 a pound you got
7 substitution issues, but if copper stays where it is, I
8 think copper will hold its own. So we still see some
9 growth, not significant because the housing market is not
10 going to be a significant growth in the U.S., but there will
11 be subtle growth here.

12 COMMISSIONER BROADBENT: Okay. And then what
13 about in Mexico?

14 MR. BAKER: I can't speak to Mexico as much. I
15 would think there's more growth in Mexico, but I can't tell
16 you that because we don't participate in that market. I
17 have done any analysis.

18 COMMISSIONER BROADBENT: Does anybody else
19 participate in Mexico?

20 MR. SIGLOCH: I maybe add a comment. We have an
21 industry association around the world. These are mostly the
22 producers of copper, so mining organizations, and they
23 monitor the worldwide demand and they're projecting for the
24 United States a 1 percent substitution rate. So any percent
25 of growth we have above 1 percent in the domestic industry

1 would be, more or less, a growth percentage. We would see
2 minus miniaturization. So if you have the economy grow at
3 the rate of 2 percent, we might pick up just under a
4 percent. If we have the economy grow at 3 or 4 percent,
5 then we would have 2 or 3 percent of growth.

6 COMMISSIONER BROADBENT: In the U.S.?

7 MR. SIGLOCH: In the U.S.

8 COMMISSIONER BROADBENT: Okay, so you kind of
9 track the overall economic growth, generally.

10 MR. SIGLOCH: I do not know the data of
11 substitution for Mexico and I do not know, necessarily,
12 their economic growth projections for the next five years
13 either, so I don't want to speculate on Mexico. That was a
14 United States answer.

15 COMMISSIONER BROADBENT: United States answer.
16 Okay, anybody with experience in Mexico? Okay, alright.

17 Can somebody tell me the substitution affect
18 between PVC pipe and copper pipe?

19 MR. SIGLOCH: PVC is on the waste side of water
20 used a lot, CPVC, not so much on the pressure side where the
21 fresh water comes in. That's typically more PEX
22 cross-linked, polyethylene, but yes, both products are
23 around. They are not used in commercial construction at
24 this point. There's a little bit of polypropylene used, but
25 no PVC whatsoever.

1 COMMISSIONER BROADBENT: Okay, so the
2 substitutes in just water piping for copper are PVC for the
3 wastewater, generally, and then what are the other two
4 products you said?

5 MR. SIGLOCH: PEX, which is P-E-X, cross-link
6 polyethylene and then you have polypropylene, PP.

7 COMMISSIONER BROADBENT: Okay. And how are
8 those markets growing as substitutes for copper, all three
9 of them?

10 MR. SIGLOCH: Well, PEX is growing now with the
11 rate of what the housing market grows, so it has captured
12 the market share it was able to capture from copper, but
13 it's no longer growing share against copper; but no doubt a
14 recovery from housing has helped this industry and will
15 continue helping this industry.

16 Polypropylene has not taken off, but it's a
17 threat that could come one day, so it is a very, very small
18 niche product at this point, but technology shifts over
19 time. We haven't mentioned stainless, but also it's very
20 similar with stainless. There's not very good stainless
21 production here in the United States. If there were ever
22 stainless steel production being built, it could be a
23 threat to copper as well.

24 COMMISSIONER BROADBENT: But it seems to me that
25 copper is the safest, longest lasting, most steady, reliable

1 thing and that's what I would want in my house, I think,
2 right?

3 MR. SIGLOCH: Exactly, so insurance companies in
4 construction mandate copper because it's just a higher
5 value. Also, from a return perspective these investments
6 are made for longer perspective view than the typical
7 private owner does. So in residential construction, copper
8 is maybe around 20 percent market share, but in commercial
9 construction it's around 95 percent.

10 COMMISSIONER BROADBENT: Got it. Thank you for
11 the answer. I appreciate it.

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner
13 Schmidtlein.

14 COMMISSIONER SCHMIDTLEIN: Thank you. Good
15 morning. I'd like to thank all the witnesses for being here
16 as well.

17 And I guess I'll start with a question about
18 price. It looks like U.S. prices generally declined after
19 peaking in 2011 and I wonder if one of the industry
20 witnesses could talk about what's driving that decline and
21 whether you see that continuing into the reasonably
22 foreseeable future?

23 Mr. Sigloch?

24 MR. SIGLOCH: All of the topics we mentioned,
25 like overcapacity, substitution competition also happens

1 amongst us very fiercely, so this suppressing pricing
2 advancements in technology from a manufacturing standpoint
3 sometimes help you to lower costs, but non-subject imports
4 are a contributory. And to a degree, I must say I was a
5 little surprised how low the anti-dumping margins became
6 over time, so this is also a contributing factor, that these
7 countries actually are able to supply at prices that I
8 didn't think would be possible with orders in place. So the
9 margins, depending on the quarter and depending on the year,
10 are sometimes are rather low and they suppress our pricing.

11 MR. LEVY: Commissioner Schmidtlein, I think
12 it's also worth remembering that you know copper tube if you
13 look at the components of the price, by far, the largest
14 component of the price is the metal. And then on top of
15 that there's the cost of working the metal and converting it
16 into copper tube, which gets you to a total price.

17 Copper is a commodity. The metal price
18 fluctuates over time, sometimes very significant
19 fluctuations. You know in years past you would see copper,
20 just the metal price alone in excess of \$4 a pound.
21 Currently, it's in, what, the 2.20 range, something like
22 this. So it's sometimes helpful to get behind that. And if
23 you were to take the nominal price and back out the metal
24 based on whatever the COMEX or LME price is over time what
25 you're left with is the conversion revenue, essentially, the

1 revenues on the fabrication of the tub.

2 And what we've done for each of the pricing
3 products that are in Attachment A of our pre-hearing brief
4 is to plot that. And I think that shows a different
5 perspective on what's happening in the current pricing
6 environment during the period of review, so we'd certainly
7 call your attention to that.

8 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

9 Mr. Baker?

10 MR. BAKER: This product, which is an IGT-type
11 product, that's a big part of our market. And if I went
12 back and looked at the last five years, our pricing has been
13 relatively flat to slightly better, okay. But as I said
14 earlier, part of that -- what's keeping the pressure on it
15 is the Golden Dragon's entrance in Alabama and IUSA's
16 entrance with more capacity into Pennsylvania, but we've
17 been able to hold our own on it. S we're not going
18 backwards on this type of product, the IGT that goes into
19 the HVAC market, but it hasn't allowed us to get into the
20 levels we'd like to have it to, for sure.

21 COMMISSIONER SCHMIDTLEIN: And what's your
22 opinion of the future, the forecast for the future? Is it
23 going to, you think, stay the same?

24 MR. BAKER: Whatever I would forecast I'm sure
25 would be wrong because it's really hard to see what's going

1 to happen with everybody, but you know we're pushing hard to
2 keep the prices the same or increase it where we can, but it
3 depends on how these orders go. If these orders are lifted,
4 I can tell you the product coming back in from Mexico and
5 China would have a serious impact on our pricing.

6 COMMISSIONER SCHMIDTLEIN: Okay. Anybody else
7 like to comment? No? Okay.

8 Alright, so I want to switch to some questions
9 about cumulation, and Mr. Levy, these questions might be
10 best for you.

11 The question of whether China and Mexico should
12 be cumulated. And if you look at the record, there's a few
13 facts and I just wondered if you could respond to whether or
14 not these constitute or arguably constitute different
15 conditions of competition, so it looks like, when you look
16 at the record, that U.S. imports of copper tubal products
17 from China declined by 97 percent from 2010 to 2015.
18 Imports from Mexico declined from 2010 to 2013, but then
19 increased from '13 to '15 and were greater in interim '16
20 than in interim '15.

21 Do these different volume trends indicate, in
22 your view, that there are different conditions of
23 competition between China and Mexico?

24 MR. LEVY: I think as Mr. Sigloch indicated
25 there has been an uptick in volume from Mexico in the most

1 recent period. China has remained at a fairly stable and
2 low level. Mexico is up a little bit. That is occurring in
3 an environment where dumping margins was found by the
4 Commerce Department have whittled down to low or zero levels
5 in the most recent period of review.

6 You know why is that? At a high level you know
7 whereas China as treated as a non-market economy and it's a
8 fairly obtuse calculation methodology. With regard to
9 Mexico, exchange rates are an important driver of dumping
10 margins. In an environment where the peso is depreciating
11 that speaks, all else being equal, much lower dumping
12 margins. And so it is, as much as anything, a function of
13 fluctuation in exchange rates, a depreciation of the peso
14 means an ability for Mexican producers to more readily
15 access the U.S. market with reduced dumping exposure.

16 Exchange rates fluctuate over time and there's
17 nothing permanent or sustained that we read into it, except
18 that that is where we are in this one-year period as
19 compared to other one-year periods and we don't have a
20 crystal ball as to tell you where the U.S. dollar will be
21 vis- -vis the peso a year from now.

22 COMMISSIONER SCHMIDTLEIN: Okay. And I guess
23 your answer probably would apply to -- or you can tell me,
24 when you look at the difference between AUV values that the
25 Mexican AUV value is lower than the Chinese AUV value, at

1 least in 2015, so same reasons I suppose.

2 MR. LEVY: Well, we can speak to that more in
3 our post-hearing. Remember, of course, looking at -- I'm
4 continuously educated by my client to not read -- you can
5 read a lot into AUVs, but it doesn't tell you everything.

6 When you look at copper tube on a per pound
7 based, you know if you look at this tube, which has a very
8 thin wall and is inner grooved and you look at, say, this
9 product there's a different number of draws and additional
10 work, so you have differences in product mix between
11 countries and between months. And so looking at copper tube
12 on a dollar-per-pound basis across product mix sometimes can
13 lead to confusing conclusions, but we'll try to speak to
14 that with some precision in our post-hearing submission.

15 COMMISSIONER SCHMIDTLEIN: Okay.

16 And then the last two arguments, I think, that
17 the Mexican Respondent makes are that there is a difference
18 in delivery time between product coming from Mexico and
19 product coming from China and that that would constitute a
20 different condition of competition. And then the other
21 argument is that three out of four of the major producers in
22 Mexico have U.S. affiliates. So I don't know if you want to
23 take them together or separately, but can you respond to the
24 argument that that would constitute a different condition of
25 competition that would justify decumulating them.

1 MR. LEVY: Well, on the issue of delivery time,
2 and maybe Steffa or Tom will want to speak to that, but of
3 course it is the case that Mexico is closer than China; but
4 in the prior investigation they were found to be
5 simultaneously present in the U.S. market and were in
6 head-to-head competition with one another and with U.S.
7 producers. We don't think anything has fundamentally
8 changed. The Commission has seen lots of cases where you
9 have a Mexican, or for that matter a Canadian producer and
10 proximity being cumulated with other foreign producers that
11 are overseas.

12 With regard to this issue of affiliation, Luvata
13 produces in Mexico. Its U.S. affiliate is not a producer of
14 seamless refined copper tube. I think Commissioner
15 Broadbent spoke to that earlier. Obviously, Nacobre was the
16 number two supplier of copper tube in the period of
17 investigation. They have no affiliates in the United
18 States.

19 What we have in terms of affiliation is Golden
20 Dragon in Mexico and IUSA in Mexico. And IUSA moved
21 manufacturing equipment to Redding, Pennsylvania in response
22 to the order and you know I guess the question is what would
23 Cambridge-Lee, the subsidiary foresee as the affect if the
24 orders were lifted. And on that point, I can't answer the
25 sentence. But if I call you back to the pink paper and to

1 the second page, I would ask you to refer to the importer
2 number four. That importer questionnaire response where you
3 have an importer that speaks to the rhetorical question
4 that I've posed.

5 COMMISSIONER SCHMIDTLEIN: Okay.

6 So let me just follow up real quick on the
7 question about delivery time. Do you know if there's a
8 difference in the questionnaire responses? Currently,
9 apparently delivery time was rated very important by 20 of
10 23 responding purchasers here. A very slim majority of
11 purchases ranked U.S. product as superior in delivery time
12 to that from Mexico, while an overwhelming majority ranked
13 U.S. products superior and delivery time of that from China.

14

15 Is that similar to what the record was in the
16 original investigation, do you know?

17 MR. LEVY: I don't have the statistics committed
18 to my mind. We will certainly speak to that in more detail
19 in our post-hearing submission.

20 COMMISSIONER SCHMIDTLEIN: Okay.

21 MR. LEVY: But I think what you've heard from
22 Mike Pfeiffenberger and others is that you know these are
23 companies that see themselves in head-to-head competition
24 with Mexico. And whether it's Mexico or China, everyone has
25 the ability to be selling out of inventory in the United

1 States if the orders are lifted.

2 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

3 CHAIRMAN WILLIAMSON: Thank you. Mr. Levy,
4 going back to Golden Dragon, according to the staff report,
5 Golden Dragon's copper investment -- invested that \$100
6 million in its new Alabama plant. Isn't this a large
7 investment to walk away from? I wonder if you agree with
8 that figure and the question, isn't this a large investment
9 to walk away from?

10 MR. LEVY: It is sometimes surprising to me how
11 easily companies can shift production and shift capital
12 equipment in response to anti-dumping cases. Look at IUSA.
13 They moved tens of millions of dollars of equipment from
14 Mexico to Reading, Pennsylvania in response to the orders.
15 There's an interesting question which is, if Golden Dragon
16 were to refocus on Mexican and Chinese production, and upon
17 revocation of the orders, would those be stranded assets?
18 Or would those assets simply be relocated?

19 And I think that our view would be that it would
20 be economically rational for them to leverage that capital
21 equipment in some way by moving it overseas.

22 CHAIRMAN WILLIAMSON: As opposed to maybe
23 selling it to somebody else? I don't know if anybody's out
24 there that would buy it.

25 MR. LEVY: There is definitely an overhanging

1 capacity globally, so it's not clear.

2 CHAIRMAN WILLIAMSON: Okay. Anybody else on
3 that? Thank you. I was going to ask you, how difficult is
4 it to relocate, but you've already given one example. Any
5 others about how difficult is it to move production? To
6 move capacity to another country?

7 MR. SIGLOCH: May I add to this. So Golden
8 Dragon came to the United States when the orders were
9 imposed. The other manufacturer, the second largest in the
10 world, EDM, opened up a factory in Vietnam and ships from
11 Vietnam to the United States ever since. So that's a
12 solution as well from their perspective.

13 CHAIRMAN WILLIAMSON: Looks like we've seen that
14 elsewhere, too. Okay. And thank you for that. The
15 prehearing staff report, Page 2-6, notes that several
16 employers, including some from domestic producers, reported
17 that imports were of two products that are produced in low
18 volume, are not produced at all in the U.S. market by the
19 U.S. domestic mills. So are there some products that cannot
20 be profitably produced by domestic mills?

21 MR. BAKER: To my knowledge, no. We can produce
22 everything that's produced now. Depending on the price it's
23 brought in here for, can we do it and make money on it? It
24 depends on what price it would be sold in the market for,
25 but to my knowledge, we can make -- the U.S. industry can

1 make everything that's made in the subject countries within
2 this case.

3 CHAIRMAN WILLIAMSON: Okay. Are there somewhere
4 the demand is not sufficient volume and demand to make it
5 profitable?

6 MR. BAKER: Economically, we can be as nimble as
7 anybody else for this type product. So we don't have to
8 have just the large truckload-type quantities. We have a
9 fair amount of small customers that we take care of. So to
10 answer that question on a specific case, I can't, unless you
11 told me who it was, but in general, we handle a lot of small
12 customers. Not everybody is the eight-hundred-pound gorilla
13 that we deal with. In fact, we have a hundred and fifty
14 different customers.

15 CHAIRMAN WILLIAMSON: But a small product
16 demand, as opposed to size of the customer? Mr.
17 Pfeiffenberger?

18 MR. PFEIFFENBERGER: Our specialty product --
19 we'll make one piece for somebody, or make them a thousand
20 pieces. So with our plant in precision tube, we can go from
21 one piece to a thousand pieces, it doesn't matter. That's
22 our strength. We're not like the big mill, we're a very
23 special, smaller mill.

24 MR. SIGLOCH: So within the Mueller group, we
25 are properly positioned, we have a factory for really the

1 truckload buyers, we have a factory for the small truck type
2 buyers, let's maybe say, five thousand pounds in an order,
3 and we have specialty manufacturing, whoever wants to have
4 either really small quantity or any unusual temper, any
5 unusual size, any unusual shape, all of this we do within
6 one company, or within the scope of this investigation, we
7 can make any size range, any volume range there is.

8 What we don't do are alloys, but this is not
9 subject of this case, and I think we are confusing very much
10 that there are specialty grades of copper, but they're not
11 subject to this case here and we do not manufacture all of
12 those grades. We make some, but not all of them. But
13 within the scope of this investigation, our group can supply
14 anything, anywhere in the world.

15 CHAIRMAN WILLIAMSON: Okay, thank you, because
16 sometimes we hear this argument that the U.S. companies
17 don't want to be bothered with this small orders, but why is
18 copper different? If you know? I mean it just occurred to
19 me that this --

20 MR. BAKER: Well, it depends on the industry.
21 If you're speaking of the steel industry, which is, in the
22 order of magnitude, much, much bigger than what our industry
23 is, the scale and scope of their plants are much more
24 dramatic than ours.

25 The Commissioners were down at our plant and

1 it's, although we employ in that plant -- and members of the
2 Commission were down there, though we employ four hundred
3 and eighty employees down there, we're also fairly nimble
4 and not all the equipment is -- it's not like a steel mill,
5 so again, we can be more flexible and as some of our
6 downstream customers. Mueller has Mike's plant to take care
7 of small customers. We have downstream customers who do the
8 same, who compete with Mike. So --

9 CHAIRMAN WILLIAMSON: OK, I was just wondering
10 because it is rather unique. Before I forgot, one of the
11 more fascinating tours I've had since I've been with the
12 Commission was the Cedar City plant, so -- and I know it's
13 closed and all -- but, why did it close?

14 MR. SIGLOCH: Because it did not have enough
15 demand in the West Coast that they could sustain a separate
16 factory, so it was more efficient to manufacture within
17 their tool facilities in the Missouri area, St. Louis area.

18 CHAIRMAN WILLIAMSON: Okay. I was just
19 wondering, it was a great visit. Is the cast and roll
20 technology limited to a maximum outside diameter? If so,
21 does this size restriction prevent producers where it can
22 use this technology from competing in a large part of the
23 U.S. market?

24 MR. SIGLOCH: Yes, the cast and roll is limited
25 in its size. There are different systems, some go larger,

1 some go smaller. Cast and roll systems that go as high as
2 two and a half inch, final OD, most of them go to a maximum
3 one and a half inch, but not all, but many of the cast and
4 roll players also have extrusion technology, so they would
5 provide the larger sizes above what cast and roll can
6 manufacture off of an extrusion press and the smaller sizes
7 off either one.

8 So that depends on where the factory is and
9 typically cast and roll is used as a minimal concept, so you
10 want to have small quantities in a certain area and want to
11 limit your investment in that area for -- as soon as you
12 invest into an extrusion press, you need a lot of volume at
13 once to fill that factory and run it. To even run it, we
14 can sustain factories usually at around 50% capacity
15 utilization. Because you can't stop the liquid metal. Once
16 it's liquid, it's liquid. So it's very, very difficult to
17 fall below 50%. That's when manufacturing becomes very
18 tricky.

19 CHAIRMAN WILLIAMSON: Any idea what share of the
20 total U.S. market cannot be served by producers using this
21 technology? If you don't have it now, you can answer it
22 post hearing.

23 MR. SIGLOCH: I would have to get back to you.

24 CHAIRMAN WILLIAMSON: That's fine. Good. Thank
25 you. Since the original investigation, have there been any

1 significant changes in the type and size of -- as I see,
2 tubular products used in the U.S. market? Are there very
3 significant changes in -- so for example, changes in
4 application package size, the share for plumbing versus
5 industrial?

6 MR. BAKER: I'm sorry. The question is, is
7 there any change in --

8 CHAIRMAN WILLIAMSON: Any significant changes in
9 types and sizes of SRC tubular products used in the U.S.
10 market?

11 MR. BAKER: If I look at the commercial, the
12 HVAC, the diameters are getting smaller, Steffen related to
13 it earlier about miniaturization. So we're seeing some of
14 that. That's a change, not an unwelcome change, it's just a
15 change. With different patterns sometimes on the inside,
16 but by-and-large, it's just miniaturization is the biggest
17 change we've seen on the commercial side of things.

18 CHAIRMAN WILLIAMSON: Now, has that changed or
19 are there any other changes helped or hurt domestic
20 producers?

21 MR. BAKER: You know, basically most people who
22 are in this copper tube industry can do this product. If
23 they're in it, they can do it. Then back to your question a
24 little earlier, not to regress, but part of the issue with
25 why we can take small quantities is because all these tubes

1 are -- they're similar.

2 So maybe -- go to one market here with a lot of
3 volume. It may be a different product under a different
4 name that's small. So we can divert it pretty quick. So
5 this particular product, we have not gained any advantage
6 because it's going to miniaturization. It's more cost
7 involved in it, more work involved in it, but everybody'll
8 see the same, because we're all basically using the same
9 kind of equipment.

10 CHAIRMAN WILLIAMSON: Okay. Good.

11 MR. SIGLOCH: If I may answer the same for
12 plumbing tube. So it's mostly, the plumbing code and
13 building codes have been the same for almost eighty years,
14 but it shifts a little bit in composition of the market,
15 depending which part of the market does better, so sometimes
16 residential does better.

17 You have a housing bubble, then it collapses,
18 and you have public investment coming in that would mean a
19 lot of sizes that are used in hospitals, would be more
20 elevated. Sometimes you have a lot of construction of
21 high-rises. There are different sizes used in high-rises
22 than there are in residential or in a hospital. So there
23 are a little bit of shifts and they come and go, but in the
24 building code itself, there's no change.

25 CHAIRMAN WILLIAMSON: Good. Thank you for those

1 answers. Commissioner Johanson.

2 VICE CHAIRMAN JOHANSON: Thank you, Chairman
3 Williamson. And I now have a panel of pipe and tube experts
4 before me, so I'd like to ask you a question that has been
5 in my mind for years. I have an uncle who lives in Seattle
6 and he has spent his career in the construction industry,
7 primarily in the sector of single-family housing. And he
8 told me once that some homes in the Pacific Northwest have
9 wooden pipes, which struck me as novel.

10 Is wooden pipe indeed used? And if so, is it a
11 competitor to copper pipe and tube? I assume that is not
12 the case as wooden pipe were not mentioned in the staff
13 report or in the briefs, but I had to ask.

14 MR. SIGLOCH: I've not heard about the Pacific
15 Northwest having wooden pipes and I almost want to challenge
16 your family member on this one, but yes, for example, in
17 Massachusetts around 1640 to 1780, 1790, there was the
18 technology to use wooden pipes, but I don't think in the
19 1800s any wooden pipes have been used since, so the last 200
20 years, I would say no.

21 VICE CHAIRMAN JOHANSON: Okay, I still believe
22 him, but --

23 COMMISSIONER BROADBENT: Does he make money in
24 this business?

25 VICE CHAIRMAN JOHANSON: He does well. He does

1 so well that the house across the street from him -- he has
2 a view of Puget Sound and the house across the street from
3 him was for sale and he was afraid they were gonna tear it
4 down and put something bigger up, which would block his
5 view, so he just bought it. So he knows his stuff. He's
6 made enough money to buy houses just to protect his view.
7 But anyway, I had to ask, just to see.

8 Now, I have another question. Looking at your
9 brief, at Page 36, you noted that the number of production
10 workers has increased nearly 10% during the period of review
11 and wages paid have increased by 15.5%. At the same time,
12 consumption in the U.S. of this product is down over the
13 POR. It's down 2.1%. Why is growth in employment and wages
14 moving in an opposite direction from growth in consumption,
15 or lack of consumption rather?

16 MR. LEVY: I think we can probably give you a
17 more precise answer with proprietary information in a post
18 hearing submission, but conceptually, please understand that
19 to get from this tube to this tube requires more work. And
20 so to the extent you have any shifts in product mix to more
21 value-added tube -- miniaturization as an example -- that
22 requires more time on equipment, more labor hours, more
23 plant workers to support that conversion. And that's part
24 of the answer. We'll try to give you a complete answer in
25 our post hearing submission.

1 VICE CHAIRMAN JOHANSON: Okay, forgive me if I
2 missed something, but is there a trend to producing the
3 larger tube which require more employment?

4 MR. LEVY: No, I think the other way.

5 VICE CHAIRMAN JOHANSON: Oh, the other way. I'm
6 sorry.

7 MR. SIGLOCH: So the smaller tube needs more
8 work, but also for example, if you needed a lot of tube for
9 hospitals, it would need more work, because it has extra
10 cleaning steps, and you need to seal the ends so that no
11 contamination goes inside for your medical gases, and
12 especially in that period, hospital construction was
13 unusually strong, so this is part of it. And there's
14 one-third effect that Jack alluded to which would be company
15 specific and I think he will submit that post hearing.

16 VICE CHAIRMAN JOHANSON: Okay, thank you. I
17 appreciate it. And actually, that brings me to another
18 issue, which is differentiation in product produced, let's
19 say, in Mexico and China, as opposed to U.S. product.

20 Nacobre has stated that it supplies U.S.
21 customers with niche products on a just-time basis when
22 product from Mexico and United States is not available.
23 Does the whole issue of you all producing this specialized
24 pipe mean there are product differences between product
25 produced in the United States and Mexico?

1 MR. SIGLOCH: It's hard to know what the
2 specific case is somebody is referring to, but generally I
3 would say, within the scope, we can make any size and
4 certainly not that change within an afternoon, if it's
5 something unique. But Mike, if it was up, I would say
6 anything within four to eight weeks can be manufactured
7 within the scope here. We can't make welded tubes, but this
8 is not non-subject here and alloy tube, I do not know what
9 the company is referring to.

10 MR. LEVY: Commissioner Johanson, some of this,
11 I think from Nacobre is a bit of revisionism. During the
12 original period of investigation, without anti-dumping duty
13 orders, Nacobre was the number two supplier of copper tube
14 from Mexico. They were providing and supplying a wide range
15 of commodity products into the United States, across
16 geographic regions, across customer counts.

17 What they've been whittled down to today, they
18 may choose to characterize as niche, but the volume that
19 they represent, in terms of the threat to the U.S. market if
20 the orders are revoked, is quite expansive, in fact.

21 VICE CHAIRMAN JOHANSON: And pardon me if this
22 has already been answered in the record, but when you're
23 referring to the smaller pipe such as for medical gases, is
24 Mexico capable of producing that product? And does it
25 produce that product as far as you know?

1 MR. SIGLOCH: Yes.

2 VICE CHAIRMAN JOHANSON: All right. Thanks for
3 that response. The staff report of Page 215 notes that more
4 than half of responding purchasers and the customers, at
5 least sometimes make purchasing decisions based on the
6 producer or country of origin. Are these significant data
7 in your view?

8 And I'm asking this because I read that and it
9 struck me as being a very high percentage of purchasers
10 wanting to purchase product based on its place of origin.
11 In most cases, it's not that high. If it's commodity
12 product, you just want to buy the commodity product, which
13 is the cheapest product you can find, right?

14 MR. SIGLOCH: No, there's one exception. It's
15 the government.

16 VICE CHAIRMAN JOHANSON: Okay.

17 MR. SIGLOCH: If it's for government jobs,
18 usually U.S.-made tube is required, especially if they're
19 military jobs, it needs to be U.S.-made, so there are some
20 exceptions, mostly around government procurement. Other
21 than that, I am not sure anybody requires U.S.-made tubing.

22 VICE CHAIRMAN JOHANSON: Okay. It just struck
23 me as being very high. Because we do have a fairly large
24 number of products in which the Buy American provisions
25 apply, but I don't recall seeing a similar commodity product

1 where half the purchasers prefer to buy U.S. product.

2 You all are surprised by this?

3 MR. SIGLOCH: No, I'm not surprised. It's our
4 great marketing.

5 VICE CHAIRMAN JOHANSON: Okay, all right. I
6 appreciate that answer. Copper cathode prices and copper
7 scrap prices have reportedly generally declined since 2011
8 and just from my reading the newspaper, I see copper prices
9 are down, I think largely because of the slowing of the
10 economy in China. Has the decline in copper prices had any
11 effect on the competitiveness of the U.S. industry?

12 MR. SIGLOCH: To a degree it helps us. The
13 lower copper prices are, the more competitive we are towards
14 other materials, so from this perspective, we like it. We
15 need to have less financing of inventories and working
16 capitals. And from that perspective, it helps.

17 Also, I wouldn't blame China, only on the
18 decline of copper prices as always high prices attract
19 investment and a lot of people invested into mining capacity
20 and in the meanwhile it takes about five to seven years to
21 develop a mine, so when the market prices started rising in
22 the 2003-2004 timeframe, a lot of investments started and
23 were initiated and then seven years later, you have possibly
24 that somebody did not project the growth of China the right
25 way.

1 But China, if they're slowing down, that still
2 does not mean they are shrinking. So the copper demand is
3 actually rising, so it is really the overcapacity of the
4 mining side that drove the prices down.

5 VICE CHAIRMAN JOHANSON: Okay. Thank you,
6 Mr. Sigloch. Mr. Baker?

7 MR. BAKER: Yeah, but the price of copper is
8 pretty much the same, the metal itself worldwide, so if it
9 drops fifty cents or twenty cents or a dollar in the U.S.,
10 it's dropping everywhere else the same. So there's no
11 competitive advantage to us versus the other copper
12 producers around the globe. There's an advantage from
13 substitution as he said, but it did not give us an
14 advantage versus China or Mexico or anywhere else when it
15 drops.

16 VICE CHAIRMAN JOHANSON: All right. Once again,
17 pardon me if this is answered in the staff report. This
18 jumps out at me usually. But the issue of scrap. Is it
19 hard to obtain in the U.S.?

20 MR. SIGLOCH: Depends on the grade. Lowest
21 grades are exported to China a lot, mostly for the labor
22 component of it, it's too expensive to sort in the United
23 States, so they're sorting it in China, but there is a
24 certain margin, so this is the same traded commodity and it
25 fluctuates, so if copper drops or cooper increases, the

1 scrap goes with it, and the relative difference is really
2 the labor component and the degradation component of scrap.

3 So if you have a 96% scrap, you have 4%
4 reduction in the copper price because that's what's missing
5 from the copper components and it's in there in impurities.
6 So it's the labor component and the lack of copper that's
7 driving the price, but it moves exactly in parallel to
8 cathodes.

9 VICE CHAIRMAN JOHANSON: What percentage of U.S.
10 product is produced using recycled copper?

11 MR. SIGLOCH: That depends very much on the
12 location of manufacturing and if you have excess to scrap,
13 so in the East Coast where the houses have been built a
14 longer time in the West, for example, of the United States,
15 you have more excess to scrap in the East Coast. We have
16 facilities that use 100% scrap and we have facilities that
17 use 0% scrap, so we have everything in between.

18 VICE CHAIRMAN JOHANSON: Yes, Mr. Baker?

19 MR. BAKER: I can only speak for our operation,
20 but we're about 50%.

21 VICE CHAIRMAN JOHANSON: Okay. And I know my
22 time's expired. I'm just going to get one more question in
23 here. But you know what the situation is in Mexico and
24 China regarding scrap? If there's sufficient scrap in those
25 countries?

1 MR. SIGLOCH: Sufficient, I don't know how to
2 answer to the word sufficient, but I think the same market
3 mechanics work in China and Mexico, yes.

4 VICE CHAIRMAN JOHANSON: Okay. Thank you. My
5 time's expired. I appreciate you all being here today. It
6 has been a very interesting hearing.

7 CHAIRMAN WILLIAMSON: Thank you. Commissioner
8 Pinkert.

9 COMMISSIONER PINKERT: Thank you. Now I'm going
10 to read a statement from Nacobre's prehearing brief to you,
11 because I think I heard you, Mr. Levy, say something that is
12 inconsistent with this statement, and I just want to make
13 sure that I understand what your position is on this.

14 The statement is maintaining "the anti-dumping
15 order will have the paradoxical effect of imposing
16 procedural burdens only on a Mexican company that has never
17 had a meaningful share of the U.S. market." And then it
18 goes on from there.

19 Are you saying that it has had a meaningful
20 share of the U.S. market? And are you saying that Nacobre
21 is not the only Mexican company that doesn't have the
22 ability to produce elsewhere?

23 MR. LEVY: In the original period of
24 investigation when the Commerce Department had to choose
25 respondents, one of the mandatory respondents as memory

1 serves is Nacobre. And we generally understood Nacobre to
2 be the number two supplier of copper tube from Mexico in
3 that time they were a nontrivial presence in the market,
4 supplying many of the products you see here on the table.

5 So the notion that they are the hair on the tail
6 on the dog in Mexico is simply mistaken. There are
7 references to the hassles and the administrative burden of
8 the order and they characterizing themselves as the primary
9 victim in all of this, I think is in part a function of the
10 fact that the administrative reviews have been burdensome
11 for them. There was one episode where we withdrew our
12 request for administrative review of Nacobre for a
13 particular period and so did Nacobre.

14 But they were a day or two late in making that
15 request, and asked the Commerce Department to exercise
16 discretion and frankly, we would have welcomed a revocation
17 of that review because of the time and expense all around.
18 But the Commerce Department in its wisdom decided no, no,
19 no, this is how their enforcement resources are best spent.
20 And so we all spent the better part of a year and a half
21 conducting an administrative review that nobody wanted.

22 And I suspect that was of great cost to Nacobre.
23 It was of no interest to the domestic industry. And I think
24 that leaves a sour taste in their mouth, but that is a
25 function of the Commerce Department's administrative

1 processes, but we respectfully submit the real victim in
2 this is the U.S. worker if the orders are revoked, not
3 Nacobre, and they very much are a major threat.

4 And their product mix is diverse. I would
5 definitely encourage you to ask them when they're here later
6 today, do they make these products? And do they offer them
7 for sale? Because our understanding is that the vast
8 majority of the copper tube product line-up is something
9 that is produced and offered for sale by Nacobre.

10 COMMISSIONER PINKERT: Just so that we can
11 have it on the record of this proceeding, what is your view
12 of the magnitude of Nacobre's potential presence in the U.S.
13 market in the event that the order is revoked?

14 MR. LEVY: Yeah. I think we will try to
15 answer that in our post-hearing submission because it is
16 proprietary. But again, I would call your attention to the
17 pink paper and the first page, and at the bottom there, we
18 have some information about the production capacity and
19 activity of Nacobre, and we will also then ask you to
20 juxtapose that with references that in the 2014 time
21 period, they installed cast and roll in Mexico to expand
22 capacity.

23 So we'll elaborate more on the
24 juxtaposition of those points. But suffice it to say that
25 we consider Nacobre to be a very significant player and

1 threatens to be a very disruptive player in the U.S. market
2 if the orders are lifted. To be sure, they have disciplined
3 their prices in the United States under the orders, and
4 that's reflected in recent review rates, and they are of
5 course the beneficiary of exchange rate shifts in terms of
6 the dumping calculus.

7 But that should not be taken as an
8 indication then in the absence of the discipline of any
9 dumping orders, that they would be resigned to selling at
10 these same low levels. We think that they would resume, as
11 would IUSA, as would Luvata, as would Golden Dragon in
12 Mexico, to ship in much higher volumes through low price
13 leadership. That's our position.

14
15 COMMISSIONER PINKERT: And what I would
16 just clarify for the post-hearing is that what I'd like to
17 see is what you anticipate Nacobre's role in the U.S. market
18 would be in the absence of the order, and what is the
19 evidence that supports that, whether it's evidence from the
20 pre-order period or some other evidence that you might have,
21 whether it's capacity. But please tie that to the record
22 evidence that we have available.

23 MR. LEVY: Absolutely, thank you.

24 COMMISSIONER PINKERT: Thank you. Now a
25 similar line of questions concerning China's second largest

1 copper producer, Hailiang. What role would they play in the
2 U.S. market in the absence of the order? MR. LEVY:

3 So a couple of things. I don't think you're going to be
4 able to do anything with this statement, but we'd be remiss
5 in not mentioning that Hailiang did set up Vietnamese
6 production operations roughly contemporaneous with the prior
7 investigation, and we have some serious concerns that volume
8 that is being imported nominally as Vietnamese origin, that
9 some of it may be transhipped product from China.

10 We're under no illusion that this
11 Commission can solve for that concern, but we simply call it
12 out as a possible issue with the data. Be that as it may,
13 Hailiang has just announced an investment of more than a
14 quarter of a billion dollars, to add more than 600 million
15 pounds of capacity in China. It is -- it has to be with an
16 eye to export markets, according to public reports, and the
17 best price to export market for Hailiang is the one that
18 they've accessed in the past, which is the U.S. market.

19
20 I think Mr. Sigloch is quite familiar with
21 the conditions of competition in China and the pricing
22 environment, and I'd like him to just comment a little more
23 on if you were Hailiang and you were sitting on 600 million
24 pounds of incremental capacity, what would you do with it
25 and why?

1 MR. SIGLOCH: So maybe I should comment
2 that Hailiang earlier this year purchased a copper tube
3 distributor in the United States. So they currently don't
4 have a domestic source for plumbing tube, a foreign source
5 for plumbing tube. It's a domestic source. But what would
6 you think, what would you do if you purchased that company?
7 You would shift, as soon as you're allowed to, to your own
8 manufacturing.

9 So that's a significant factor and the
10 other thing is the investment itself in China. I think this
11 company has made a similar decision like Golden Dragon, that
12 they want to dominate the world in copper tubing and add so
13 much capacity they could -- these two players together could
14 satisfy 100 percent of the world demand in copper tube.

15 COMMISSIONER PINKERT: And if you look at
16 Chinese demand going forward, domestic demand in China going
17 forward, does that explain these investments in China?

18 MR. SIGLOCH: Currently, China is not
19 growing. So actually the housing market -- we all speak
20 about the slowdown in absolute pounds. It's still a
21 significant market, but it's actually slightly shrinking and
22 the air conditioning market is currently sitting on a 15
23 month inventory of finished goods. So they are definitely
24 slowing down on a high level. Clearly admitted it's an
25 incredibly large market, but they're building inventory

1 these days.

2

3 COMMISSIONER PINKERT: And Steffen, can you
4 comment on price in China relative to cost of manufacturing?

5 MR. SIGLOCH: It's not a good topic. It
6 makes my cry. So also Mueller has a manufacturing operation
7 in China, and it's the lowest price in the world is in China
8 and it is so competitive, it is so cut throat from what we
9 read, from what's published, we don't think that we're the
10 only player that struggles in this environment. It seems to
11 be across the board. So the accumulated Chinese profits of
12 the entire industry, their industry association says that
13 it's not a profitable undertaking.

14 So the prices are very, very low and for
15 U.S. standards unbelievably low and not sustainable long
16 term very clearly. So it's cut throat competition right
17 now.

18 COMMISSIONER PINKERT: Thank you.

19 CHAIRMAN WILLIAMSON: Okay. Commissioner
20 Broadbent.

21 COMMISSIONER BROADBENT: Okay. Let's see.
22 Just a couple of questions about copper that I'm curious
23 about. Where do you all mine your copper, in the United
24 States or Chile or where do you buy? Where is your imports,
25 where is it coming from?

1 MR. BAKER: We get it from the United
2 States. Some comes in from Chile, some comes in from
3 Mexico.

4 COMMISSIONER BROADBENT: So percentage-wise
5 in U.S. production, most of it's sourced?

6 MR. BAKER: Most of ours is U.S., and you
7 know like I said, a lot of ours is scrap, which is used,
8 manufactured or produced.

9 COMMISSIONER BROADBENT: Right.

10

11 MR. BAKER: So I can't give you the
12 percentage of our raw material that comes from the U.S., but
13 the majority does come from the U.S.

14 COMMISSIONER BROADBENT: And that's --
15 where are those mines located, like in Arizona or something?

16 MR. BAKER: Yeah, Utah.

17 COMMISSIONER BROADBENT: Utah, okay. What
18 about you two?

19 MR. SIGLOCH: Yeah. So it would be the
20 same. Utah and Arizona are the two largest states in the
21 United States that supply us. We also get some through
22 distribution and distribution does source globally and at
23 times it comes from U.S. suppliers and at times it comes
24 offshore. Typically, I would say here it's South America,
25 but at times it comes even from elsewhere in the world. But

1 the majority is United States and some part comes from South
2 America.

3 COMMISSIONER BROADBENT: Mr.
4 Pfeiffenberger?

5 MR. PFEIFFENBERGER: Yes. We are a
6 regional mill. I do not buy any raw copper. I get my
7 copper from our Mississippi plant.

8 COMMISSIONER BROADBENT: Got it, and then
9 is the copper purchased through spot sales or under
10 contracts with fluctuating price points?

11 MR. BAKER: We have a premium we've agreed
12 to. It's a contractual premium we pay from our brokers.
13 Now whatever copper's doing at the time we're buying it,
14 that premium is just put on top of that, okay. So if
15 copper's \$2 a day we'll pay two dollars plus something, and
16 if it's 2.50 tomorrow, we'll pay 2.50 plus that same
17 something.

18 COMMISSIONER BROADBENT: So it changes
19 every day?

20

21 MR. BAKER: Copper changes every day.

22 COMMISSIONER BROADBENT: No, but I mean the
23 price you're paying changes every day?

24 MR. BAKER: Yes, depending on what the
25 price of copper is for the day. You know, we can forward

1 fix some of that, but that's a whole different issue. We do
2 that for some of our customers. But copper changes every
3 day, so we're buying every day. We're going to have a
4 different price, as everybody else does.

5 COMMISSIONER BROADBENT: Okay. Page 2-3 of
6 the staff report indicates that importers generally ship
7 within 100 miles of the port of entry. On page 4-7, it
8 indicates that nearly all imports from Mexico entered the
9 United States in Laredo, Texas, which is fairly consistent
10 with what occurred during the original period of
11 investigation.

12 Do you agree that imports from Mexico are
13 limited primarily to within 100 miles of Texas, of the
14 Texas-Mexico border, and do you think that limits
15 competition with imports from China or with the domestic
16 product?

17
18 COMMISSIONER SCHMIDTLEIN: So I guess it
19 depends which market we're talking about. Commercial tube
20 can go anywhere in the country. Plumbing tube, if you have
21 a very small order and you service a construction shop at a
22 high-rise, and you need to supply every day what that story
23 or that floor that the construction progress is on, if you
24 need to supply that daily yes, you cannot service that for
25 more than 100 miles. It depends a little bit what you're

1 looking at, but plumbing is typically distributed. I would
2 use a 250 mile radius because that's the trucking distance
3 in one day that the driver can return home.

4 MR. LEVY: It's also worth noting,
5 Commissioner Broadbent, that the more freight that you
6 incur, the greater your dumping liability. So under the
7 discipline of an anti-dumping order, I think it puts
8 producers like Nacobre in something of a straight-jacket.
9 Without the discipline of an anti-dumping order, their
10 ability to penetrate all regions of the United States market
11 is fundamentally different, and we'll describe and compare
12 and contrast the record from the investigation with the
13 record from the Period of Review when given the opportunity.
14

15 COMMISSIONER BROADBENT: Okay. This will
16 just be responding to Nacobre's brief. They argued that
17 there's been a shift in U.S. manufacturing downstream to
18 Mexico, and do you worry that the preservation of these
19 orders bolsters U.S. prices above global prices in such a
20 way that forces industries like
21 Carrier and Whirlpool to relocate to places like Mexico?

22 MR. BAKER: No, I don't. There's been some
23 movement. Carrier moved down. It was well publicized.
24 That did not impact the copper industry. That was primarily
25 aluminum moved down there. The other guys have not moved

1 down there. I think most of what's happened has happened,
2 and I don't see the --

3 COMMISSIONER BROADBENT: The other guys
4 being who?

5
6 MR. BAKER: The Tranes, Lennox, Dykens,
7 those folks. So I think what's happened happened, and when
8 we were talking with them, we don't see any more movement
9 going down to Mexico. Things could change, but I don't
10 think that this duty will impact, if the order stays in
11 place, it's going to impact these folks to move down to
12 Mexico.

13 MR. LEVY: And Tom, do you have any sense
14 of the percent of total cost that cooper tube represents if
15 you're an HVAC producer?

16 MR. BAKER: We do. I can -- I don't want
17 to quote it and be wrong here, but it's not a significant
18 portion of it. So when you're looking at a lot of the
19 products, the price of copper or the fabrication charge,
20 okay, is a small percentage of that product. The price of
21 copper's a bigger percentage, but the price of copper's
22 going to be the same in Mexico as it is here.

23 So the fabrication charge itself is a small
24 percentage of what the Tranes and the Lennoxes of the world
25 are paying for that product, or what's involved in that

1 product.

2 COMMISSIONER BROADBENT: Okay, and then
3 another thing from Nacobre's prehearing brief on page seven.
4 They talk about IUSA's production in Mexico and they're
5 asserting that IUSA has largely restructured away from the
6 production of copper tube. Would you agree with that?

7 MR. LEVY: Steffen, can you speak to
8 whether you see IUSA having quit manufacturing or marketing
9 of copper tube?

10 MR. SIGLOCH: I've been posed that question
11 yesterday for the first time. It surprised me completely.
12 I would not know why, and if this was only an event that
13 happened this week. But no, we see them present unchanged
14 anywhere in the market, and we are present in Mexico and we
15 are present in the United States every day, so I cannot
16 confirm this.

17 COMMISSIONER BROADBENT: Okay.

18
19 MR. BAKER: Their financials are published
20 and if you look at that, they're public, it would tell you
21 something different than that. Now it doesn't tell you where
22 they produced it, but it tells you where the revenues are
23 generated. What we've seen is a lot more revenue generated
24 down in Mexico for IUSA than there is in the U.S.

25 COMMISSIONER BROADBENT: Okay. Let's see.

1 I'm not sure if this has been asked before but I don't
2 remember, so I'll ask it again. How do you respond to the
3 notion that three of the four Mexican producers have
4 alternative methods of serving the United States, including
5 U.S. production? Doesn't this mitigate some of the original
6 threat that the Commission recognized during the original
7 investigations, at least with respect to Mexico?

8 MR. LEVY: Again, we recognize this is the
9 -- sort of the thesis du jour in this review, this thesis
10 that, you know, because Golden Dragon has U.S. production,
11 because Cambridge Lee has a parent, that that somehow will
12 mitigate the effect and somehow insulate all domestic
13 producers from injury should the orders be revoked.

14 It's quite stunning that neither Golden
15 Dragon nor IUSA nor Cambridge Lee are here today making that
16 claim. That claim is only being asserted by one company,
17 Nacobre, and we will address this fully in our post-hearing
18 submission. But we respectfully submit that there's nothing
19 in that argument that undermines the conclusion that an
20 affirmative determination is warranted in this case.

21

22 COMMISSIONER BROADBENT: Okay. Nacobre had
23 a de minimis margin in three administrative reviews just
24 recently, most recent three administrative reviews. GD
25 affiliates in Mexico also have consistently received low

1 rates. Can you discuss whether these imports have continued
2 to materially injure the U.S. industry despite being
3 excepted to these low duty rates?

4 MR. LEVY: Sure, I'd be happy to speak to
5 that. You know, I think first of all what you need to ask
6 is what did the Commerce Department find in this sunset
7 review, and they found that in this sunset review, should
8 the orders be revoked dumping from Nacobre would resume at a
9 level of 27.16 percent. So that's the number that this
10 Commission has to accept for what it's worth. We
11 respectfully submit that in the absence of the discipline of
12 anti-dumping orders, the volumes from Nacobre would be very
13 different, the pricing from Nacobre would be very different
14 than what we've seen in recent years.

15 The discipline from Nacobre in recent years
16 is quite welcome, and you heard from Mike Pfeifferberger
17 exactly why, because it's allowed U.S. producers to win
18 business at a fair price, employ workers, and he's told you,
19 he has no doubt that that business will be lost back to
20 Nacobre the moment the orders are lifted.

21 So that's exactly the dynamic we're in now.
22 It is not, and I had to explain this to clients sometimes,
23 it is not always the case that having a zero rate in an
24 administrative review is a bad thing. Sometimes it means
25 that a foreign producer has found religion, and is actually

1 monitoring their prices, monitoring their cost and avoiding
2 dumping.

3

4 That is frankly the world that we want to
5 live in. We want to live in a world where there is
6 discipline from anti-dumping orders, and not that foreign
7 producers are locked out of the U.S. market through some
8 arbitrary dumping margin, but rather have the opportunity to
9 sell on the U.S. market at non-dumped prices.

10 COMMISSIONER BROADBENT: Okay. Thank you
11 Mr. Chairman. I appreciate the witnesses appearing today,
12 and I don't have any more questions.

13 CHAIRMAN WILLIAMSON: Thank you.
14 Commissioner Schmidtlein.

15 COMMISSIONER SCHMIDTLEIN: Thank you. Mr.
16 Levy, I wonder, can you just give us a little hint of what
17 the argument is as to why the Mexican producers will be
18 coming back into the market, notwithstanding the fact that
19 three of them have U.S. subsidiaries here? Is it that they
20 are going to, you believe, cannibalize their sales here in
21 the U.S., or do you think they're going to give up those
22 subsidiaries, much like you suggested Golden Dragon would?

23 MR. LEVY: So we'll talk more about it in
24 our post-hearing submission. But in the case of IUSA, what
25 did they do? They moved equipment to Pennsylvania. Would

1 they move it back to Mexico if the orders were lifted? We
2 think the answer is quite likely we'll see a consolidation
3 of operations for Cambridge Lee, and greater production from
4 Mexico for sale in the United States.

5 Remember IUSA was the number one supplier
6 from Mexico during the Period of Review. We've talked at
7 length about Golden Dragon and the extent to which we think
8 that their experience in the United States has somehow
9 caused them to invert their interests and suddenly --

10

11 COMMISSIONER SCHMIDTLEIN: I'm really
12 focused on Mexico though.

13 MR. LEVY: Okay. Well, in the context of
14 Mexico, again I'd call you back to the pink paper and to the
15 record evidence on the second page, and look to see what
16 some of the importers are saying and most notably Importer
17 No. 4 on this issue of the likely effects of revocation, and
18 sort of ask yourself, you know, who is Importer No. 4? Is
19 that a credible source, and how does it speak to this
20 question we've just discussed?

21 COMMISSIONER SCHMIDTLEIN: Okay, all right.
22 Well, if you could expand on that and just touch on the
23 other two as well in your post-hearing, that would be
24 helpful.

25 MR. LEVY: Thank you.

1 COMMISSIONER SCHMIDTLEIN: And then my last
2 question was, and I'm not sure if this has already been
3 asked, but can you respond to the argument that the U.S.
4 industry isn't vulnerable given the increase in employment,
5 the growth in employment and the profitability of the
6 industry over the past five years?

7 MR. LEVY: I think we can try to do that by
8 reference to data. But if you look at the performance of
9 the U.S. industry, it has been stable, but the industry is,
10 in our view, quite vulnerable. If you look at capacity
11 utilization and if you look at per unit costs, the capacity
12 is quite vulnerable. If you look at conversion revenues,
13 you'll see that the industry is quite vulnerable.

14
15 The industry has made very significant
16 investments to support itself and to foster further
17 efficiency gains. But they've gone about as far as they can
18 go, and they need to get returns on that investment in order
19 to continue to compete. So we'll try to speak to that in a
20 more pointed way by reference to APO data, but I think the
21 testimony you've heard here today I think paints the right
22 picture, which is this is an industry that was on the verge
23 of collapse when the original case was filed, and the
24 orders have allowed it to tread water.

25 To be sure, non-subject imports have put

1 additional pressure on the system. But the biggest threat
2 right now is the incremental volume and the dumped prices
3 from China and Mexico.

4 COMMISSIONER SCHMIDTLEIN: All right. Well
5 if you could follow up on that in the post-hearing, that
6 would be helpful.

7 MR. LEVY: Sure.

8 COMMISSIONER SCHMIDTLEIN: All right, thank
9 you. I don't have any other questions.

10 CHAIRMAN WILLIAMSON: Thank you. Mr. Levy,
11 how useful are the staff reports' price comparisons to our
12 analysis of material injury, given the extent to which
13 prices are tied to fluctuating world copper prices? Are
14 fabrication charges a better indicator of industry's
15 condition, rather than the natural prices?
16

17 MR. LEVY: One could envision a world in
18 which the pricing products would look at just fab charges
19 exclusive of metal, and when you're talking about commercial
20 tube because it's priced that way, it's fairly administrable
21 to provide that information. But when you're talking about
22 plumbing tube, it's something of an artifice, because when
23 you're selling to say a distributor or a retailer, you're
24 just giving them a price.

25 And so it's not particularly feasible to

1 develop that information. One can derive conversion
2 revenues by looking at the Comex metal price and backing it
3 out, and you would be able to see what we're describing in
4 terms of the trend over time. But be that as it may, what
5 you've heard from Tom Baker today is that essentially all
6 producers are paying the same price for their raw copper
7 metal.

8 And so there may be some minor timing
9 differences from month to month, but on the whole it should
10 come out in the wash. What we see in the pricing data, when
11 you look at individual products going head to head and
12 admittedly there's not a lot of volume here because the
13 presence of subject imports have diminished in this Period
14 of Review.

15 But if you look at the volume of
16 underselling, it's about two-thirds of the subject import
17 volume, which is about the same level of underselling in
18 terms of percent of volume of subject imports that we saw in
19 the original investigation that supported threat. So you
20 know, the pricing data are what they are. It was
21 satisfactory to support a finding of adverse price effects
22 in the original investigation, or at least a threat thereof,
23 and we think that the threat is as equally as poignant in
24 this case.

25

1 CHAIRMAN WILLIAMSON: Good, thank you. In
2 Petitioner's prehearing brief, you state that there is no
3 indication that any U.S. producer should be excluded from
4 the domestic industry under the Commission's traditional
5 factors for exclusion. I was wondering, do any U.S. firms
6 qualify as related parties and if so, can you provide more
7 explanation for why appropriate circumstances do not exist
8 to exclude any firms that would qualify as related parties
9 from the domestic industry definition?

10 MR. LEVY: Yeah. Again, we've not argued
11 for the exclusion of any domestic parties' data for purposes
12 of this analysis. We'll brief it through a legal lens in
13 our submission, realizing that different Commissioners apply
14 the statute in slightly different ways.

15 CHAIRMAN WILLIAMSON: Okay, thank you.

16 CHAIRMAN WILLIAMSON: Are domestic producers
17 use of -- products less normal than in the original
18 investigation because of the economic recovery? So we're
19 just talking about the plumbing applications here?

20 MR. LEVY: Plumbing in particular?

21 CHAIRMAN WILLIAMSON: Yeah, uh-huh.

22 MR. LEVY: I don't know. Could -- Tom or
23 Steffen, can you speak to that?

24 CHAIRMAN WILLIAMSON: I mean there has
25 been --

1 MR. LEVY: Are you any more vulnerable in
2 the plumbing tube segment today or any less vulnerable today
3 than you were back in the original case?

4 CHAIRMAN WILLIAMSON: Given the --

5 MR. LEVY: Given changes in demand?

6 CHAIRMAN WILLIAMSON: Yeah.

7 MR. SIGLOCH: So the housing recovery is
8 not driving our demand any more. As I said earlier, the
9 domestic has captured that share. So if there were a true
10 recovery of the commercial market, which really never took
11 place, that would help us and we would be less vulnerable.
12 But that's not the case, and it has been relatively steady
13 volume in that commercial construction sector. So the same,
14 unchanged.

15 CHAIRMAN WILLIAMSON: Okay, so it's --
16 Washington doesn't drive the whole country, because you look
17 around here you see a lot of construction. Okay, thank you.
18 During 2014, U.S. domestic producers held the same market
19 shares they had in 2010, and the following year they gained
20 only 2.5 percent points of market share, while non-subject
21 imports gained 5.7 percentage points during the 2010-2015
22 period.

23 This seems to suggest that the orders have
24 most benefitted non-subject producers. If the orders were
25 revoked, would any increase in subject imports be at the

1 expense of non-subject imports rather than the domestic
2 industry, and why and why not?

3 MR. LEVY: So we'll again speak to this in
4 greater depth in our post-hearing submission. But it's
5 absolutely the case that the orders were beneficial to the
6 U.S. domestic industry (audio interruption) on the volume
7 side, but perhaps most pointedly on the price side, but was
8 also beneficial to non-subject imports and we're very clear
9 about that.

10 If the orders were revoked, would it be
11 injurious to U.S. producers? Absolutely. Would it also in
12 part displace non-subject sources? Probably. One perfect
13 example might Hailiang, which purports to be shipping to the
14 United States from Vietnam. Would they focus more on their
15 Chinese operations? Quite possibly. So non-subject imports
16 are a condition of competition in this market, and we
17 certainly account for that in our testimony.

18 CHAIRMAN WILLIAMSON: Okay, thank you. Do
19 U.S. producers with foreign affiliates rationalize
20 production by importing certain low volume products from
21 overseas affiliates, and if so, would you expect this
22 behavior to change if the orders were revoked?

23 MR. BAKER: We bring in a little bit from
24 our parent and sister companies, but what we bring in
25 primarily is non-subject material. It's like a copper nickel

1 alloy, and we bring in a little bit of copper tube. When we
2 added another drawing line, for example, in our Pine Hall
3 facility, we had a little disruption. We added second
4 lines. We brought in some product from our German parent.
5 But no, we make everything that we sell here and we
6 occasionally have them complement us if we're having a
7 disruption in when we put in equipment or something along
8 those lines.

9 CHAIRMAN WILLIAMSON: Thank you.

10 MR. SIGLOCH: We would not use China to
11 bring in products into the United States, since we have
12 companies there. We would also not source it elsewhere.

13 CHAIRMAN WILLIAMSON: Okay. I'm not sure
14 about Mexico, if you want to --

15 MR. SIGLOCH: We do not have a factory in
16 Mexico.

17 CHAIRMAN WILLIAMSON: That's what I
18 thought, but I was just checking. Good, okay, fine. Thank
19 you for those answers. Vice Chairman Johanson? No further
20 questions. Mr. Pinkert, nothing. Any other Commissioner
21 have any questions? I guess not. So does staff have any
22 questions for this panel?

23 MR. GIAMALVA: John Giamalva, Office of
24 Industries. Staff has no questions at this time.

25 CHAIRMAN WILLIAMSON: Okay. Do those in

1 opposition have any questions for this panel?

2 MR. WINTON: No, not at this time.

3 CHAIRMAN WILLIAMSON: Okay, good. Well, I
4 want to thank you all for your testimony and spending the
5 morning with us. It's now time for a lunch break and we
6 will reconvene at 1:15. Also, this room is not secure, so
7 please take any business proprietary confidential
8 information with you, and we'll see you all at 1:15. Thank
9 you, and again, thank you very much for your testimony.

10 (Whereupon, a lunch recess was taken to
11 reconvene at 1:15 p.m. this same day.)

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1 copper tubing sales.

2 Traditionally, there were two Mexican producers
3 of copper tubing, Nacobre and IUSA. The main market for our
4 products was in the construction sector for the use in
5 plumbing in new buildings, remodeling, and in repairs.

6 Both we and IUSA established distribution has
7 worked and allowed us to reach--to allow us to reach the
8 small construction constructors and the supply houses in
9 Mexico they use. There were of course some industrial
10 customers that used copper tubing in manufacturing of
11 refrigerators and air conditionings. Companies like
12 Vitromatic and MABE. But demand in that sector was
13 relatively small.

14 Over the past few decades, however, there has
15 been a major shift in the Mexican market. As U.S. and other
16 international appliance manufacturers opened plants in
17 Mexico to supply the U.S. market.

18 In the mid of the 1980s, MABE entered a joint
19 venture with GE and Vitromatic entered into a joint venture
20 with Whirlpool. Other major international appliance
21 producers, such as Electrolux, Samsung, and LG, just to name
22 a few, opened production facilities in Mexico in the 2000s.

23 Trane moved production of air conditioners from
24 Wisconsin. Lenox moved production from Iowa and
25 Mississippi. And Friedrich, the last U.S. producer of room

1 air conditioners, moved production from San Antonio, all to
2 Mexico at roughly the same time.

3 And the trend has continued. We have handed you
4 a short list of some of the moves that have occurred in the
5 last five years, shifting production of appliances that used
6 copper tubing from the United States to Mexico.

7 The purpose of these moves to Mexico is of course
8 to produce an appliance for consumption in the United
9 States. I'm not an expert on the impact these shifts have
10 had on the demand of copper tubing in the United States, but
11 they very clearly have changed the Mexican market.

12 The demand in the industry segment in Mexico has
13 grown exponentially, and is continuing to grow. And as a
14 result, companies that specialize in supplying that segment,
15 like Golden Dragon and Luvata, have opened production
16 facilities in Mexico to produce copper tubing to serve the
17 expanding industrial market.

18 We have also benefitted from these increased
19 opportunities. Although our focus on recovery historically
20 was on the Mexican construction sector. We make a very high
21 quality product, and we can and do meet the requirements of
22 many international customers. And we are always happy to
23 sell our products.

24 Nevertheless, these opportunities do not affect
25 the core of our business, which remains supplying the

1 construction market in Mexico.

2 We don't have enough production capacity, and we
3 haven't had the time to invest in relationships with all of
4 these potential new customers. At the same time, the
5 entrance of Golden Dragon and Luvata into the Mexican market
6 also has not affected our core business.

7 They undoubtedly are high competitors in the
8 industrial sector, but they simply have not been major
9 factors in the Mexican construction market. They don't have
10 the distribution network to compete for smaller customers,
11 and they have not been aggressively chasing business even
12 for larger opportunities in the construction sector.

13 At this time, our long-standing competitor IUSA
14 has also retreated from the construction sector. Since
15 emerging from bankruptcy, their focus seems to be selling or
16 imported construction-related products. Not so much copper
17 tubing, but as PVC pipes, fittings, valves, solar panels,
18 through their existing distribution channels.

19 I understand that they have been operating their
20 production facilities at very low levels. Someone told me
21 they run only three days a week now. Copper tubing just
22 does not seem to be their focus, and the result is Nacobre
23 has benefitted.

24 Looking forward, I expect these trends that have
25 lifted the Mexican market and our company's fortunes to

1 continue. For good or bad, the movement to Mexico of global
2 producers that consume copper tubing in their products has
3 an economic logic and continuing momentum that is
4 independent of copper tubing price.

5 At this time, we do not see anyone investing
6 seriously in selling copper tubing to the Mexican
7 construction sector. Our constraints now are on the supply
8 side. Without all of the investment in production
9 facilities in Mexico, not only at the border but also in
10 traditionally industrial areas like San Luis Potosi, the
11 demand of workers has surged. Finding good employees who
12 can be trained to work in our facilities and who will stay
13 after we have invested in their training has become
14 increasingly difficult.

15 This labor shortage has imposed a limit on our
16 ability to expand, and I expect that some companies with
17 production in Mexico are facing those constraints.

18 In the longer term, these developments may make
19 Mexico less attractive for new investment by global
20 manufacturers. In the short run, they make it difficult for
21 us or our competitors to ramp up production quickly to meet
22 the increasing demand in Mexico.

23 As Nacombre's Commercial Director I am
24 responsible for exports as well as domestic sales. Let me
25 conclude by offering a few comments on how I see the U.S.

1 market developing for us.

2 Even with the Antidumping Duties, we have
3 continued to export copper tube to the United States. We
4 have found that there are niche markets for some of our
5 specialist products that are worth selling even with the
6 hassles of going through the Commerce Department's annual
7 review proceedings.

8 Our export volume is more than it was before the
9 Antidumping Order was imposed. And if the Antidumping Order
10 were lifted, we would undoubtedly try to increase our
11 volume. But we do not see major opportunity in the United
12 States for our main construction sector products.

13 And with the supply constraints that we are
14 facing, and with the increasing opportunities in Mexico, we
15 do not see the United States as a priority. The main
16 benefit, frankly, would be procedural.

17 We would love not to have to turn our company
18 upside down and pay lawyers and accountants every year for
19 Commerce reviews. And it would be great to eliminate the
20 uncertainty we always face when trying to understand how
21 Commerce is going to calculate dumping margins for products
22 we are exporting to the United States but do not sell in
23 Mexico.

24 Our Mexican competitors are in a different
25 situation. All three of them, Golden Dragon, IUSA, and

1 Luvata, produce copper tubing in the U.S.A. I don't see how
2 any of them could increase exports from Mexico without
3 cannibalizing the existing sales of their U.S. operations.

4 In the end for those companies, I imagine it will
5 come down to a question of corporate strategy and where they
6 want to produce. But whatever they decide, I can't imagine
7 it will affect the other U.S. producers.

8

9 The market share held by the other U.S. producers
10 will depend on the customers and markets they supply, and
11 not on where Golden Dragon, IUSA, and Luvata choose to
12 produce material to supply their existing customers.

13 Finally, about our cast and roll investment, nor
14 did it increase our capacity. It was an equipment
15 replacement to enhance our quality as our domestic market is
16 more strict on quality as before.

17 As you know, nowadays the fabrication prices are
18 global and quality requirements are a must on the tube
19 market. We were never a big player in the United States. I
20 calculate that no more than 2 percent of the market. And we
21 will never be one. It's just not our strategy.

22 Prices in the U.S.A. market are not that
23 attractive as we have thought before.

24 Thank you very much for your attention, and I
25 will look to any questions you may have.

1 STATEMENT OF JEFFREY M. WINTON

2 MR. WINTON: Thank you. I'm not going to speak
3 too long, I hope.

4 It is interesting how things have changed in the
5 last five years since you last looked at this case. Five
6 years ago, I was a partner at Cassidy Levy--well, it was
7 called Cassidy, Levy & Winton then--we hired Jack, and I had
8 to leave because of a conflict, and they brought in Chris
9 Kent who's a Canadian guy. And despite that handicap, they
10 survived and I'm glad to see them here today.

11 Another thing that's changed in the last five
12 years is that Golden Dragon and Luvata are producers now.
13 At the time of your previous investigation, Golden Dragon I
14 believe started production in--according to your staff
15 report, previous determination, started production in
16 September 2009. Luvata in Mexico started production around
17 that time a little earlier.

18 So when you hear that Nacobre was the
19 second-largest exporter of copper tubing during the original
20 investigation, you should know that was second out of two.
21 The Golden Dragon and Luvata were not producing in Mexico at
22 the time.

23 There is a question, as a respondent in these
24 cases you kind of get two different comments from the
25 Petitioners in these reviews. One is, they say we don't

1 really think the U.S. market is that--is going to be that
2 big an opportunity for us, and the Petitioners say, well, if
3 you don't think it's a big opportunity for us why did you
4 come here? That's one argument. We didn't hear that one
5 today.

6 Instead, we heard if Golden Dragon, Luvata, and
7 IUSA agreed with Nacobre, why aren't they here today? That
8 was the argument we heard from Mr. Levy. And I think I
9 don't find either argument compelling. I don't think you
10 do, either, but to the extent that Golden Dragon, Luvata,
11 and IUSA's absence says anything, it says they don't care
12 enough about this to show up. They're happy with the way
13 things are.

14 And why are they happy with the way things are?
15 Because they can supply the U.S. market from other
16 facilities, not Mexico. In the case of Golden Dragon, from
17 the United States. In the case of Luvata, I look at their
18 website and it sure looks to me like they're producing
19 copper tubing in Kentucky, but they're also producing it
20 undoubtedly in Finland, and Thailand, which are not
21 subject, as well as in China.

22 And IUSA. IUSA is a strange case. We heard a
23 lot today, oh IUSA just moved its equipment to the United
24 States because of the Antidumping Order. You know, after
25 the Antidumping Order. Well, in fact IUSA told you they

1 were moving production to the United States at the time of
2 your original investigation. It's something you discussed
3 in your original determination.

4 And what you say is: Okay, we understand IUSA is
5 moving production to the United States, but we see Golden
6 Dragon and Luvata coming in to Mexico and so we think on the
7 whole that counteracts IUSA leaving the Mexican market.

8 So it's not the case that IUSA suddenly decided,
9 oh, there's an antidumping case, let's move to the United
10 States. It was something that was baked into the cake
11 before.

12 And there's a final comment I'd like to make
13 before letting you ask the questions that matter to you,
14 this notion that Golden Dragon and IUSA having moved
15 production to the United States are going to withdraw
16 production if you revoke--if you vote to, well, to revoke
17 the Order. If there's no antidumping, we heard, then
18 they're just going to move back to Mexico or somewhere else
19 to supply the United States.

20 And there are a couple of problems with that.
21 The simplest problem with that is, suppose they move back to
22 Mexico? Two days later, my good friend Jack Levy will be
23 hee again with a new antidumping petition. Let's be
24 serious. You know, and so if you were Golden Dragon and you
25 were advising Golden Dragon and IUSA and Cambridge-Lee and

1 somebody said, hey, Nacobre came in and they made the case
2 and they won. This Order has been sunsetted. You should
3 move back to Mexico. I would tell them that's crazy.
4 Because if you move back to Mexico, it's sort of like waving
5 a red flag in front of the U.S. industry.

6 And if they did that and they came to the
7 Commission and you saw everybody expanding capacity in
8 Mexico, I think it would be hard for us to say there's not a
9 threat. So it seems to me it would be kind of stupid for
10 Golden Dragon, and IUSA to do what they're being accused of
11 wanting to do, which is move things back to the United
12 States.

13 Now it was interesting to hear the discussion of
14 Golden Dragon and the problems they're having in the United
15 States. I don't know anything about that. I am old enough
16 to remember in the 1980s when the Japanese first opened
17 their plants in the United States and we heard a lot of
18 similar comments. There are cultural differences. And
19 eventually they get worked out. And I think in the case of
20 the Japanese, other foreign companies that invested in the
21 United States, it's all worked out. It takes some time.
22 There are cultural differences.

23 But to say that Golden Dragon, having invested
24 all this money in the United States is going to pick up and
25 go so that they can be the subject of a new antidumping case

1 a few months later just doesn't make sense.

2 I don't know--you know, there's a good question
3 that Commissioner--Chairman Williamson, sorry, asked about
4 how you define the industry. Do you exclude related parties
5 or not? And certainly I could see the argument being made
6 that you should exclude the related parties.

7 But stepping back, it would seem to me that when
8 you make your decision in this case, whatever you decide
9 about industry definitions, however you go through the
10 statutory factors, the key command under the statute is that
11 you look at the industry as it exists, the conditions of
12 competition that exist in that industry. And whether you
13 say we define the industry to exclude these, or you say we
14 include these in the industry, but we understand what's
15 going on here, it seems to me when you have companies like
16 IUSA, like Golden Dragon, that made significant investments
17 in the United States, the notion that just because the Order
18 is revoked they're going to torch those investments, as Mr.
19 Levy has suggested, doesn't seem reasonable to me.

20

21 With that, I thank you and look forward to your
22 questions.

23 CHAIRMAN WILLIAMSON: Thank you very much. Thank
24 you for coming.

25 We'll begin the questions this afternoon with

1 Commissioner Pinkert.

2 COMMISSIONER PINKERT: Thank you, Mr. Chairman,
3 and I thank all of you for being here today to help us
4 understand these issues.

5 I understand that you believe this case is not
6 about Nacobre but about the three multinational producers in
7 Mexico, and I understand that you don't know exactly what
8 they're going to do in the event of revocation. But can you
9 give me your best guess, or your best estimate of what
10 they're going to do in the event of revocation?

11 MR. ELORRIAGA: Okay, let's go one by one.

12 First, the most difficult to me to forecast what
13 they're going to do is Luvata. I don't know them very well.
14 I don't bump into them in many sectors of our business.

15 I know that they are worldwide producers, and
16 they are integrated vertically, meaning that with their
17 tools that they manufacture they also have companies which
18 are associated from them and they do the radiators, the heat
19 exchangers. So I don't know where their tube is going to
20 end up, to be honest, if it stays in Mexico, goes back to
21 Europe, or in the U.S.A.

22 Regarding Golden Dragon, I think that they will
23 keep things as they are now. I know that the material that
24 they import nowadays in the U.S.A., it's one or two sizes
25 that they do not manufacture in Alabama. So I think that

1 they will keep the same. I don't know how big the damage is
2 what they do in the U.S. nowadays.

3 And IUSA is the one that I don't understand at
4 all. But if they're not taking advantage of the Mexican
5 market opportunities, why would they go to the U.S.A. at
6 cheaper prices? So I think that IUSA will keep doing what
7 they are doing now, and Golden Dragon the same.

8 I don't see them expanding in the United States,
9 or expanding their sales into the U.S.A. Now that they have
10 two facilities on each--one facility inside of the border,
11 it doesn't make sense. Maybe they can complement products
12 from each other, but as far as I know they're pretty
13 complete facility.

14 COMMISSIONER PINKERT: Thank you. As you know,
15 one of the arguments that is being made by the other side is
16 that the pricing in the United States is favorable when
17 considered in comparison with pricing in other export
18 markets for Mexico. In other words, places where Mexico
19 could export.

20 Is that accurate? That the pricing in the United
21 States is higher than other export markets?

22 MR. ELORRIAGA: It's higher than Europe, but not
23 higher than South America. And certainly not higher than
24 Mexico.

25 COMMISSIONER PINKERT: And do you want to

1 speculate about the pricing advantage of U.S. over China?

2 MR. ELORRIAGA: Well personally I haven't done
3 business in China. I think that their local markets, they
4 have very, very low prices. That's why they are moving all
5 over the world trying to allocate product.

6 I know that they have been growing in the past
7 decade in the 15, 14 percent. I know they're around 6 or 7,
8 which for a normal country would be great, but for them it's
9 very low. So I could imagine that they could be trying to
10 sell everywhere whenever they can. But I don't know their
11 open market prices, I don't know. I don't know that market.

12 COMMISSIONER PINKERT: Thank you.

13 MR. ELORRIAGA: You're welcome.

14 COMMISSIONER PINKERT: Now our report shows that
15 some purchasing decisions are made based on country of
16 origin. Why would that make a difference to purchasers or
17 their customers, given the standardized nature of this
18 product?

19 MR. ELORRIAGA: Usually the products are made up
20 to a standard. Usually the quality of our competitors is
21 very good. I don't think that the origin of the product is
22 an issue, unless there is no communication or
23 self-understanding between both parties, like language
24 barriers, or type of doing business.

25 But I don't think that in this case of pipe,

1 copper pipe, you find like a decision of which country to
2 buy from, unless there's price involved. I think price is
3 the detonator, and that's the main game changer between
4 countries.

5 Also, lead time could be something that could be
6 in the mix of making a decision. Lead time. Also, sea
7 freight. Those kind of things. We have learned about in
8 the past couple of years of American companies having
9 problems bringing in material from China because of union
10 strikes in California ports, those kinds of things, and
11 that's a risk. That's a risk that U.S. customers would have
12 if they import from Asia.

13 COMMISSIONER PINKERT: Would you agree with the
14 characterization this morning of the Petitioner that this is
15 a commodity product?

16 MR. ELORRIAGA: Yes, it is. It is.

17 COMMISSIONER PINKERT: And can you explain why
18 importers often sell this product to order, rather than out
19 of inventory?

20 MR. ELORRIAGA: Because every customer on the
21 commercial side of the business, every customer has their
22 own specifications. They use our tubing for certain
23 appliances, or equipments. So those equipments have certain
24 engineering design, and that design includes the certain
25 size and wall thickness and outside diameter of the tube.

1 So depending on what they want to get out of the product and
2 their appliance, they will have to ask for a certain
3 specific type of tube or pipe. As they have here with the
4 samples, usually very different sizes. So every customer
5 would have like a tailor-made product for their own--a
6 tailor-made tube for their own product.

7 So that's why it's very difficult to forecast or
8 foresee how much you're going to sell of which product.
9 Demands change very much and very fast, and sometimes are
10 depending on the season of the year. Nobody wants to have
11 inventory. Our customer doesn't want to have inventory.
12 Certainly we don't also.

13 We try to do our best on having a quick
14 turnaround on shipments as soon as we can, but nobody wants
15 to have inventory, for in copper it could go down from one
16 day to another. So everything that we made on the
17 commercial side of the business is done with an order in
18 hand.

19 MR. WINTON: And if I can, it may be just a
20 question of how you define the term "commodity." When the
21 industry people that you've heard from talk about
22 commodities, they mean there's a set of specifications.
23 Pretty much anyone can make it. It's not special
24 technology, special know-how.

25 I think when you're asking the question, in the

1 plumbing market for example what you do is you stock
2 inventory, and you sell out of inventory. That's how
3 Nacobre sells in Mexico. We heard this morning that's how
4 the U.S. producers sell in the United States.

5 If you're going to sell in the plumbing market,
6 you sell from inventory. If you're going to sell to
7 commercial market, to the industrial companies who are using
8 it in their machines, you're producing to their
9 specifications but pretty much anyone can produce to those
10 specifications.

11 COMMISSIONER PINKERT: Thank you.

12 CHAIRMAN WILLIAMSON: Thank you.

13 Commissioner Broadbent?

14 COMMISSIONER BROADBENT: Let's see. Nacobre, you
15 all are arguing that subject imports from Mexico should not
16 be cumulated with those from China. Would you argue that
17 subject imports from Mexico would have no discernable
18 adverse impact on the U.S. industry if the Order is revoked?
19 Or is your cumulation analysis purely based on the
20 Commission's discretionary factors?

21 MR. WINTON: Whichever argument gets us there.

22 (Laughter.)

23 COMMISSIONER BROADBENT: You're not allowed to say
24 that.

25 MR. WINTON: Oh, sorry. No, I think we've talked

1 before about the lead times. And I think it was Mueller or
2 Wieland, I can't remember, I wrote down who it was, and they
3 said we can produce anything if you give us four to eight
4 weeks to produce it.

5 Well, Ramon can tell you, he can produce things
6 in four to eight days. And that is something, you know, to
7 ship from China is at least a month. So people who need
8 things quickly, you know, you can go to Mexico. You can go
9 to the U.S. producers if it's something they can produce in
10 less than four to eight weeks. You can't go to China if you
11 need it quickly.

12 So in that sense, there's a condition of
13 competition. You can use your discretion not to cumulate.

14 On the other hand, do we think that there's going
15 to be an adverse impact from imports to Mexico? Well we've
16 been arguing all along that we don't think that Nacobre is
17 going to increase exports, and we don't think IUSA is going
18 to increase exports, and we don't think Golden Dragon is
19 going to increase exports, and we don't think Luvata is
20 going to increase exports. So I think that adds up to no
21 discernible adverse impact.

22 COMMISSIONER BROADBENT: Okay.

23 Can you discuss whether the fact that Mexico's a
24 NAFTA country affects our analysis of cumulation?

25 MR. WINTON: I can't. I know this is terrible.

1 I have never seen the Commission take that into account,
2 perhaps you do. It seems to me there is a dynamic here
3 and it's NAFTA-related, but it's not provisions of the
4 NAFTA.

5 I can remember I was actually on the legal team
6 advising Mexico during the NAFTA negotiations and I flew
7 into Monterrey with the senior partner of our firm and
8 actually the airplane missed the airport, almost landed on a
9 hill and then turned around and landed at the airport and we
10 drove in from town. It was like a desert.

11 And he said some day this is going to be a busy
12 airport and there's going to be you know built up as far as
13 you can see and I laughed at him, but if you go to Monterrey
14 now the first thing you do you drive out of the airport you
15 see Whirlpool. You see every brand name that you know in
16 the United States is on that road from the airport into
17 downtown Monterrey. And so, in that sense this expanding
18 the -- it's rationalization of the U.S. market -- you know I
19 remember the great sucking sound from the South, as Ross
20 Perot put it, is not what's happening; but U.S. businesses
21 see this as an opportunity to rationalize production.

22 In that sense, we are part of that as well in
23 Mexico. We are serving U.S. companies who have decided to
24 establish in Mexico and take advantage of their stability
25 and things like that that NAFTA brought to the real trading

1 relationship that you don't have with China and so I think
2 that sense it does, but legally, I don't see it as,
3 unfortunately, as something we can argue.

4 COMMISSIONER BROADBENT: Okay. Anything else
5 from the other witnesses? Okay.

6 Can you discuss in greater detail the niche
7 product that you offer to the U.S. market and explain why
8 you are uniquely suited to offer these products? You can
9 discuss it in your post-hearing brief if you're more
10 comfortable.

11 MR. ELORRIAGA: Okay, mainly, it's a straight
12 pipes, straight lengths and usually under certain ASTM
13 standard, sometimes also to the military industry. Since
14 the first revision, we received certain claims from
15 customers saying that they were not taken care of by
16 domestic producers and that they needed us back. And I
17 could understand -- our volumes were not very big, so I
18 could understand certainly companies or plants like our
19 competitors here in the USA, which are much, much bigger
20 than we are, and that maybe a 2,000 pound order could be a
21 problem and that would affect their efficiency at the plant.
22 So these small customers claim that they were having a very
23 hard time getting the attention of their local producers.

24 That was the niche that we were at one point.
25 Sometimes we supplied to them. Still, we have a very low

1 volume that we sell every month into the USA and we honestly
2 think that we are no threat because the niche is so small
3 and so specific and we just don't find it a threat. But to
4 go back to the answer to your question is that mainly it's
5 straight pipe, copper pipe with a specific measurement and
6 OD, outside diameter, and thickness from the customer and
7 maybe they change the tempers while producing, but it would
8 be like a specialty, but in very low volumes.

9 COMMISSIONER BROADBENT: And you said you sell
10 to the Military?

11 MR. ELORRIAGA: Yeah.

12 COMMISSIONER BROADBENT: To the U.S. Military?

13 MR. ELORRIAGA: Yes, we do.

14 COMMISSIONER BROADBENT: Okay.

15 This is a question about supply. You argue on
16 pages 4 to 6 of your pre-hearing brief that non-subject
17 imports gained market share as subject imports vacated the
18 market filing the imposition of orders with little
19 difference in U.S. market share; however, if you look at
20 Table 1-1 of the staff report it shows that U.S. producers
21 market share improved from 73.5 percent in 2009 to 79.5
22 percent in 2015.

23 So this shows that the U.S. industry was able to
24 get some of that market share back, doesn't it?

25 MR. WINTON: Without going into proprietary

1 data, I think if you look at the U.S. industry as it was
2 constituted at the time of the original investigation and
3 ask if they increased market share you get one answer -- a
4 different answer than if you say has Golden Dragon, have
5 ISUA increased production in the United States and reduced
6 through imports. That's happened as well and so that maybe
7 what you see in the statistics.

8 COMMISSIONER BROADBENT: Okay.

9 How do you respond that Table 2 of the domestic
10 parties pre-hearing brief on page 22 that shows that the
11 excess capacity in China and Mexico is equivalent to over
12 half of the U.S. market size? It's Table 2 on page 22.

13 MR. WINTON: I have some comments, but I should
14 let Ramon since he's an industry expert, more than me. He
15 should speak, but I have no doubt that the IUSA has unused
16 capacity in Mexico, nameplate capacity in Mexico. From what
17 we understand, they're barely running their plant in Mexico.
18 And it's strange to us, as Ramon said before. There are
19 opportunities in Mexico and they're just not even going
20 after them and so we don't understand what's going on with
21 the IUSA, but it doesn't seem about there's a dumping order
22 that's preventing them from selling because they're not even
23 selling in Mexico and there's no dumping order that
24 prevents them.

25 With respect to China, I think you know what we

1 hear is certainly there is a lot of capacity in China.

2 MR. ELORRIAGA: In fact, looking at this Table I
3 honestly don't know the capacity of China, used or unused.
4 I have no idea. And also, I'm not sure about the market
5 size of the USA. We have been out of it for so many years
6 and we have never been a serious player here. That I don't
7 know. I can calculate that in other markets -- in other
8 product markets that we sell into the U.S. as a brass and
9 copper coil and sheet the USA market is 25 times bigger than
10 the Mexican market. I'm not sure if the tubing market has
11 that same percentage, but certainly we do almost nothing
12 here, so I don't know. To be honest, I don't know. If the
13 two capacities between China and Mexico are altogether, I
14 wouldn't know exactly the answer to that.

15 COMMISSIONER BROADBENT: Alright. Thank you,
16 Mr. Chairman.

17 CHAIRMAN WILLIAMSON: Okay, thank you.
18 Commissioner Schmidtlein.

19 COMMISSIONER SCHMIDTLEIN: Thank you very much.
20 Thank you for being here today.

21 MR. ELORRIAGA: You're welcome.

22 COMMISSIONER SCHMIDTLEIN: So I wanted to start
23 with a question about volume. Can you tell me what accounts
24 for the increase in the volume of subject imports from
25 Mexico in 2015? Was that all Nacobre?

1 MR. ELORRIAGA: No, no, no. I mean we sell less
2 in the United States than what we sell in Ecuador or in Peru
3 and some countries in Central America, so our share here --

4 MR. WINTON: The short answer is we don't know.

5 COMMISSIONER SCHMIDTLEIN: You don't know. You
6 have no idea, so who's shipping from Mexico then?

7 MR. ELORRIAGA: I know that Golden Dragon is
8 shipping so much from Mexico on some sizes that they cannot
9 manufacture here in Alabama, so they should be the ones.

10 COMMISSIONER SCHMIDTLEIN: Okay.

11 MR. ELORRIAGA: But I'm not positive. I have
12 heard that. I'm not for sure.

13 COMMISSIONER SCHMIDTLEIN: Okay, right, right.
14 Okay. Alright, I appreciate that.

15 In your pre-hearing brief, you note that there
16 are "some differences between the copper tubing products
17 imported from China and Mexico." Can you expand on that a
18 little bit? Mr. Winton, I think it was at page 4.

19 MR. WINTON: What I understand -- and I always
20 hesitate to testify in these things. What I understand is
21 that the Chinese product has been traditionally the level
22 wound coil used in air conditioners, refrigerators, things
23 like that. And as you heard before from Ramon, our product
24 is typically the straight pipe.

25 COMMISSIONER SCHMIDTLEIN: I see. So it's just

1 a question of the dominance of each one, but you do make the
2 other product, I assume.

3 MR. ELORRIAGA: Yes, we do both.

4 MR. WINTON: And I want to be clear. When we
5 say we are a niche, we sell niches in the United States.
6 That describes what we do in the United States. Nacobre
7 produces a full range of copper tubing in Mexico.

8 COMMISSIONER SCHMIDTLEIN: Right, okay.

9 Okay, so with regard to your decumulation
10 argument, you make the argument that the geographic
11 differences of conditions of competition that justifies
12 decumulating, but wasn't that true in the original
13 investigation where the Commission could've decumulated on
14 that basis in the threat context?

15 MR. WINTON: I don't think Mexico has moved in
16 the last five years.

17 COMMISSIONER SCHMIDTLEIN: Yes, so what's
18 changed besides the composition of the Commission, I guess?

19 MR. WINTON: Yeah. And I wasn't involved in the
20 original investigation, so I don't know what arguments were
21 made then. It seems to me, though, in 2010, when if I were
22 the Commission looking at this I have Nuvata opening up in
23 Mexico. I have Golden Dragon opening up in Mexico. You
24 know both of them have -- you know Golden Dragon is Chinese
25 originally. Nuvata is finished, but they have a Chinese

1 production.

2 I don't know what's going to happen and it's
3 really just before as you're collecting your data these
4 things are happening in Mexico and you don't know what it
5 is. And in that context, I think I would be inclined to be
6 suspicious of what's going on here and I think that drove a
7 lot of the threat determination. When you look at what the
8 Commission's talking about, people say wait a second and
9 IUSA says we're moving to the U.S. and the Commission says,
10 yeah, but look at all these people investing in Mexico?
11 What's happening? And Luvata had grand plans when they
12 opened in Mexico, which they haven't followed through on.
13 The record shows that. So I know those are not cumulation
14 factors, but I think if I were the Commission looking at
15 this and saying is Mexico really different from China, given
16 that I see Golden Dragon in both of them? I see Nuvata in
17 both of them.

18 I'm not sure that the Commission at that time
19 looked at it in the global context. And one of the things
20 I've noticed in looking at the reports is there's -- apart
21 from China and Mexico and the United States there's not a
22 lot of information on the record in the investigation about
23 what's going on in the rest of the world, the fact that
24 Nuvata produces in Thailand and places like that. There's
25 some discussion maybe they produce in Malaysia. I just

1 think -- they weren't producing in the United States as they
2 are now, so I view it as, as you apply the factors and
3 exercise your discretion, I think it's a different story
4 now, especially with Golden Dragon in the United States.
5 It's harder to say. You know if Golden Dragon was just in
6 Mexico and China, I'd have a different feeling about them
7 than when they're also in the United States.

8 COMMISSIONER SCHMIDTLEIN: So how many of the
9 producers in Mexico -- how many of them have a related
10 company producer in China?

11 MR. WINTON: Nuvata and Golden Dragon do. IUSA
12 does not.

13 COMMISSIONER SCHMIDTLEIN: Okay, okay.

14 So the last question on this cumulation topic is
15 do you agree that there's a reasonable overlap of
16 competition for cumulation purposes? Is that an argument
17 you're making?

18 MR. WINTON: We are not explicitly making that.
19 I think there are limitations on competition. And of
20 course, right now there's not much competition because you
21 know imports -- for Nacobre, at least, we're not competing
22 with the Chinese in the United States market right now. We
23 don't know about Golden Dragon. Golden Dragon seems to be
24 complementary rather than competing. What I understand from
25 Golden Dragon is they moved what they were shipping from

1 China is now produced in the U.S. and what they produced in
2 Mexico, to some extent, is produced in the U.S., but
3 they're not shipping from China in competition from what's
4 coming in from Mexico.

5 Luvata we don't understand a lot about. There
6 are regional differences. The Mexican product, as I -- I
7 can't remember which of the Commissioners asked us this
8 morning, but mostly all of it goes through Laredo. In our
9 case, at least, the plumbing, to the extent that we sold
10 plumbing, construction, that was all in the southwest. The
11 commercial industrial use was broader, but it never got to
12 the East Coast. It never got to the Upper Midwest and
13 whereas the stuff coming in from China comes in from the
14 ocean. It can come in from different ports, so there are
15 differences, but if we were to try to sell level wound coil
16 in the United States and the Chinese were not subject to any
17 dumping and they were trying to sell level wound coil in the
18 United States we'd probably be competing. And so I think
19 it'd be hard to say that in that case there would be no
20 overlap of competition.

21 COMMISSIONER SCHMIDTLEIN: Okay. Alright, I
22 appreciate that.

23 So the last question I have is how do you
24 respond to the price affects argument, meaning when you look
25 at this record we still see underselling even with subject

1 imports from China and Mexico being under order. So if the
2 orders were revoked why wouldn't we presume to see an
3 increase in those imports even if it only replaced
4 non-subject that would end up having an adverse impact on
5 the domestic industry due to the price affects due to
6 underselling.

7 MR. WINTON: I don't agree with the
8 characterization of the record that there's evidence of
9 underselling. The evidence is that there's mixed. It's
10 like 50/50, I think. In the case of Mexico there were very
11 few quarterly comparisons over the products. You know
12 there's not a lot of product coverage, so I'm not sure that
13 there's a price affect here. Beyond that, in order for that
14 to be a meaningful price affect there has to be a meaningful
15 volume and our argument -- I mean if I'm not selling much
16 who cares what price I'm selling it at.

17 And I'm sorry. I just had a flashback to an old
18 steel hearing. You know our view is in the Nacobre's case
19 we don't think we undersell and we can address in our
20 post-hearing brief some of the comments that were made this
21 morning specifically about an instance with Nacobre where we
22 think the full story is a little different than you heard
23 this morning. We don't see it, but beyond that, we don't
24 think the Mexican producers are going to be coming into the
25 market in the volumes that are going to matter.

1 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
2 you very much. I don't have any further questions.

3 CHAIRMAN WILLIAMSON: Thank you.

4 Mr. Elorriaga, just one question that's kind of
5 been bugging me and particularly about this argument that
6 you know Golden Dragon or IUSA will not cannibalize their
7 production in the U.S. if the orders were lifted by shipping
8 either from Mexico or China.

9 When we've heard these arguments before, usually
10 we know something about the corporate relationships, the
11 business strategies because usually the companies are here
12 and they would present evidence as to some way of ensuring
13 that they will not ^^^ that this won't happen. And given
14 that we don't have either one of these other companies here.
15 You know only one of the four Mexican producers are here.
16 What are we supposed to do with that? I mean we can't say
17 -- we can't decumulate just for Nacobre alone.

18 MR. WINTON: Would that you could.

19 CHAIRMAN WILLIAMSON: Yes, but we can't.

20 MR. WINTON: Well, we obviously are at a
21 disadvantage here because you know as we said in our
22 pre-hearing brief we're the only purely Mexican producer.
23 We don't produce in the United States. We don't have a
24 fallback if we wanted to sell in the U.S. market and we came
25 here to make our argument and explain. It would be great,

1 Golden Dragon, I think, put in questionnaire responses, but
2 didn't file a brief. IUSA is missing. And the other, I'm
3 not sure -- Nuvata. You know it would be great if they were
4 to come forward and tell you things, but they aren't. So
5 you're left in the position you have to make decisions based
6 on the evidence on the record as to what you think is going
7 to happen.

8 You can look back at the record of the original
9 investigation where IUSA told you what they were doing.
10 They said back then we're moving to the United States. You
11 know before you imposed the anti-dumping, the order at the
12 time -- they say -- and we only go the threat they said
13 we're moving to the United States and that's what they've
14 done.

15 With Golden Dragon, I think we've heard a little
16 too much. Golden Dragon's management today.

17 CHAIRMAN WILLIAMSON: That gives us comfort.

18 MR. WINTON: What they said this morning didn't
19 give me comfort, but I can't imagine anyone -- I think you
20 know there's -- we'll see if we can find anything, but it's
21 not, as far as we know, public sort of the ownership
22 structure. But the fact that Golden Dragon's U.S. facility
23 is owned by the same people that own the Chinese and Mexican
24 facility I think is something that's well known and then you
25 have to make judgments about what's a reasonable conclusion

1 based on the facts that we have.

2 CHAIRMAN WILLIAMSON: And I guess what I'm
3 saying is based on what we've heard.

4 MR. WINTON: We will try to do better, but we
5 only know what we know. I wish I could tell you I called up
6 the president of Golden Dragon and after he told me how lazy
7 I was he proceeded to say, but we're staying in the United
8 States, but I honestly don't know.

9 CHAIRMAN WILLIAMSON: Okay. Okay, thank you.
10 So that's just been bothering me.

11 I'm sorry. I just lost the question here. This
12 morning Mr. Sigloch testified that copper pipe is not
13 typically shipped by truck more than 250 miles. Isn't it
14 likely that if the orders are revoked Nacobre will
15 significantly increase its shipments to the U.S. markets
16 near the Mexican border despite Golden Dragon's presence in
17 the U.S.? If this is true -- and I guess the question is do
18 you agree with this? I know we've had some testimony about
19 that about how far you ship.

20 MR. WINTON: Well, I think it's about 400 miles,
21 300 to the border, yeah. So it's more than 250 miles to the
22 border. You know Nacobre obviously does sell in the United
23 States. They ship more than 250 miles, but they are limited
24 in how far they're going to ship because you know, San Luis
25 Potosi, where their plant is located is in Central Mexico.

1 It's not on the water anywhere. It's land locked and so the
2 only way out is by truck. It's not like somebody who can
3 just put it on an ocean-going vessel and ship to any port.
4 So it means that we --

5 CHAIRMAN WILLIAMSON: Rail service?

6 MR. WINTON: There is rail service.

7 MR. ELORRIAGA: Yeah, there is. It takes too
8 long.

9 CHAIRMAN WILLIAMSON: Okay.

10 MR. WINTON: And it's not like we're going to be
11 shipping to Seattle or to New York or something like that.

12 CHAIRMAN WILLIAMSON: Okay, thank you.

13 The volume of U.S. imports from Mexico increased
14 dramatically during the 2013-2015 period and increase
15 appears to be continuing during the first half of 2016.
16 Based on this trajectory, the market share will be at
17 pre-order levels within a short period of time. What is
18 driving this increase?

19 MR. ELORRIAGA: I know that at least three of us
20 are not exporting into the United States big volumes. I
21 have heard that one of the Mexican plants they are for sure
22 exporting to here in the USA. Honestly, I don't know the
23 reason. I don't know the customer. I know a customer that
24 they have in the Texas area, but I'm not sure. I'm not sure
25 if they're expanding to somewhere else, so I could not

1 answer that specifically.

2 CHAIRMAN WILLIAMSON: Okay. Thank you.

3 We raised this, this morning. In the domestic
4 producers pre-hearing brief, they assert that Chinese
5 exports of SRC products to the U.S. market in 2015 had an
6 AUV of, I guess, 489,000 pounds and as such, exports from
7 Mexico had an AUV of 3,652.

8 Now I know AUVs are a very complicated issue,
9 but the question was posed this morning there's such a large
10 difference and indicated that there are significant
11 differences in products or conditions of competition between
12 subject imports from China and those from Mexico. I don't
13 know if you had any comments on that.

14 MR. WINTON: I thought the Petitioners second
15 comment on AUVs was better than their first.

16 Their first was Mexican AUVs are -- I'm sorry.
17 The Mexican and Chinese AUVs are lower than all other
18 imports. Aha, the second comment was AUVs reflect product
19 mix, always reflect product mix issues and if you see
20 different AUVs you're probably seeing differences in product
21 mix and I think that's our view is that if Mexican AUVs are
22 lower than Chinese AUVs it's not because we undercut the
23 Chinese. It's because there's a difference in product mix.

24 CHAIRMAN WILLIAMSON: Okay, okay. In your
25 prehearing brief, you state that as production by U.S.

1 transplants of air conditioning products increase in Mexico,
2 demand for copper tubing will also grow. To what extent is
3 the introduction of substitutes for copper tubing such as
4 PVC and PEX reduced or slowed the growth of demand for
5 copper piping tube, or is this not really used in the air
6 conditioning -- air conditioners?

7 MR. ELORRIAGA: Okay. Let me see if I
8 understood correctly the question. Yes, we've had
9 substitution by a plastic, different ones, PVC, PBC. Now
10 the green tube that it's PPR. I think I totally agree with
11 the Petitioner's answer, that the market for copper on
12 copper in plumbing, it's already almost reached the normal
13 quantity or volume. I think it's decreasing but very, very
14 low. The big hit already has been done over the past 15
15 years.

16 CHAIRMAN WILLIAMSON: Okay, good.

17 MR. ELORRIAGA: In the industrial market, no.
18 The only substitution that you see around is the aluminum.

19 CHAIRMAN WILLIAMSON: Okay, good, okay. Thank
20 you. In your prehearing brief, you state that you are
21 having -- also in your testimony, you're having a difficult
22 time expanding production because of the labor market, for
23 the labor markets for Mexican producers, but those markets
24 are tight. If the orders were revoked, do you anticipate
25 that they will not -- that you will not, you and other

1 Mexican producers, will not have enough workers to keep up
2 with demand?

3 MR. ELORRIAGA: Well, in the area where our
4 plants are located in central Mexico, over the past two or
5 three years the car industry companies have come in in that
6 same area, and they're basically taking away our workers.
7 Their payment, their salaries. So it's difficult to
8 maintain a team of people working. There's a lot of
9 changes. People tend to stay one or two weeks and then even
10 -- they even go with their shoes and their working, you
11 know, uniforms and they leave.

12 So it's a very big challenge that we have, and
13 mainly it's because all the new industry coming in. Mainly
14 the car and automotive industry and the aerospace, mainly
15 the automotive industry.

16 CHAIRMAN WILLIAMSON: Does this particularly
17 -- is this particularly the supply of the steel workers
18 versus others?

19 MR. ELORRIAGA: Yes. From my supervisors,
20 managers, even though, even workers. So they take workforce
21 on every level.

22 CHAIRMAN WILLIAMSON: Good, okay. Thank you
23 for those answers and Vice Chairman Johanson.

24 VICE CHAIRMAN JOHANSON: Thank you Chairman
25 Williamson. I would like to thank the three of your for

1 appearing here today, and in particular Mr. Elorriaga and
2 Mr. Parga for coming all the way here from Mexico. We
3 appreciate you further informing us on this industry. You
4 all state that Nicobre does not ship far from the U.S.
5 border, and that most of your product is shipped via the
6 Port of Laredo, Texas; is that correct?

7 MR. ELORRIAGA: Yes. We have a warehousing
8 facility in Laredo, and what we do to maximize our cost
9 efficient freight, we consolidate from there and then we go,
10 dependent upon where the customers are, we ship all over the
11 USA. For example, on certain products, their main industry
12 is located the Northeast. That industry has nothing to do
13 with the copper pipe. What we sell mainly in the south of
14 the USA, and also Northeast but for other type of products.

15 VICE CHAIRMAN JOHANSON: Okay, because I'm
16 wondering. I'm asking this question because your product
17 enters the United States via Texas and the economy of Texas
18 is particularly strong right now. I believe it is one of
19 the strongest state economies in the United States.
20 Couldn't U.S. producers contend that if the anti-dumping
21 order is lifted, Nacobre's tubes could supplant U.S.
22 produced tube in one of the most economically vibrant parts
23 of the United States?

24 MR. ELORRIAGA: The industry, we see two
25 industries in Texas state, state of Texas, one being the

1 housing which it's all mainly plastics, although it's not a
2 lot of things for us to do there. Then we have another,
3 which we participate on the oil and gas, which is not doing
4 very good also. The other one is the air conditioning,
5 which is a very, very big -- there is a very big company
6 there, mainly the biggest in the world.

7 I know that they have contracts with our
8 competitors and the prices they ask are totally for us are
9 out of the question. So there is opportunities, but we
10 don't see them as our priority.

11 VICE CHAIRMAN JOHANSON: Just out of
12 curiosity, why is more plastic pipe used in Texas as opposed
13 to other areas?

14 MR. ELORRIAGA: Because of the weather. On
15 housing, it's mainly the pipe, the copper tube has been
16 substituted by plastic, although there is a good market on
17 the commercial side of buildings and shopping malls.

18 VICE CHAIRMAN JOHANSON: Okay. Thanks for
19 your response. From 2013 to 2014, and again in 2014 to
20 2015, market shares of imports from Mexico tripled despite
21 the order on Mexico, and they have continued to increase in
22 interim 2016. Based on this trend, the market shares could
23 be at pre-order levels within a short period of time.

24 How do you all explain this trend and why
25 shouldn't we expect it to continue in the event of

1 revocation?

2 MR. WINTON: I found the table finally. It
3 took me quite some time. You see, if I'm reading this
4 correctly, the market share held by Mexico was four percent
5 in 2010. It was under one percent the next few years and
6 was 2.1 percent in 2015. You see, you know, the market
7 shares are interesting because there's fluctuations, you
8 know. The U.S. industry market share was 78.2 percent in
9 2010, was 78.2 percent in 2013. It was 80 percent in 2011
10 and 79.7 percent in 2015.

11 So what you see on the U.S. side is it's, you
12 know, these are small numbers, and I don't -- yeah, we've
13 talked before. Where are the imports from Mexico coming?
14 We believe that's Golden Dragon. We believe that it's to
15 complement their U.S. production. That's what we
16 understand. We don't know all the details of that. I think
17 you may find it in their questionnaire responses.

18 But these are small numbers and yeah, if
19 present trends continue. But I can't imagine you can
20 extrapolate these numbers, you know, it was .7 percent in
21 2014. It was 2.1 percent in 2015, so it was 66.3 percent
22 next year doesn't seem to me to be a reasonable calculation.

23 VICE CHAIRMAN JOHANSON: Right. Staying on
24 that basic topic, why have subject imports remained in the
25 United States with the orders in place?

1 MR. ELORRIAGA: I know what I have heard is
2 that our competitors from Golden Dragon, they have contracts
3 already made with equipment manufacturers in the United
4 States, and those are the customers that they are supplying.

5
6 MR. WINTON: You know first of all,
7 anti-dumping orders don't prevent you from selling, right.
8 You can sell. You have a choice. You can sell and adjust
9 your prices either in the U.S. market or in your domestic
10 market or in China you can adjust to the domestic market,
11 but you can clean up some problems that Commerce had in the
12 NME methodology.

13 So there are things you can do to avoid
14 dumping, or you can continue to sell and pay duties if you
15 choose to. I mean those are choices. One of the things I
16 thought was interesting this morning was Mr. Sigloch said
17 relationships matter. It's not how he put it, but he kept
18 talking about relationships, you have relationships and
19 that's how you sell.

20 So if Golden Dragon has a good supply
21 relationship with a customer and they're able to continue to
22 maintain that relationship they have, and I think that's
23 what you see. We have good relationships with some
24 customers and we've maintained that and, you know, just
25 because it's a commodity, to return to Commissioner

1 Pinkert's term, doesn't mean that relationships are
2 unimportant, you know, and how you deal with customers.

3 And customers, yes, price matters but you
4 know, customers will also for the sake of relationship take
5 a hit, you know, because they see you as a long term partner
6 in their business.

7 VICE CHAIRMAN JOHANSON: Thanks. I'd like to
8 turn to Mexico now. What is attractive in the Mexican
9 market right now for copper tube? Is it an attractive
10 market?

11 MR. ELORRIAGA: Yes, it is. Mexico, the two
12 areas that are being discussed today, one the construction
13 or building and the commercial, and with Golden Dragon
14 there, talking about the plumbing or construction, we
15 basically are free competitors or free producers in the
16 market with IUSA being more focused on imports, Golden
17 Dragon being very small and with a very weak brand.

18 We are the leaders by far. We have the
19 majority or 55 percent of the market, maybe more. So that's
20 very interesting for us and very attractive. And on the
21 other hand, with the growth of the commercial industry with
22 these home appliances companies coming into our country,
23 they have been growing. Two years ago they grew seven and
24 nine percent. Last year they grew 14 percent. This is what
25 they have told us, the main customers.

1 So it's also a very important market for all
2 of us producers. So that's what have been going on. I mean
3 we are talking about Nacobre. We are very well positioned
4 on the construction market, and everybody else producing,
5 unless besides IUSA which I don't know, they don't care, all
6 of us are growing in the commercial market, with these new
7 companies coming in.

8 VICE CHAIRMAN JOHANSON: Okay, yeah. That's
9 my impression, that Mexico's actually doing quite well now,
10 the economy is. Is that correct?

11 MR. ELORRIAGA: It's very strange. It's a
12 strange country, but --

13 MR. WINTON: This is on the record.

14 MR. ELORRIAGA: Well, what happens is that you
15 see the country indicators and they don't look that well.
16 We have fortune that many of our customers, they produce
17 something to sell in the USA. As an example, besides these
18 customers that we supply on the home appliances, besides
19 them we also supply for companies that manufacture bullets.
20 They are selling a lot in the United States. They are
21 selling more and more product. So that's our strip, brass
22 strip over there.

23 Also we have customers that manufacture key
24 blanks. That's sold besides South America in the United
25 States. So our customer base is growing a lot, also by

1 doing business in the USA.

2 VICE CHAIRMAN JOHANSON: All right. Thanks
3 for your responses. My time is about to expire.

4 CHAIRMAN WILLIAMSON: Thank you. Commissioner
5 Pinkert.

6 COMMISSIONER PINKERT: I have no further
7 questions. I want to thank the panel.

8 CHAIRMAN WILLIAMSON: Commissioner Broadbent.

9 COMMISSIONER BROADBENT: I have no further
10 questions. Thank you very much.

11 CHAIRMAN WILLIAMSON: Okay, Commissioner
12 Schmidtlein. The same. I'd just like to thank you for
13 coming. I have no further questions.

14 MR. WINTON: Thank you.

15 CHAIRMAN WILLIAMSON: Wow. Do you have -- I'm
16 sure you have other questions.

17 VICE CHAIRMAN JOHANSON: I might have some
18 more but do you want to go ahead?

19 CHAIRMAN WILLIAMSON: No, go ahead.

20 VICE CHAIRMAN JOHANSON: Yeah. I've got
21 maybe, yeah. Maybe a few of them here, and I apologize if
22 this has already been asking, but I find it interesting. In
23 their prehearing brief, domestic producers point out that
24 the AUV of Mexican exports of SRC tubular products to the
25 United States is ten percent higher than the average AUV for

1 Mexican exports of the same product. Does this mean that
2 the U.S. is a more attractive market for Mexican producers?

3 MR. ELORRIAGA: Could be for some
4 manufacturers. For us, what we find in the United States,
5 even though there's -- the volume is very big and very
6 attractive, we know that competition is very tough. The
7 prices that are here in the United States, for us imports
8 usually is not very attractive. Ultimately the customers
9 do their job, saying that they'd rather buy here domestic
10 than import. So you have to decrease your price as much as
11 possible.

12 So sometimes to be quite frank, it's not an
13 attractive market normally. There are certain things that
14 customers prefer that could be attractive. But as a whole,
15 it's kind of tricky.

16 VICE CHAIRMAN JOHANSON: But are U.S. prices
17 for seamless refined copper products generally higher in the
18 United States than in other countries?

19 MR. ELORRIAGA: No.

20 MR. WINTON: That in -- well.

21 MR. ELORRIAGA: The lowest prices that I've
22 seen, it's in Europe and --

23 VICE CHAIRMAN JOHANSON: The lowest prices.
24 What about the --

25 MR. ELORRIAGA: The USA, the USA are better,

1 but South American has better prices and Mexico has better
2 prices than the USA.

3 VICE CHAIRMAN JOHANSON: Is there less
4 production? Is that the issue? For example, when you ship
5 -- I think you stated that Ecuador is your largest?

6 MR. ELORRIAGA: No, no. We ship -- Ecuador is
7 a small market. It was an example and --

8 VICE CHAIRMAN JOHANSON: It's an example of
9 being about equal to the United States?

10 MR. ELORRIAGA: No. My example at that time,
11 maybe I was not clear, it's a very small market and we are
12 selling less in the USA than in Ecuador. That was my
13 example.

14 VICE CHAIRMAN JOHANSON: Okay. But is the
15 U.S. market saturated? Is that the issue?

16 MR. ELORRIAGA: I think so, I think so, yeah.
17 We have volume going down because of substitution and
18 companies that have been producing for many years, I think
19 that they have overcapacity. So it's a difficult market.

20 VICE CHAIRMAN JOHANSON: Okay, thanks. I
21 think I had just one more question. Beyond the Nacobre's
22 geographical point, which you all raised in your prehearing
23 brief, are there any differences in conditions of
24 competition between subject imports from Mexico and subject
25 imports from China that the Commission should weigh in

1 considering whether to cumulate subject imports from these
2 two countries?

3 MR. ELORRIAGA: Well, I think that the Chinese
4 are much tougher to compete with. Their prices are --

5 MR. WINTON: Yeah, but that's not responsive
6 to the question. We don't -- there's a difference between
7 what Nacobre does and what the Chinese producers do. That
8 we think is clear. If you looked at Golden Dragon in Mexico
9 and you said is it different than Golden Dragon in China,
10 I'm not sure we could make product differentiation arguments
11 about that, all right.

12 It seems to me they are really focused, as I
13 understand, on the level wound coil kind of business, the
14 air conditioning, refrigeration stuff and they do that out
15 of China and Mexico. The difference is that, you know, when
16 you supply out of Mexico, it's a whole different conditions
17 of competition and certainly for Nacobre it's different, you
18 know.

19 There's somewhere I read, I think it was one
20 of the Petitioner's argument, was that the terms of sale
21 were favorable for the Chinese because they didn't have to
22 extend credit, and that was really important to the Chinese
23 producers. I think that was in their brief or something,
24 and that's not an issue for Nacobre.

25 VICE CHAIRMAN JOHANSON: All right. Well

1 thank you. That concludes my questions. I appreciate you
2 all appearing here today.

3 CHAIRMAN WILLIAMSON: I have just a couple of
4 questions. Since the original investigation, have there
5 been any significant changes in the types and sizes of SRC
6 tubular products used in the U.S. market? For example, have
7 there been any significant changes in applications, package
8 size, the share for plumbing versus industrial applications?
9 And our example this year that is -- , and if these -- if
10 there have been changes, have they helped or hurt subject
11 producers in China and Mexico in general and Nacobre in
12 particular?

13 MR. ELORRIAGA: I haven't -- sorry. I haven't
14 seen any changes, major changes in the U.S.

15 MR. WINTON: The one change -- I don't, I
16 think the Petitioner said this morning. It's not that there
17 are all of the sudden new products that didn't exist before.
18 There are differences in the importance of different
19 products, and what is undoubtedly happening in the United
20 States is that the commercial and industrial sector is
21 becoming less important, because that's moving offshore, has
22 moved offshore, is moving offshore, continues to move
23 offshore or I guess Mexico is not offshore but --.

24 And so because of that, the products that
25 would be sold to the air conditioner/refrigerator

1 manufacturers are less important in the United States than
2 they were before, and that's a continuing process. It's not
3 something that ended, you know, as of 2010 and it was done.
4 It's continued since 2010. It's an opportunity, in a sense.
5 The growth in Mexico has been an opportunity not just for
6 Nacobre.

7 The thing about industrial products is you can
8 sell them -- they have standards and you can sell them. You
9 find the customer, you can produce, you ship it to them,
10 you've got a sale. What we heard this morning about the
11 United States and what's also true about Mexico is if you're
12 going to sell in the plumbing sector, you can do that sort
13 of stand-off business while making a sale kind of thing.

14 It requires an investment. You have to build
15 inventory. You have to build infrastructure. You have to
16 have a distribution network. Nacobre sells in Mexico. It's
17 got eight regional --

18 MR. ELORRIAGA: Five.

19 MR. WINTON: It's five? They have regional
20 warehouses and sales offices and people who can supply the
21 plumbing, and we heard this morning that's how they sell --
22 how Mueller, Mueller or Wieland, one of them sells their
23 plumbing products in the United States. It's this
24 investment, and so as the plumbing sector becomes more
25 important to the U.S. producers, it's harder for imports to

1 get into that, because they don't have the build-up.

2 Nacobre has made a decision. They're not
3 going to invest in the kind of infrastructure in the United
4 States to sell plumbing to that they have in Mexico to sell
5 plumbing to. And so, you know, paradoxically yes, the U.S.
6 market gets smaller in a sense because this commercial
7 product is less important. But it's also if there's not
8 commercial product, it's difficult for a foreign exporter
9 just to come into the market and say here, I'll ship it to
10 you. It becomes a more difficult market to crack then.

11 CHAIRMAN WILLIAMSON: Okay, thank you. For
12 the record, do you agree with the domestic industry that the
13 Commission should find a single domestic like product
14 consisting of all SRC pipe and tube, and a single domestic
15 industry consisting of all domestic producers, the same as
16 we found in the original investigation?

17 MR. WINTON: We are not going to dispute the
18 like product finding.

19 CHAIRMAN WILLIAMSON: Okay.

20 MR. WINTON: On the issue of the industry, I
21 think there's, as we discussed earlier, there's an open
22 question about related parties and whether, how they should
23 be treated in this case. You know, what do you do with the
24 Cambridge Lees and the Golden Dragon U.S., and what does
25 that mean and is that an industry definition or something

1 else in your analysis, and we'll discuss that further in our
2 brief.

3 CHAIRMAN WILLIAMSON: Okay, thank you. One
4 last question. In your prehearing brief, you state that
5 IUSA, which was your main competitor in Mexico, has almost
6 completely retreated from production in Mexico. What effect
7 has that had on your share of the market in Mexico and
8 export shipments?

9 MR. ELORRIAGA: Growth for us. We're
10 benefitting of that. Our brand has always been very strong
11 over the past 66 years. So that gave us a chance to grow
12 more on the plumbing market in Mexico, yeah.

13 CHAIRMAN WILLIAMSON: What about in terms of
14 export shipments?

15 MR. ELORRIAGA: Export shipments? They are --
16 one day they are and one day -- the next they aren't. So
17 it's kind of -- we still go head to head in South America,
18 and but this is not something that, you know, it's not big
19 volume.

20 So our main benefit was for them to dedicate
21 to import plastic and solar panels and those kind of
22 electrical accessories, rather than try to build a stronger
23 brand and be more aggressive market-wise. So that's the
24 good part of their retreat to other products for us. So
25 that gave us -- we have always been the leaders, but now we

1 have -- we are a little bit more comfortable.

2 CHAIRMAN WILLIAMSON: Okay, thank you. That's
3 all you can ask for in the global economy. Good, thank you.

4 MR. ELORRIAGA: That's fine.

5 CHAIRMAN WILLIAMSON: If there are no further
6 questions from Commissioners, does staff have any questions
7 for this panel?

8 MR. JONES: No staff questions at this time.

9 CHAIRMAN WILLIAMSON: I'm sorry?

10 MR. JONES: No staff questions at this time,
11 Mr. Chairman.

12 CHAIRMAN WILLIAMSON: No staff questions for
13 this panel. Do the Petitioners have any questions for this
14 panel?

15 MR. LEVY: No, no questions from Petitioners.

16 CHAIRMAN WILLIAMSON: Okay, thank you. Well I
17 guess it's time for closing statements, and those in support
18 of continuation have ten minutes in direct and five for
19 closing for a total of 15 minutes, and those in opposition
20 have 44 minutes direct, five for closing for a total of 49
21 minutes, and as always, you don't have to use all your time.
22 We will combine them, so I want to thank the panel for your
23 testimony and for coming so far, and we'll ask you to step
24 back so we can have closing statements. Thank you.

25 (Pause.)

1 CHAIRMAN WILLIAMSON: Okay. Mr. Levy, you can
2 begin when you're ready.

3 CLOSING STATEMENT OF JACK A. LEVY

4 MR. LEVY: Thank you again Commissioners.
5 Just a few observations based on this afternoon's testimony.
6 We heard today from Nacobre discussion of how demand within
7 Mexico is apparently booming, that the labor market is
8 tight, and that prices are high and that this somehow
9 mitigates any risk of Mexican volume or price injuring
10 domestic producers here in the United States.

11 I'd just like to draw your attention to
12 certain data in the record, in the report prepared by the
13 staff for purposes of this review. In particular, if you
14 have the staff report at your disposal, if we can turn to
15 page 4-24, and somewhere -- I'll give folks a minute to page
16 there. But if you go to page Roman IV-24, in the middle of
17 that page, this is a table relating to data on industry in
18 Mexico during the Period of Review.

19 In the middle you have ratios and shares, and
20 the first line is "Capacity Utilization." Of course, the
21 data are proprietary, but I would ask you to look at the
22 capacity utilization figures within Mexico, and reflect on
23 those numbers in light of the testimony you've heard today.
24 Is that symptomatic of a domestic industry that's going like
25 gangbusters and has no need to look outside its own borders?

1 The other thing I'll ask you to look at on
2 this same page, because we also heard about pricing
3 information, sunset reviews are by their very nature
4 forward-looking. So let's look at the interim period of
5 2016, and you'll see in the top right, the second line down,
6 you'll have Average Unit Values of Commercial Shipments in
7 Mexico. And then two lines down, the Average Unit Value of
8 Export Shipments to the United States.

9 That gives you one way of examining what the
10 relative prices are between Mexico and the United States in
11 the most recent interim period. To give a little more
12 granular detail on the same point, we heard testimony today
13 concerning relative prices among export markets, and whether
14 the United States was the most attractive export market.

15 On this point, I draw your attention to Roman
16 IV-27 in the staff report, and this is a table entitled
17 "Mexico Exports by Destination Market" during the Period of
18 Review. The first line reports Mexico's exports to the
19 United States, and again I'd draw your attention to the most
20 recent period on this page, 2015, and you can see the unit
21 value for exports to the United States.

22 I'd ask you to compare those prices with the
23 exports to other major destination markets throughout Latin
24 America and Europe. I think you'll be able to put in
25 context some of the testimony you heard this afternoon

1 concerning the relative attractiveness of the United States
2 from a pricing point of view. We also heard, you know, some
3 general testimony from Nacobre that the U.S. market is not
4 our priority. We're a niche player.

5 Well, if you define "niche" as modest volume,
6 there's no doubt that Nacobre has been reduced to size in
7 terms of their U.S. market presence, precisely because of
8 the orders. But we should not confuse that with the breadth
9 of their product mix that they produce in Mexico, or their
10 ambitions if the orders are lifted. It's our understanding
11 that during the original Period of Investigation, for one of
12 the copper tube products sold in the United States, it's an
13 important one, it's here, this is called refrigeration
14 service tube.

15 It's produced to an ASTM spec and so in that
16 regard a lot of folks would call this plumbing tube, even
17 though it's for an air conditioning application. Who was
18 the number one subject supplier of this product in the
19 original Period of Investigation? Was it a Chinese player
20 to -- , who's a big player in this space? Was it Golden
21 Dragon? Was it Luvata? Was it IUSA?

22 Our intelligence is that it was none other
23 than Nacobre, and we respectfully submit that it's exactly
24 this kind of competition that we're going to see from
25 Nacobre in spades if the orders are lifted. They have every

1 incentive to ramp up that volume and to exploit these prices
2 in the United States.

3 Commissioner Pinkert posed to the Nacobre
4 witness a very valid and pointed question, which is, you
5 know, what are these players with multinational affiliations
6 going to do if the orders are lifted? And we heard from
7 Nacobre's witness, he took them one at a time. I think it's
8 helpful for us to just that. Let's take it one at a time.

9 He started with Luvata and said on Luvata, he
10 just didn't know. He didn't know them that well. Now
11 remember, Luvata in the United States doesn't make seamless
12 tube. They make welded tube. But they certainly do make
13 seamless refined copper tube in Mexico. But what does the
14 record say about what Luvata will do if the orders are
15 lifted, and I'd ask you once again to come back to your pink
16 paper and the last page in our packet.

17 If you go to what is numbered page two, again
18 we're excerpting quotes from importers and purchasers.
19 Don't take it from U.S. producers. Let's look at importers
20 and purchasers. What are they saying about the likely
21 effects of revocation and I want to call -- on the question
22 of Luvata, I want to call your attention to the response of
23 a particular importer, which is Importer No. 2.

24 What is Importer No. 2 saying? We think
25 that's very telling, and again we can't spell out why, but

1 hopefully folks can connect the dots, given the proprietary
2 nature of this information. We also heard more about IUSA
3 and its subsidiary in the United States, Cambridge Lee. As
4 we recall the last case, the Commissioner observed that IUSA
5 shifted production more to the United States in part in
6 response to the investigation, not despite it but because of
7 it, and we think that they have every incentive to shift
8 back to Mexico if the orders are revoked.

9 But again, you don't have to believe domestic
10 producers. Let's look again at what others are saying and
11 in this point, I would call your attention to another
12 importer here, and what do they have to say on this issue?
13 I'd call your attention to Importer No. 4. I think that is
14 also very responsive to the issue. And finally there's the
15 issue of Golden Dragon, and I think we heard testimony this
16 afternoon from Respondents that Golden Dragon has contracts
17 and relationships, and they continue to supply those
18 relationships to a degree from China and Mexico.

19 I think that's telling, and I think
20 Commissioner Williamson makes the right point when he says
21 there's no one here from Golden Dragon. There's no one here
22 from IUSA talking about a corporate strategy that should
23 give anyone comfort that they would do everything under the
24 sun to avoid cannibalizing their U.S. investments. This is
25 not one of those cases.

1 You know, I think that, you know in
2 conclusion, Nacobre has tried very hard to paint itself as
3 the entire Mexican industry, to paint a picture of a company
4 that sells in low volumes despite the orders when in fact
5 it's because of it, and they work very hard to distract you
6 from the reality that imports from Mexico are actually
7 growing if you look at the trend line, and that corresponds
8 to a period in time when cash deposit rates on Mexican
9 producer-exporters are low or zero.

10 That portends a flood of imports in an
11 environment where the chilling effect of the orders is
12 removed, and we move from a zero cash deposit to zero
13 remedy. So we think that the record evidence is clear, that
14 whether you cumulate Mexico or not you get to the same
15 answer. But let us be clear. The case for cumulation in
16 the original threat case is the same as the case today. You
17 have producers like Golden Dragon and Luvata producing and
18 wanting to sell from both platforms.

19 You've heard no one dispute that there's an
20 overlap in competition. The record is fundamentally the
21 same as it's always been. So for all of these reasons, we
22 respectfully submit, just as in the record seen in the
23 threat case, when you saw post-petition effects not only in
24 volume but on price. It is quite likely, in fact quite
25 readily apparent, that if the orders are revoked, injury

1 will ensue for domestic producers within a reasonably
2 foreseeable time. So at that, we'll close and thank you
3 again for your attention today?

4 CHAIRMAN WILLIAMSON: Okay, thank you. Mr.
5 Winton, you may begin when you're ready.

6 CLOSING STATEMENT OF JEFFREY WINTON

7 MR. WINTON: Do I really have 44 minutes?

8 (Off mic comments.)

9 MR. WINTON: 49. No, let me not use most of
10 that. It sounds so apocalyptic when Mr. Levy describes it.
11 But I think when you look at the facts, you have to look at
12 them not mechanically. Yeah, the argument Mr. Levy has is
13 there's a formula you can put in here. Look at capacity
14 numbers. If you look at the capacity numbers and you look
15 at average unit values and you add them together, that adds
16 up to recurrence of injury. Don't look at the man behind
17 the curtain as they say in the Wizard of Oz, and I think
18 this is not the Commerce Department. The Commission never
19 looks at things that way.

20 You're given a virtually impossible task, it's
21 true. You have to look at all the facts. You have a series
22 of factors you have to consider. You are instructed to look
23 at them in the context of the specific industry and then you
24 have to make a judgment. What's going to happen if we
25 revoke the order, recognizing that no one knows what's going

1 to happen if you revoke the order until we get there.

2 It's not something you can look at just at
3 numbers. When we say demand within Mexico is booming, it's
4 absolutely true demand within Mexico is booming in the
5 industrial sector, the commercial sector. The construction
6 sector I don't think is booming. It's booming for Nacobre
7 because of competition reasons, as Mr. Elorriaga explained
8 before.

9 But Mexico's economy as a whole is not
10 booming. It's just Nacobre sees its one major competitor
11 with the distribution in place to serve the construction
12 market, for whatever reason went through bankruptcy, seems
13 now to see its future not in this business and that's been
14 good for us. But it doesn't mean that the Mexican economy
15 is booming.

16 For the other products, the industrial sector,
17 there you have, as we have explained and documented, lots of
18 new entrants into the Mexican market on the consumption
19 side, producers who are using it, and the, you know, all the
20 information is that's why Luvata is in Mexico. That's why
21 Golden Dragon is in Mexico. We're benefitting from it. It
22 was not a strategic choice by us, hey let's be Mexican and
23 then this will happen. Nacobre was in Mexico but this
24 happened, and so it's been a great opportunity.

25 And you see that and it's undoubtedly true.

1 You have problems because capacity utilization, capacity
2 figures in this industry, it's always a question what do you
3 do with shifts, you know, how many shifts a day should you
4 be calculating. You have the problem here as well that IUSA
5 has reported capacity, although our information is they --
6 it's not that they couldn't produce more, it's not that
7 there isn't a market in Mexico if they produce more; it's
8 just that they're not producing more.

9 So their capacity utilization is low. I think
10 when you look at this in the overall context, it's clear
11 what's happening here, and that's that the future for the
12 commercial industrial market is in Mexico, and that's why
13 everybody's Mexico. Not everybody. That's why Golden
14 Dragon and Luvata are in Mexico, and that's what we see.
15 That's what's likely to happen.

16 We don't know what's going to happen to the
17 U.S. production of Cambridge Lee subsidiary of IUSA. I
18 think it's in my view obvious that Cambridge Lee, IUSA,
19 Golden Dragon, Luvata are all very happy with the current
20 state of affairs. If Luvata doesn't -- I don't know if -- I
21 mean looking at their website, it sure looks like they make
22 copper tubing in Kentucky.

23 But if it's not seamless copper tubing, they
24 definitely make seamless copper tubing in Thailand, and they
25 seem to make it in Finland as well and they can export those

1 things to the United States. Why wouldn't they be happy
2 with the current situation?

3 They don't need to produce in Mexico. They
4 don't need to produce in China. They have other sources to
5 supply the U.S. market. Why wouldn't they be happy? Why
6 aren't they here? I think they are every bit as much a
7 beneficiary of this case as the U.S. producers are. So if
8 you look at this as a whole, what's going on in the market,
9 yeah, this is not a crystal clear case. I wish I could come
10 here today and say to you the U.S. industry's having its
11 best year ever, and demand is booming. But that's not
12 what's happening.

13 What we see is, you know, in the U.S. market,
14 the construction sector seems to be okay. The industrial
15 sector is moving out of the United States. So it just seems
16 to be what's happening. Are imports from Mexico going to
17 increase in that market? We don't see it. We don't see it
18 when you go company by company, and we don't see it when you
19 look at Nacobre given the other opportunities Nacobre has.

20 It's not a matter of comparing averaging of
21 values, you know. We can get product mixes if you want, if
22 you ask us to. I won't volunteer it because I doubt that we
23 can provide further documentation in prices in different
24 markets for comparable products. But the bottom line is, as
25 Mr. Elorriaga, who's in charge of commercial operations for

1 Nacobre has said, he's not staying up at nights salivating
2 at the prospect of selling in the U.S. market. He is
3 staying up at night salivating at the prospect of not having
4 to work with me anymore.

5 Finally on this question of increased imports,
6 you know, we don't know what Golden Dragon's plans are. But
7 it seems what they're doing, it seems if there are imports
8 from Mexico it's Golden Dragon. It seems Golden Dragon is
9 producing in the United States, and they've announced plans
10 to increase production in the United States and we don't see
11 that.

12 If they're able to sell now with an
13 anti-dumping order, why would you expect them to sell more
14 without an anti-dumping order? I mean they're already
15 selling what they're selling. With that, thank you for your
16 time. I reserve my 45 minutes that are left for the next
17 hearing if I can.

18 CHAIRMAN WILLIAMSON: Okay, thank you. So
19 it's time for closing statement. Post-hearing briefs,
20 statements responsive to questions and requests of the
21 Commission and corrections to the transcript must be filed
22 by October 20th, 2016. Closing of the record and final
23 release of data to the parties is November 8th, 2016. Final
24 comments are due November 10th, 2016. With that, this
25 hearing is adjourned. Thank you.

1 (Whereupon, at 2:54 p.m., the hearing was
2 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Seamless Refined Copper Pipe and Tube from China and Mexico

INVESTIGATION NOS.: 731-TA-1174 and 1175

HEARING DATE: 10-11-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Review

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 10-11-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine