THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.: 701-TA-570 and
ALUMINUM FOIL ) 731-TA-1346
FROM CHINA ) (Final)

Thursday, February 8, 2018
Main Hearing Room
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at
9:30 a.m., before the United States International Trade
Commission, the Honorable, Rhonda K. Schmidtlein,

presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Chairman, Rhonda K. Schmidtlein, (presiding)
Vice Chairman, David S. Johanson
Commissioner, Irving A. Williamson
Commissioner, Meredith M. Broadbent
APPEARANCES (Continued):

William K. Bishop, Supervisory Hearing and Information Officer

Tyrell Burch, Legal Document Assistant
Sharon Bellamy, Records Management Specialist

Nathanael Comly, Investigator
Daniel Matthews, International Trade Analyst
Craig Thomsen, International Economist
Jennifer Brinckhaus, Accountant/Auditor
Benjamin Allen, Attorney/Advisor
Elizabeth Hanies, Supervisory Investigator

OPENING REMARKS:

Petitioners (John M. Herrmann, Kelley Drye & Warren LLP)
Respondents (Ned H. Marshak, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP)
In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP
Washington, DC

On behalf of:
The Aluminum Association Trade Enforcement Working Group and its individual members

Lee McCarter, Chief Executive Officer, JW Aluminum Company
Chester Roush, Chief Strategy Officer, JW Aluminum Company
John Mucci, Sales Manager-Foil, JW Aluminum Company
Beatriz Landa, Vice President and General Manager-Specialties Products, Novelis Corporation
James D'Amico, Senior Account Manager, Novelis Corporation
Murray Rudisill, Vice President-Operations, Reynolds Consumer Products
Heidi Brock, President and Chief Executive Officer, The Aluminum Association

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APPEARANCES (Continued):

Brad Hudgens, Economist, Georgetown Economic Services, LLC

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

John m. Herrman
Paul C. Rosenthal
Grace W. Kim
Joshua R. Morey

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

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
Washington, DC
On behalf of:
China Nonferrous Metals Industry Association et al ("Chinese Respondents")
Xinda Mo, Director of Light NonFerrous Metals Department, China Nonferrous Metals Industry Association
Joe Esposito, Vice President, Network Planning, Americas, Delta Air Lines, Inc.
Raymond Xu, Director, Global Sales, Dingsheng
Aluminum Industries Co., Ltd.

James P. Dougan. Vice President, Economic Consulting Services

Parker R. Sultzer. Staff Economist, Economic Consulting Services

Chen Yang, Counsel, Jencheng, Tongda & Neal
Zheng Xu, Counsel, Jincheng, Tongda & Neal
Sean J. Gallagher, Chief Executive Officer, Commodity Foil & Paper Inc.

Ned H. Marshak
Andrew T. Schutz -- OF COUNSEL
Joseph M. Spraragen

Mowry & Grimson, PLLC
Washington, DC
On behalf of:

Alison Keane, President and Chief Executive Officer, Flexible Packaging Association
Todd Lutterbein, President, Manakin Industries
Steve Casey, Senior Director -- Procurement, Bemis Company, Inc.
Gary Michalkiewicz, Global Category Manager -- Barrier Products, Bemis Company, Inc
Dhuanne Dodrill, President, Rollprint Packaging Products, Inc.
Brian Nelson, Senior Category Manager, Sonoco Products Company
Kristin H. Mowry )
) -- OF COUNSEL
Jeffrey S. Grimson )

Akerman LLP
Washington, LLP
On behalf of:
Oracle
LLFLEX
Jim Squatrito, Chief Executive Officer, Oracle
and LLFLEX
Felicia LeBorgne Nowels) -- OF COUNSEL
APPEARANCES (Continued):

Clark Hill
Washington, DC
on behalf of
ProAmpac Intermediate, Inc.; Ampac Holdings, LLC
and Jen-Coat, Inc., d.b.a. Prolamina (collectively "ProAmpac")
Tim French, Chief Operation Officer, ProAmpac
Paul Schabow, Vice President of Procurement,
ProAmpac
Mark Ludwikowski }-- OF COUNSEL

Arnold & Porter Kaye Scholer
Washington DC
on behalf of
Trinidad Benham Corporation ("Trinidad")
Linda Walmsley, President, Trinidad
Donna Walters, Director of Aluminum Risk,
Trinidad
Lynn M. Fischer Fox }--OF COUNSEL
In Opposition to the Imposition of Antidumping and Countervailing Duty Orders (continued):
Crowell & Moring, LLP
Washington DC
on behalf of
Valeo North America Inc., ("Valeo")
Yinbang Clad Material Co., Ltd ("Yingbang")
  Rogelio Garcia Site Purchasing Manager, Valeo Thermal Systems, North America
  Albert Wang, Sales and Marketing Director,
Yinbang
  Daniel Cannistra  ) OF COUNSEL

REBUTTAL/CLOSING REMARKS:
Petitioner (Paul C. Rosenthal, Kelley Drye & Warren LLP)
Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)
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MR. BISHOP: Will the room please come to order?

CHAIRMAN SCHMIDTLEIN: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on the final phase of Investigation Nos. 701-TA-570 and 731-TA-1346 involving Aluminum Foil from China.

The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of aluminum foil from China.

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the Public Distribution Table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the Public Distribution Table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that the parties are aware of the time allocations. Any questions regarding time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to
business proprietary information. Please speak clearly into
the microphones and state your name for the record for the
benefit of the court reporter.

If you will be submitting documents that contain
information you wish classified as business confidential
your request should comply with commission rule 201.6.

Mr. Secretary, are there any preliminary matters?

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

CHAIRMAN SCHMIDTLEIN: Very well. Let's move to
opening remarks.

MR. BISHOP: Opening remarks on behalf of
Petitioners will be given by John M. Herrmann of Kelley,
Drye and Warren. Mr. Herrmann, you have five minutes.

OPENING STATEMENT OF JOHN HERRMANN

MR. HERRMANN: Good morning, Chairman
Schmidtlein, members of the Commission and Commission Staff.
I am John Herrmann of Kelley, Drye and Warren appearing this
morning on behalf of the Aluminum Association Trade
Enforcement working group and its individual members.

This is the first case to come before the
Commission involving aluminum foil. It is also the first
year in the eighty-five year history that the Aluminum
Association has filed on behalf of its member companies
reflecting the dire condition in which the Domestic Industry finds itself and the urgent need for relief from unfairly traded imports of aluminum foil from China.

Subject Imports have injured the Domestic Producers and the thousands of workers supported by the industry for a decade and the injury continues today. Low-priced imports from China are responsible for decisions by Reynolds Consumer Products, Novelis Corporation and Alpha Aluminum to close entire production facilities.

Subject Imports were also responsible for JW Aluminum's 2013 decision to reduce significantly its capacity to produce aluminum foil. Other U.S. Producers have also idled production equipment at facilities that continue to operate. These actions have resulted in the removal of significant foil production capacity and job losses for U.S. Workers.

While Respondents argue Domestic Producers have ceded production of certain aluminum foil products to Imports from China, the reality is much different. Companies don't simply close up and walk away from capital-intensive facilities. As you will hear this morning these decisions were due to imports from China.

Over the past decade the volume of aluminum foil imports from China has surged with imports from China increasing by nearly 400 percent. Chinese Imports were less
than a quarter of total U.S. Imports in 2007 but in 2016 accounted for more than 70 percent of total imports.

Over that same period Chinese Imports have grown from having virtually no presence in the U.S. Market to holding a substantial share of the market today. That increase in Subject Imports has intensified during the current Period of Investigation.

While apparent consumption of aluminum foil increased modestly since 2014 the volume of Chinese Imports is increased by nearly 40 percent. The market share captured by increased Chinese Imports has come directly at the expense of U.S. Producers. Despite growing demand for aluminum foil, the Domestic Industry's production, capacity, capacity utilization and the volume and value of shipments have all declined.

The increased market penetration by Chinese Imports has been accomplished on the basis of a single factor: Price. Aluminum foil is generally interchangeable whether produced in China or the United States so price drives purchasing decisions. The prices at which aluminum foil from China has been sold in the United States has significantly undercut domestic prices forcing Domestic Producers to reduce their price in order to maintain business.

Respondents argue that there is attenuated
competition between Subject Imports and the domestic product. That is wrong. The Domestic Industry manufactures aluminum foil in all 5 thickness categories and in all product types for which data were gathered by the Commission. The competition with imports is direct and injurious.

The impact of surging volumes of low priced imports of aluminum foil on the Domestic Producers financial condition has been predictable. The Domestic Industry, already vulnerable from the large volumes of low-priced Chinese Imports in the years preceding the POI suffered abysmal financial results in every year of the POI in both the merchant market and the overall market.

The Subject Imports' negative effects also hit the industry's workers with the number of workers, hours worked and wages paid all declining. These facts collectively establish material injury caused by Subject Imports.

Further, there is no prospect for relief in sight. Massive excess capacity in China as well as China's slowing economy and third country barriers to imports of Chinese aluminum foil in the EU, Turkey and India all encourage Chinese Producers to export their oversupply to the United States. Absent relief, unfairly traded imports will continue to expand at the expense of the Domestic
Producers and workers supported by the industry.

To prevent further injury we urge the Commission
to reach an affirmative determination. Thank you.

CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Herrmann.

MR. BISHOP: Opening remarks on behalf of the
Respondents will be given by Ned H. Marshak of Grunfeld,
Disderio, Lebowitz, Silverman and Klestadt. Mr. Marshak,
you have five minutes.

OPENING STATEMENT OF NED MARSHAK

MR. MARSHAK: Good morning, again. I am Ned
Marshak of Grunfeld Desiderio. In many respects this case
raise issues similar to those which the Commission has
considered many times in the past. This morning you will
hear Petitioners' claims. You will hear them say there are
no material differences between ultra thin foil, household
foil and fin stock. You will hear them say you can make all
types of foil at any time and you will hear Petitioners
mantra "price, price, price."

We know however this Commission has not in the
past and will not now blindly accept these allegations and
in this case like all other cases you will carefully
consider the reasons why during the POI Chinese market share
has increased and prices have fluctuated and we know that
unless the answer to these whys are established by
substantial evidence that there has been a real but-for
causal connection between Subject Imports and the condition of the Domestic Industry, you will reach a negative determination.

So what makes this case special? Look around the room. Our law firm represents Chinese Respondents in many AC/CVD cases before the Commission and we always hope that one or two purchasers will come forward and testify at a hearing. We understand why purchasers, American Companies, are reluctant to support their Chinese vendors in a public forum. It's not good politics and companies who take a public position risk being placed at the back of the line to obtain necessary supply.

So we ask for help and we hope. This case is different. Purchasers have taken the lead in urging the Commission to reach a negative determination. We have had to turn away persons who have asked to speak in public on our behalf. We have had to limit their time. Why?

As a summary of Purchaser Questionnaire responses in this Prehearing Staff Report reveals, as you will hear this afternoon from American Companies whose businesses and tens of thousands of workers have been placed at risk by the Petition, purchase decisions are not based on price. The aluminum foil industry is not monolithic.

First, ultrathin foil. This is a distinct product. High-quality ultrathin currently is barely
available from U.S. mills and would not have been available
during the POI even if the Chinese had not been pulled into
this distinct submarket and would have been available in
sufficient quantities to meet U.S. demand in the future.

Second, household foil. Conditions of
competition in this market segment are unique. This record
is confidential. You will hear a lot more about household
foil from Trinidad's witness this afternoon. What I can say
in public now is that standard gauge foil is largely
household foil. Household foil is sold to millions of U.S.
households in small reels and small packages. The foil
sold in consumer retail packages is identical to foil
subject to this investigation.

For these reasons the Commission should consider
these small reels to be a part of the domestic like product
and the companies who convert jumbo rolls into household
foil packages to be part of the Domestic Industry.

Third, heavy and extra heavy foil. These
products are totally different from ultrathin foil. They
are used for different purposes. They are produced in
significant quantities in the United States today and they
will continue to be produced in the United States in
significant quantities for the foreseeable future.

Domestic Producers of heavy and extra heavy foil are not now
and will not in the future be injured by the relatively
small quantities of Chinese Imports.

Finally, fin stock. Chinese Respondents agree with our customers that this is a separate like product. This afternoon all of the customers you see in the room today in all of these market segments will give life to the data collected by Staff. You will hear why customers reported by a 5:1 margin that Chinese foil was superior to U.S. foil with respect to availability consistency but by a 3:1 margin that Chinese foil was superior to U.S. foil with respect to reliability. That various specifications of ultrathin are simply not available in the United States. And their price is not the reason why our customers have turned to Chinese foil.

Again, we thank our customers for stepping up so that the Commission could reach a decision reflecting the true conditions of competition in this industry. We thank the Commission and Staff for taking the time necessary for looking behind the gross data and to reach a reasonable decision based on substantial evidence as to why.

We believe in the negative decision in this case will be the only decision which is in the best interest of our customers, and their tens of thousands American employees and U.S. Consumers and the United States. Thank you.

CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Marshak.
MR. BISHOP: Would the Panel in support of the imposition of Antidumping and Countervailing Duty Orders please come forward and be seated. Madam Chairman, this Panel has 60 minutes for their direct testimony.

CHAIRMAN SCHMIDTLEIN: You may begin when ready Mr. Herrmann.

MR. HERRMANN: Thank you, Madam Chairman. Our first witness this morning will be Heidi Brock, the Chairman and Chief Executive Officer of the Aluminum Association.

STATEMENT OF HEIDI BROCK

MS. BROCK: Good morning, Chairman Schmidtlein and Members of the Commission and Staff. My name is Heidi Brock and I'm President and CEO of the Aluminum Association and I appreciate the opportunity to appear before you today.

The Aluminum Association represents the more than 700,000 men and women who work directly and indirectly in the aluminum industry across 170 plants in 35 states nationwide. With a significant footprint in states like Ohio, Pennsylvania, Indiana, Kentucky, Missouri and Wisconsin the domestic aluminum industry is a driving force for advanced manufacturing in the United States.

Representing 80 percent of American production of all forms of aluminum from primary producers, producers of semi-fabricated products, aluminum recyclers and industry
suppliers the Aluminum Association is the voice for the
plants and the people employed in the North American
Aluminum Industry.

Aluminum foil is a key market for us. In 2016
aluminum foil demand totaled about 1.5 billion pounds out of
an industry total of 26.4 billion pounds. So foil products
account for about 5.5 percent of the total domestic aluminum
market. Aluminum foil production is an important
contributor to our nation's economy accounting directly and
indirectly for 20,000 American jobs and 6.8 billion dollars
in economic activity.

That's why the unfair trade cases on imports of
certain aluminum foil from China are so important. The
decision to proceed with these cases was a significant
action for our association and our industry. In its 85-year
history the Aluminum Association had never before sought
trade enforcement relief on behalf of members from any
segment of the aluminum value chain.

Further, the aluminum industry historically has
not been a significant user of the U.S. Unfair Trade Laws
but when you consider that China has used more primary
aluminum in the last 7 years than the U.S. Industry has
produced in its 124 year history the request for trade
relief by domestic aluminum foil producers is not only
timely it is urgent and it is long overdue.
The relief we seek will help ensure that the U.S. Aluminum Foil Industry can compete fairly in the U.S. Market. This action is part of the Association's larger effort to address the acute and persistent problems created by China's massive over-capacity producing aluminum and aluminum products, a point I addressed in testifying before the Commission in Late September of 2016 in connection with the agency's Section 332 Investigation on Aluminum.

The increased volumes of low-priced aluminum foil imports from China have devastated Domestic Producers both during the three year period in which the Commission will focus its analysis as well as before that time. The Aluminum Association is committed to combating unfair trade practices that impact our industry while we strive for a level playing field.

The U.S. Government must enforce its trade rules so that companies can continue to innovate, invest and grow with confidence in the United States. Other witnesses today will provide details regarding the impact of Chinese foil on U.S. Producers. These witnesses are our members and I am here on behalf of the association today in support of their efforts. We thank the Commission for its attention to this urgent issue.

MR. HERRMANN: Thank you. Our next witness will be Murray Rudisill of Reynolds Consumer Products.
STATEMENT OF MURRAY RUDISILL

MR. RUDISILL: Good morning, Chairman Schmidtlein and Members of the Commission and Staff. My name is Murray Rudisill and I'm the Vice President of Operations with Reynolds Consumer Products where I have been employed for more than 30 years.

Most people think of aluminum foil as a boxed product you have in your kitchen. Our case, however targets imports of jumbo rolls of aluminum foil that are used to produce not only the boxed household foil but a wide variety of other products depending on the gauge and other characteristics of the foil.

Aluminum foil is manufactured in an array of alloy types, thicknesses or gauges, widths, tempers and surface finishes. These physical characteristics allow aluminum foil to be used in a wide range of consumer and industrial applications. These include semi-rigid containers and packaging such as pie pans, food and candy wrappers and household foil and consumer durables such as fin stock that is used in air conditioners and heat exchangers such as residential and commercial HVAC and thermal insulation in building and construction and transportation applications.

Many Domestic Producers manufacture aluminum foil across a wide range of different gauges that are used in
different applications. Reynolds production of aluminum foil is typically in the gauge range of 0.0005 inches to 0.001 inches, a medium gauge range for the product.

Reynolds produces aluminum foil at our facilities in Hot Springs, Arkansas and Louisville, Kentucky. Our company's current operations and product mix however are vastly different than they were several years ago. For many years Reynolds also produced aluminum foil in a facility in Richmond, Virginia. We were forced to shut this facility down due to large volumes of low-priced imports from China.

In 2007, imports caused us to shut down a portion of our Richmond operations dedicated to producing light gauge aluminum foil as thin as 0.00025 inches, resulting in the elimination of 60 million pounds of capacity. That thinner gauge foil was used to produce cigarette liners, candy wrappers, cereal box liners, sandwich wraps, blister packs for pharmaceutical products and meals ready to eat or MRE pouches; exactly the products that some purchasers are now saying are not available in the United States.

This closure also resulted in decisions by Reynolds to close downstream facilities owned by our company that perform processing operations on the foil, resulting in further job losses. Unfortunately, China remained aggressive in sending additional volumes of aluminum foil into the U.S. Market leaving us with unacceptably low
returns and forcing us to close the Richmond Facility entirely in 2009.

This second closure resulted in the elimination of an additional 100 Million pounds of Aluminum foil capacity. In total, closure of our Richmond operations resulted in the loss of 160 million pounds of capacity and about 725 direct jobs. This capacity represents more than half of the volume imported from China in 2016.

While several years have passed since the closure of our Richmond foil facility and despite a growth in demand pricing in the U.S. Market has only grown worse. Chinese Producers and exporters continue to ship increasing volumes of low-priced aluminum foil to the United States that create intense pricing pressure for Reynolds' products.

These pricing pressures have reduced our revenues and profitability to the extent that our company's senior managers have been reluctant to pursue capital investments that would increase our capacity and further strengthen our company's competitiveness. Indeed, our company evaluated undertaking a major capital investment in 2014 for our Louisville facility that would have resulted in new, well-paying jobs.

Our company's leadership, however ultimately decided not to pursue the investment due to substantial concerns about whether we could earn a sufficient rate of
return for the investment. After the Richmond facility was
closed Reynolds purchased aluminum foil from other Domestic
Producers to help offset the production that was lost as a
result of the closure.

We purchased aluminum foil from other Domestic
Producers for a number of years but were forced to begin
purchasing imports from China, low-priced Chinese Imports
forced our Domestic Suppliers to stop producing aluminum
foil for household applications. Significantly when we
began to purchase aluminum foil from China it was at a much
lower price than was available from Domestic Producers.

Over time our ability to be competitive for
certain accounts necessitated the purchase of limited
quantities of jumbo rolls from China, in order to be
competitive with other spoolers that were sourcing jumbo
rolls from China. We would strongly prefer however to rely
entirely on our operations in Arkansas and Kentucky to
produce all of the aluminum foil we sell.

This would allow our company to operate at a
higher rate of capacity utilization and run our facilities
at an optimal efficiency in this capital intensive industry.
I would like to address the argument by Trinidad Benham that
small reels of aluminum foil should be included in the
domestic like product.

With Reynolds being the only company in the
United States that is vertically integrated in that it produces jumbo rolls of aluminum foil and processes or spools them into small reels, our company's operations provide an important perspective on this issue.

Other companies that spool aluminum foil into small reels in the United States such as Trinidad Benham, Handi-Foil and Durable Packaging do not produce jumbo rolls. Instead, we understand that those companies import large quantities of aluminum foil primarily from China that is consumed in their spooling operations.

At Reynolds we view jumbo rolls of aluminum foil in the boxed product or small reels as very different products. First, jumbo rolls of aluminum foil are not comparable in uses or physical characteristics of small reels. Physically, jumbo rolls weigh about 750 pounds while a small reel would weigh no more than a few pounds.

The jumbo rolls of aluminum foil that are the subject of this case are used to make other downstream products. In contrast, small reels of aluminum foil are used by the ultimate customer. Given the fundamentally different characteristics of jumbo rolls and small reels they are seen as separate products by both producers and consumers. An individual consumer or a restaurant is not going to purchase a 750-800 pound coil of aluminum foil for use in wrapping food. Further, while there is a significant
advertising to promote sales of small reels there is no
similar advertising for the sale of jumbo rolls.

Second, Reynolds produces jumbo rolls and small
reels in separate facilities on separate equipment and with
separate employees. This is not surprising given the
fundamentally different nature of the production processes.
The production of jumbo rolls involves melting metal,
casting the metal into coils and then cold-rolling the metal
to its final gauge.

In contrast, the production process for small
reels involves unwinding aluminum foil from jumbo rolls,
spooling it onto a cardboard core, placing the spooled roll
in a box for retail sale and packing and shipping the box
and as I noted the other producers of jumbo rolls and small
reels are completely different.

Third, the sales channels for jumbo rolls and
spooled foil are completely different. Jumbo rolls are sold
to processors that produce finished products. In contrast,
small reels are sold at retail to end consumers. There is
no competition between these two products.

Fourth, contrary to Respondents assertions the
25-pound cutoff established in the scope definition is
commercially significant and represents a clear dividing
line for aluminum foil's package for retail sales. Reynolds
is the only remaining significant Domestic Producer of jumbo
rolls of aluminum foil used in household applications in the United States.

Our domestic competitors Nuranda, now Grangus and Novelis have either stopped or significant reduced their production of household foil due to the unrelenting pressure and low-priced imports from China. Reynolds is firmly committed to producing aluminum foil in the United States. Our company however has lost substantial sales revenue as a result of the lower prices prevailing in the U.S. Market due to Chinese Imports.

There is an urgent need for trade relief to return fair pricing to the U.S. Market and to ensure that our company and our industry are able to earn a reasonable return that will allow us to make the capital investments that are necessary to ensure our long term competitiveness.

Thank you.

MR. HERRMANN: Thank you very much. Our next witness will be Bea Landa from Novelis Corporation.

STATMENT OF BEATRIZ LANDA

MS. LANDA: Good morning. My name is Bea Landa and I am the vice president and general manager, specialty products, with Novelis Corporation. Joining me this morning behind me is Jim D'Amico, a senior account manager with Novelis, who has nearly 25 years of experience in the production and sale of aluminum foil and will be available
Novelis Corporation is a subsidiary of Novelis, Inc., the world's leading producer of flat-rolled aluminum products. Novelis Corporation is headquartered in Atlanta, Georgia. We produce aluminum foil at facilities in Terra Haute, Indiana and Fairmont, West Virginia.

Demand for aluminum foil in the United States has grown at a moderate steady rate in recent years. The increase in demand, however, has been far exceeded by huge increases in the supply of Chinese products to the U.S. market. Because of its large size and openness, the U.S. market has been an attractive outlet for the excess Chinese production, resulting from irrational capacity expansions that far exceed domestic demand in China.

Novelis has had long experience with the harmful effects of low-priced imports of aluminum foil from China. Indeed, Novelis aluminum foil operations today are vastly different from and significantly diminished as compared to our operations of a decade ago. Novelis has lost more than 100 million pounds of foil production to Chinese producers in the past 10 years, as well as more than 120 jobs at our U.S. operations.

The large increase in the volumes of low-priced Chinese product entering the United States has devastated pricing of aluminum foil in the U.S. market. Our company
was first confronted by an initial surge in imports of aluminum foil from China in 2006 and 2007 that decimated pricing.

We looked at filing an anti-dumping case in that period, but for a variety of reasons, we did not. Instead, with low prevailing prices and no prospect for improvements, our company made the difficult decision to close its facility in Louisville, Kentucky, a facility that produced approximately 30 million pounds of light gauge foil annually. Other companies made similar painful decisions to close lines or whole facilities. Still, other companies ceased production all together and just became importers.

While we made concerted efforts to sell our Louisville facility and its assets, we were unable to identify a buyer due to the poor market conditions resulting from the inroads by imports from China. Our Louisville facility sat abandoned and unused until the property was sold in 2016 to be used for general warehousing services.

Regrettably, this was not the only significant negative effect of Chinese imports on Novelis aluminum foil operations. In 2014, Novelis ceased U.S. production of aluminum foil for household applications due to poor market conditions resulting from large volumes of low-priced imports from China. As a result, we sold facilities in both the United States and Canada after reaching the conclusion
that we could not operate them at a reasonable rate of
return.

The decision to sell these facilities was due to
the continued increase in the volume of extremely low-priced
aluminum foil imports from China and was quite painful.

In addition, Novelis has been forced to suspend
production on and layoff workers responsible for operating
three aluminum foil production lines, two separators, and
one annealing oven at our facility in Terra Haute, Indiana.
The most recent closure occurred when a production line was
mothballed in December 2014, well before the end of its
useful life due to the lost market share and the inability
to earn a reasonable return.

This production line, which Commission staff had
an opportunity to see during a plant tour last November, is
a state-of-the art mill that is just as efficient as any
mill in China.

The respondents' suggestion that domestic
producers are ceasing production of certain aluminum foil
products to pursue other allegedly higher value products is
wrong. Our company has invested tens of millions of dollars
in equipment that is now sitting idle because pricing in the
U.S. market due to unfairly traded imports from China fell
to such low levels, that we could not just continuing
production.
We did not cease production of light gauge and household aluminum foil to pursue higher value products. We were forced to shutter the production line because of low-priced Chinese imports.

We are now struggling to sell a thicker gauge container foil and aluminum foil used in fin stock applications and continue to suffer from the intense competition with low-priced Chinese imports. We cannot continue to reduce prices on our product offerings and remain sustainable.

The decisions by our company to downsize its operations have been particularly painful because we pride ourselves on being able to compete with any producer in the world. Novelis is an extremely efficient producer with cutting-edge production machinery. We have historically been one of the most cost-competitive producers of flat-rolled aluminum products in the world. We cannot compete however, against products that are subsidized by the Chinese government and that are sold at unfairly low prices.

Our company has invested hundreds of millions of dollars in recent years to expand its capability and capacity to produce auto body sheet. In approving these investments, our company's leadership has demonstrated its commitment to pursuing significant investments and our company's capital equipment so long as there's an
expectation of a reasonable return on the investment.

    I was struck by the statement in the pre-hearing brief of the flexible packaging association on certain Chinese companies, which contains the following statement. "A rational manufacturer chases the highest value opportunity unless there are obstacles to overcome." That is at page 42 of their brief.

    I totally agree, but Novelis has learned the hard way that the biggest obstacle to overcome in the aluminum foil market is unfairly low-priced Chinese products.

    The next sentence of that same brief says, "In this case, it is the domestic producer's utter inability to provide quality products, which is a direct result of their deliberate refusal to invest in equipment for four years that forces them to exit this high end segment." That statement is wrong in many ways. First, as I mentioned a minute ago, Novelis has invested hundreds of millions of dollars in recent years in the parts of the market where it can make a reasonable return.

    Second, I mentioned that we mothballed an efficient state-of-the-art mill just a few years ago because we could not compete effectively against Chinese prices. That mill was installed at our Terra Haute facility in the early 2000s.
Unfortunately, the prolonged poor conditions in the U.S. aluminum foil market are not sufficient to justify any new capital investments to strengthen the competitiveness of Novelis aluminum foil operations. As a result, recently, our company has made nothing more than the minimal investments necessary to perform basic maintenance on our foil-related assets.

We fear that our inability to make any investments to strengthen and improve our foil-producing equipment will put our future competitiveness at risk. Absent trade relief, it is hard to envision such investments. Further, without a remedy, it appears that the already substantial volumes of unfairly traded imports from China will only continue to grow.

Finally, I would like to briefly address the arguments raised on the aluminum foil use for automotive fin stock. After Chinese imports forced our company to cease production of light gauge and household foil, we produced increasingly large volumes of aluminum foil for fin stock applications. While Valeo and Malese arguments focus on the aluminum foil used in the automotive fin stock applications, it is important that the Commission understand this is just one application for fin stock aluminum foil.

Novelis produces aluminum foil that is used in
automotive fin stock applications as well as in residential
and commercial HVAC applications. Further, I read with
interest that arguments by both the flexible packaging
respondents and automotive fin stock respondents that their
respective products are produced to exacting specifications
and that other aluminum foil products are not. Our
customers expect all of our company’s aluminum foil to be
produced to exacting specifications irrespective of the end
use application.

In summary, if unfairly traded imports from
China continue to flood the U.S. market at the low-price
levels we have seen in recent years, our company will
continue to lose sales, market share, and jobs to subject
imports. We recognize that there is a place for imports in
the market, but they must be fairly traded. We are
confident that if import relief is granted to our industry,
Novelis has the means and the determination to serve this
market and again achieve a fair return on our investments.
Thank you.

MR. HERRMANN: Thank you. Our next witnesses
will be Lee McCarter and Chester Roush from JW Aluminum
Company.

MR MCCARTER: Good morning. My name is Lee
McCarter and am the chief executive officer of JW Aluminum
Company. Joining me this morning are Chester Roush, JW
Aluminum's chief strategy officer and John Mucci, JW Aluminum's foil sales manager.

Mr. Roush and I will both testify this morning and Mr. Mucci is available to answer to your questions. I'd like to ask Mr. Roush to start by addressing the devastating effects that unfairly traded imports of aluminum foil from China have had on our company's operations.

STATEMENT OF CHESTER ROUSH

MR. ROUSH: Good morning. When Lee and I joined JW Aluminum in 2009, our company was confronting numerous challenges, perhaps most significant trying to navigate successfully the aftermath of the global financial crisis. While economic conditions have improved since that time, our company's operations continue to be hurt by extremely low-priced aluminum foil imports from China. Those imports were already substantial in 2009 and have continued to increase massively since to the detriment of our company and our industry.

JW Aluminum produces aluminum foil at our facilities in Goose Creek, South Carolina our company's headquarters, as well as our facilities in St. Louis, Missouri; Williamsport, Pennsylvania, and Russellville, Arkansas.

We produce a wide variety of aluminum foil products down to the thickness of .000275 inches that meet
all of the applicable industry specifications. We have also
produced aluminum foil with a thickness of .00025 inches as
recently as 2014, but have not produced that gauge since due
to the low prices that prevail in the market because of
Chinese imports.

While respondents have asserted that JW Aluminum
does not produce foil below 0003 inches, that is not
correct. In fact, despite the significant market share
gains made by low-priced Chinese imports, nearly 10 percent
of our company's shipments of aluminum foil in 2016
consisted of light gauge products and we are able to produce
more, but for the unfair competition from China.

While respondents assert that light gauge foils
produced in the United States are of inferior quality, that
is not true. The light gauge foil produced by JW Aluminum
are of high quality products. Indeed, we were recently
complimented by an employee of the company that will testify
this afternoon concerning the quality of our light gauge
foil. Our return rate with that customer during the fourth
quarter of 2017 was negligible with this customer accepting
99.6 percent of the volume of light gauge foil we shipped to
them.

Moreover, produce -- moreover JW Aluminum
produces with no significant returns millions of pounds of
aluminum foil used in aerospace honeycomb applications,
probably one of the most challenging specifications for a manufacturer to meet.

We would welcome the opportunity to produce larger volumes of these lighter gauge products should reasonable pricing return to the market. Indeed, we have continued to work actively with customers after these cases were filed to supply their needs. The large increase in the number of inquiries we have received from customers both existing and new that are now seeking to purchase light gauge foil from our company after we filed this trade case under mines the respondent's argument that we do not produce quality light gauge file products.

While our company produces significant volumes of light gauge aluminum foil, we also produce thicker gauged foils that are used in a wide range of applications. This includes thicker gauge aluminum foil used in fin stock for heat exchange applications.

Indeed, a majority of JW Aluminum's 2016 shipments consisted of aluminum foil for fin stock applications primarily HVAC applications such as evaporators and condensers.

Further, respondents are trying to carve out just one type of fin stock and not even all fin stock. The negative effects of large volumes of low priced aluminum foil imports from China on our operations have been
substantial. In 2013, our company made the difficult
decision to reduce the capacity of our mills in St. Louis
and Williamsport by approximately 20 percent. This was
achieved by a combination of idling certain equipment as
each facility, as well as by reducing our workforce and the
number of shifts worked by those employees that remained on
our payroll.

These significant reductions continue to affect
our company's operations today. The prices at which Chinese
foil has been sold and offered for sale in the United States
are persistently lower than the prices at which we need to
sell our foil to earn a reasonable rate of return.

Because aluminum foil is typically sold on the
basis of annual contracts and to a lesser extent on
contracts lasting more than a year, the pricing pressures
created by the large volume of Chinese imports have a
long-term effect on our business.

The metal calls are essentially a pass through
in setting prices of aluminum foil. Thus, demands by our
customers that we sell product to them that meet — to them
at the China price have forced us to either lower
fabrication prices or lose the business.

In many cases, we have lowered our fabrication
prices and in some instances, we have simply walked away
from the business and given up the volume because of prices
demanded by our customers were unacceptably low. Neither option is a viable alternative to sustain our business.

Even when our company had contracts with customers, the contracts do not insulate us from the pricing pressures created by low-priced Chinese imports. If our customers receive a better offer from Chinese imports, they can and have purchased Chinese products instead of purchasing at the prices set in our contracts.

In summary, many of the large volumes of low-priced aluminum foil imports from China continue to have a devastating impact on our company's operations today. The combination of reductions in our production and sales, as well as the lower prices obtained for products we were able to sell have resulted in unacceptably low earnings and profitability.

STATEMENT OF LEE MCCARTER

MR. MCCARTER: Thank you, Chester. Madam Chair

and members of the Commission and staff, I could go on and on about the damage that has been inflicted by the imports of aluminum foil from China. We have all heard about the lower volumes, reduced capacity, lost jobs, declining investment, and compressed margins. The points I would like to make are as follows. JWA and our industry is counting on this Commission reaching an affirmative decision. I've had many meetings just over the last two weeks trying to solicit
funds to invest in this critical industry. This is a
capital intensive industry requiring hundreds of millions of
dollars of investment to sustain and/or add capacity.

Given the steady increases in demand, we should
be seeing healthy returns and the ability to earn returns
that will support investment in our facilities. Those
investments have not been justifiable however, due to the
impact of low-priced Chinese imports in the market.

I've heard firsthand, a consistent response from
potential lenders and our company's owners. They need
tangible proof that the reckless assault by the Chinese
aluminum foil industry has ended and a sustainable period to
allow recovery is in place.

This will result in investment in new plants,
additional equipment, and jobs in America. Just since the
preliminary duties were established last fall, we have seen
the green shoots of investments in our industry as follows.
Granges announced $110 million investment in expanding
their Huntingdon, Tennessee facilities to add capacity and
jobs.

Tasha and the Taiwanese entity announcement to
build two brand new facilities in the U.S.A. to add capacity
and jobs. Tradenoy suggestion to close Alpha Aluminum's
light gauge facility will restart, could add capacity and
jobs. And finally, our company is in the final stages of
solidifying a $255 million investment in our facilities to add capacity and jobs.

Bottom line, arresting the assault on our industry by China equals investment in American capacity, which equals more jobs. Thank you for your time and we look forward to your affirmative decision.

MR. HERRMANN: Thank you very much. Our next witness will be Holly Hart of the United Steel Workers.

STATEMENT OF HOLLY HART

MS. HART: Good morning Commissioner Schmidtlein and members of the Commission. I'm Holly Hart, legislative director and assistant to the president of the United Steel Workers or USW. We're the largest industrial union in North America with 850,000 workers employed in many industries that include metals, rubber, chemicals, paper, oil refining, and the service and public sectors.

The USW has been steadfast in its opposition to the practices of foreign governments and companies that seek to gain an unfair advantage over domestic industries by violating U.S. and international trade rules. Such unfair trading practices have had a devastating effect on American manufacturers, their workers, and their families.

I'm here today on behalf of the more than 800 USW members that make aluminum foil. Unfortunately, the aluminum foil industry is just one more victim of foreign
industry seeking to gain an unfair advantage through illegal trading practices. USW members are employed at facilities operating by Grainger's America's incorporated in Salisbury, North Carolina; Novelis Corporation in Fairmont, West Virginia and Terra Haute, Indiana; Reynolds Consumer products in Louisville, Kentucky, and Hot Springs, Arkansas.

For those workers and their families, it's critical that the Commission level the playing field and provide trade relief from unfair imports of aluminum foil from China. As you've heard this morning, increased volumes of aluminum foil from China have hurt our members for much longer than the Commission three-year period of investigation. The extent of unfair competition from Chinese imports of aluminum foil has been particularly intense over the past few years, but this only tells part of the story.

The persistent injury to the U.S. industry by unfair imports has been overwhelming, leaving us no choice but to keep fighting product by product against Chinese producers that continue to ship dumped and subsidized products into the United States.

Over the past three years, unfair imports from China have harmed the economic livelihood of hundreds of American workers and their families. For example in 2014,
numerous workers lost their jobs after Novelis closed a rolling mill at its Terra Haute, Indiana facility. In addition, Noranda which is now known as Grangers, idled equipment as its facilities in Huntingdon, Tennessee; Salisbury, North Carolina; and Newport, Arkansas, resulting in the lot of many other jobs.

The Department of Labor determined that increased imports have contributed significantly to the loss of jobs at each of these facilities and certified those workers that were eligible to apply for trade adjustment assistance.

The significant reduction curtailment and layoffs incurred by the U.S. aluminum foil industry over the past decade will undoubtedly continue if relief is not provided. The surge in unfairly traded imports from China also has caused our members to suffer reduced work hours and shrinking paychecks during the period of investigation as their employers were forced to cut back production.

The injury was also felt by our retirees, their families, and the communities that depend on the success of the domestic aluminum foil industry. There's no question that American workers and our members and the products we manufacture can compete with imports from any country in the world as long as the competition's fair. American workers continue to do their part to maintain the competitiveness of
the U.S. aluminum foil industry, but we don't have the power to stop unfair trade. We count on your and our government to make sure foreign producers play by the rules by enforcing the trade laws.

On behalf of our union's members who make aluminum foil, I urge the Commission to grant our workers and this industry the relief they need by making an affirmative determination in this case. Thanks very much for your time and for the opportunity to testify on this important issue. Thank you.

STATEMENT OF JOHN HERRMANN

MR. HERRMANN: For the record, I am John Herrmann and I will conclude our presentation today by addressing the key statutory factors the Commission must examine in reaching its decision. We'll be going through the PowerPoint presentation, the pink sheets that you should have and we'll be displaying the public version on the overhead screen.

First, the domestic like product. As discussed in our prehearing brief, the like product in this case should be defined co-extensively with the scope of the case, and should consist of aluminum foil and reels weighing more than 25 pounds. The scope definition includes certain aluminum foil with a thickness of 0.2 millimeters, or .00787 inches or less, and the Commission should define the
domestic like product to include the continuum of aluminum foil and reels with thicknesses that range from light gauges to relatively thicker products.

The basic nature of the product and market warrant a single like product definition under the six factors the Commission traditionally analyzes.

The next slide includes a picture showing the product that is within the scope of this case, a heavy reel or jumbo roll, essentially a coil of aluminum foil. Jumbo rolls of aluminum foil include a continuum of products that vary by gauge or thickness, width, alloy, temper and other physical characteristics. Jumbo rolls of aluminum foil are consumed in producing a wide array of downstream products.

Respondents have raised three like product issues, each of which should be rejected by the Commission.

First, Respondents argue that ultra-thin aluminum foil with a gauge of .0003 inches or less, should be defined as a separate like product. The record, however, demonstrates that so-called ultra-thin foil and other aluminum foils share physical characteristics and are used in common flexible packaging applications.

Further, the last remaining domestic producer of significant volumes of light-gauge aluminum foil, JW Aluminum Company, produces aluminum foil with a thickness of less than .0003 inches, and other aluminum foil at the same
facilities on the same equipment and with the same employee. Finally, the record shows that ultra-thin aluminum foil and other aluminum foil are both generally sold to entities that further process the jumbo rolls into finished products.

Second, Respondents argue that the Commission should define certain fin stock, which is defined as aluminum foil with a gauge greater than .00177 inches and a manganese content of more than one percent by weight, as a separate like product. The certain aluminum fin stock identified by Respondents is used in automotive heat exchanger applications, but constitutes just one type of fin stock. Well one of the Respondents appears to argue in its brief that all fin stock should be defined as a separate like product.

That is not what is argued previously and is inconsistent with its request that the Commission gather data in this final phase investigation on certain fin stock. For the numerous reasons discussed in our brief, the Commission should not define certain fin stock to be a separate like product. Finally, Respondents raise a third argument that in contrast to the first two seeks to expand significantly the domestic like product to include small reels that contain less than 25 pounds of aluminum foil.

As Mr. Rudisill of Reynolds testified, however, small reels are a completely separate product from
jumbo rolls of aluminum foil. Small reels possess unique
physical characteristics and uses, and are manufactured in
different facilities on different equipment with different
employees relative to jumbo rolls. Further, small reels are
a finished product that is sold at retail to consumers,
while jumbo rolls are sold to intermediaries that use the
aluminum foil to manufacture finished products.

Finally, small reels and jumbo rolls are
perceived by producers and customers to be different
products and are sold at different prices. For these
reasons, small reels should not be defined as part of the
single like product.

I'd now like to focus on the three statutory
factors of volume, price and impact that support a finding
of material injury by subject imports. Let's start with
volume. The volume of subject imports from China is
substantial, having increased by almost 40 percent over the
2014 to 2016 period. Imports from China continued to grow
by an additional nine percent between interim 2016 and
interim 2017. The growth in imports during the period
reflects a long-term growth trend that has occurred over the
past decade.

As you see in Slide 8, the volume of subject
imports from China has grown by almost 400 percent since
2007. Imports from China have also captured an increasing
share of total U.S. imports, rising from 22.7 percent of total imports in 2007 to 70.6 percent of total imports in 2016. The increase in subject imports was significant not only on an absolute basis, but also as a share of the U.S. market.

The market share held by subject imports increased significantly. As imports from China penetrated the U.S. market, the domestic industry suffered a market share decline that was equally significant as you see on Slide 11. On Slide 12 shows the increased volumes of aluminum foil imports from China have far exceeded the growth of apparent U.S. consumption during the Period of Investigation.

While demand did increase over the POI, the pace of the increase of Chinese imports was much, much faster. Our witnesses testified that the critical factor driving purchasing decisions in the U.S. market is price. Purchasers also acknowledge that price is a very important factor in their purchasing decisions. As the Commission staff report demonstrates, imports from China have consistently undercut U.S. prices during the POI, leading to market share gains China has achieved.

Indeed, as reflected on Slide 13, based on the pricing data for both indirect and direct import sales, subject imports undersold the corresponding domestic product.
on a volume basis in the vast majority of sales and in the majority of possible quarterly comparisons. As shown on Slide 14, responses to the purchase questionnaires show that the vast majority of the companies that report switching to imports from China rather than buying from a domestic producer indicate that the Chinese product was lower priced.

Slide 15 shows the result of the significant underselling by China, which was severe price depression and suppression. The Commission's record establishes that U.S. producers have had difficulty obtaining prices to enable them to receive a reasonable rate of return throughout the period. All but one of the eight pricing products showed declines in pricing from the first quarter of 2014 to the fourth quarter of 2016.

Customers have demanded that domestic producers sell aluminum foil products to them at the China price, and have forced them to either lower their price or lose the business. The Commission's record indicates that the domestic industry has had to do both. The impact of these increasing volumes of low priced imports is predictable and injurious. As detailed in our prehearing brief and as shown in Slide 16, the domestic producers of aluminum foil have been injured by the increasing volume of unfairly traded imports from China for more than a decade.

As shown in Slide 17, the injury to the
domestic industry has continued during the three year period
that is the focus of the Commission's analysis in these
investigations. The injury caused by Chinese imports is
demonstrated by the decisions of numerous domestic producers
to close facilities and cease production of aluminum foil
where competition with low-priced Chinese imports has been
particularly intense, specifically light-gauge aluminum foil
used in converter and flexible packaging applications and
household foil.

As shown on the map, in 2007 Reynolds reduced
capacity at its Richmond, Virginia facility that produced
light gauge foil. Just two years later, it closed the
remainder of the facility. In total, this closure removed
160 million pounds of capacity from the U.S. market, or as
Mr. Rudisill testified, more than half of the volume of
Chinese imports in 2016, and resulted in the loss of
approximately 725 jobs.

In 2008, Novelis closed its Louisville,
Kentucky facility, which was focused on production of
light-gauged foils. In 2013, JW Aluminum reduced the
capacity of its facility in St. Louis, Missouri and
Williamsport, Pennsylvania by close to 20 percent. In 2013
Noranda, and now Granges, was forced to lay off one-third of
the light gauge workforce at its facility in Salisbury,
North Carolina.
In 2014, Novelis idled its light gauge operations in Terre Haute, Indiana, eliminating 100 million pounds of finishing capacity. In 2015, Republic Foil closed its facility in Danbury, Connecticut. Also in 2015, Oracle sold its rolling assets in Winston-Salem, North Carolina to Aluminum Source, which after a name change to Alpha Aluminum closed that facility in 2016, laying off 100 workers.

Finally, in 2015 Noranda laid off 70 percent of the workers at its Newport, Arkansas facility prior to filing for bankruptcy in 2016. As shown on the map, we've been projecting the domestic industry today is vastly different than it was just a decade ago, and even three years ago.

As indicated in Slide 19, despite a growth in demand during the period, the domestic industry suffered declines in all of its key trade variables. Production and shipments fell, and employees lost their jobs. Further, as Mr. McCarter and Mr. Roush testified, capacity was reduced due to increasing imports from China.

The large volumes of imports at prices that undercut and depressed U.S. prices also had a devastating effect on the U.S. industry's financial performance. As net sales values dropped significantly, the domestic industry's net and operating income were abysmal throughout the period. These poor financial results have
prevented domestic producers from making much needed capital
investments.

The causal nexus between subject imports and
the injury that the U.S. industry has suffered is
compelling. As indicated in Slide 21, all of the market
share that the domestic industry lost from 2014 to 2016 was
due to imports from China. No other factor explains this
injury. As shown on Slide 22, non-subject imports cannot be
blamed for the domestic industry's injury, as these imports
declined during the period.

Despite the Respondent's argument that the
domestic producers and subject imports are concentrated in
different product thicknesses, the Commission's record shows
that the subject imports competed with the domestic product
in every product thickness group. As indicated in Slide 23,
subject imports surged in every product thickness group
during the Period of Investigation.

Respondents also argue that the growth in
imports from China was largely due to the inability of U.S.
producers to supply high quality thin-gauge aluminum foil.
But as indicated in Slide 24, the Commission's questionnaire
show that the market share gains by China reflect a
comparable loss in market share for U.S. producers. The
Commission's pricing data show that imports from China
displaced product by significantly underselling U.S.
producers in every quarter.

All of these facts demonstrate material injury caused by dumped and subsidized imports from China. There is also a threat of injury by these imports. As shown in Slide 25, there has been a huge expansion in China's capacity to produce aluminum foil since 2010. This increase in capacity has led to a steady increase in aluminum foil production in China.

As you can see in Slide 26, China's production of aluminum foil substantially exceeded home market consumption in every year during the Period of Investigation. The disparity between China's aluminum foil capacity and consumption has caused and will continue to cause China to export this product. China retains massive idle capacity that could flood the U.S. market if allowed to do so. China has sufficient excess capacity to supply the entire U.S. market.

Even worse, as we documented in our brief, Chinese producers are continuing to add even more capacity that will only exacerbate this problem. China's massive excess capacity is likely to result in further increases in exports to the United States, given that the United States is China's largest export market. As our final slide, Slide 29 shows, aluminum foil producers in other significant markets have already been hurt by imports from China, and
authorities in those countries have erected barriers to
Chinese imports.

This includes the European Union, which
recently extended its anti-dumping order on imports of
aluminum foil from China for an additional five years.
Further, India issued an anti-dumping order on imports of
aluminum foil from China in May of last year. Such an order
will almost certainly result in diminished shipments to
China's second largest and a very significant export market.

Absent a remedy in this case, the United
States will continue to be the dumping ground for Chinese
over-capacity, causing further injury to our already
battered industry. That concludes our presentation. Before
responding to your questions, I'd like to introduce my
colleagues Paul Rosenthal, Grace Kim and Josh Morey from
Kelley Drye, as well as Brad Hudgens from Georgetown
Economic Services. Thank you for your attention. We'll be
happy to answer your questions.

CHAIRMAN SCHMIDTLEIN: All right. Thank you
very much. I'd like to thank all the witnesses for being
here today. We appreciate your time in helping us to
understand the issues in this case. We'll begin the
Commissioner questions with Vice Chairman Johanson this
morning.

VICE CHAIRMAN JOHANSON: Thank you Chairman
Schmidtlein, and I would also like to thank all of you for being here today. With respect to your argument regarding the importance of price page 24 of your brief, when I look at Table 2-7 on page 2-9 of the staff report, I see that there are more purchasers that rated five separate characteristics as very important more frequently than price.

These factors include availability, quality meets industry standards and thickness specifications. I also see that quality was listed as the most important factor by four times as many purchasers as listed price as the most important factor. Could you all please discuss these factors?

MR. ROSENTHAL: Paul Rosenthal, Kelley Drye. There's no question that quality, availability, etcetera, are important to purchasers, but price is always among the top and as you know, Commissioner Johanson, price doesn't have to be the primary or even most important factor in decision-making by purchasers. All of the record as a whole demonstrates that price is a very important factor and a key part of the decision-making in this case.

I will go on to say that elsewhere in the record, when the Commissioners, or excuse me, when the questionnaire asks about the importance of price and the reasons why purchasers shifted from domestic producers to
the imported product, the question is asked is price the
primary reason and our view is that's not the correct
standard to use. It does not have to be the primary reason;
it only has to be an important reason.

VICE CHAIRMAN JOHANSON: Thank you, Mr. Rosenthal for your response. Pro Impact points out that the
domestic industry's financial performance fluctuated
throughout the period, and that despite a decrease in
operating income from 2014 to 2015, operating income and the
industry's operating income margin increased in 2016 at a
time when subject imports were rising by virtually the same
amount as in 2015. This is all discussed at page 30 to 31
of Ampac's prehearing brief.

How do you respond to the claim that this is
evidence that there is no causal link between subject
imports and the condition of the domestic industry?

MR. HERRMANN: Sure, Vice Chairman Johanson.

Let me start, and I suspect others may have additional
thoughts. One thing I'd like to raise, and this touches on
confidential information so we'll certainly address it for
you in our post-hearing brief is there are variations in the
domestic industry database that the Commission has from 2014
to 2016, in terms of some of the responses. So I think
that's an issue that the Commission needs to look at.

I think another factor that explains the
increase in operating income from 2015 to 2016 is survivor bias. Several companies left the industry in 2014. Others shifted the focus of their production from lighter-gauge products to heavier-gauged products, and I think that may explain some of the improvement that you see in the industry's condition in 2016. One final point I would raise for you as well is throughout the Period of Investigation, the domestic industry's operating income and net income have been very, very low.

They have fluctuated over the period as you obviously know and were discussing, but they have fluctuated around very low levels that are not healthy or sustainable for the industry in the long run.

MR. ROSENTHAL: Commissioner Johanson, I'd just add to that last point. Even at their peak, profitability was abysmal. So the notion that there's this fluctuation and things were improving while imports were increasing really doesn't shed much light on the injurious impact of the imports. As Mr. Hermann pointed out, in order to even maintain that abysmal level of profitability, the industry went through what I would argue are other indications of injury.

They lost employees, they closed plants, and they effectively got out of product lines where they were losing more money. So to me, even having the peak
profitability where it is today, only shows that all these
other things that -- painful steps that the industry took
to even get to that level of profitability overall shows
injury.

MR. MCCarter: I'd like to just add on, you
know, the low levels of profitability for '14, '15, '16,
'13, you can pick any year you want in the last five years
or so. The reality of it is is given where the
profitability is and given the expectations, giving the
pricing coming in from China and the volumes coming in from
China, try to secure funds even at best to expand capacity,
it's impossible given the lack of return to motivate a
shareholder or an investor to put money in these assets
going forward.

VICE CHAIRMAN JOHANSON: Thank you for your
responses, and following up on that, if the industry is
injured, threatened with further injury and vulnerable, how
is the industry able to finance nearly three quarters of a
billion dollars in investments by Granges, JW Aluminum and
Novelis?

MR. MCCARTER: You know if you notice, those
announcements of investments have come just since the
preliminary duties were announced last fall. So it's on the
strength and the assumption that we're going to get in a
permanent decision here that's motivating people to go ahead
and start looking at investing in these plants.

As I mentioned, these investments are hundreds
of millions of dollars, and if we're going to be ready to
support the industry we have to start now as the equipment
lead times to get equipment in place and to expand that
capacity takes time. So based upon the preliminary duties
that were put in place, you know, we're making the
assumption we're going to have a permanent indication. As I
sit here right now at JW, we haven't broke ground. So it's
not too late to reverse our decision.

MR. HERRMANN: And Commissioner Johanson, this
is John Hermann from Kelley Drye. That was exactly the
point I was going to make, which is investments have been
announced, but they have not been started. I think one
thing that's significant to look at is the announcement by
Granges of a $110 million investment in its mill in
Huntington, Tennessee.

One of the product lines that was identified
in that announcement was light-gauge converter foil, the
very product that I'm sure you'll be hearing a lot about
this afternoon is not being adequately supplied to the
market. So I think on the hope and expectation of an
affirmative determination, you're beginning to see
investments that are going to meet that demand. But I think
those investments will disappear very quickly absent trade
relief on this product line.

The final point I would make with respect to the Novelis investment, that is an investment in auto body sheet, a product line that has been experiencing strong growth and as Ms. Landa testified, Novelis' leadership is -- welcomes the opportunity to make capital investments in portions of the aluminum industry that are doing well and growing. We'd hope with an affirmative determination here that the foil sector will be in that same condition going forward.

VICE CHAIRMAN JOHANSON: Ms. Landa, did you have anything to add?

MS. LANDA: Not really. He stole my thunder there.

VICE CHAIRMAN JOHANSON: Okay, all right. Thanks for your responses. Getting back to the whole issue of profitability, on page 74 of the Chinese response brief and also on page 81 of the Flexible Packaging Association brief, we are told that "there is no evidence that the domestic industry has ever earned higher profits than they did during the Period of Investigation."

If you do have some evidence that the domestic industry has been more profitable in the past, I invite you to put that onto the record during the post-hearing, or to provide that right now.
MR. ROSENTHAL: We'll provide that for the record.

VICE CHAIRMAN JOHANSON: Okay.

MR. ROSENTHAL: And we'll also demonstrate there's some other product lines that have not been hit with the same level of low priced imports that are more profitable, which is why investments are being made in those.

VICE CHAIRMAN JOHANSON: Okay. Thanks for your responses. I have plenty more questions, but the yellow light is on so I'm going to stop for now.

CHAIRMAN SCHMIDTLEIN: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Okay. Thank you Madam Chairman, and I do want to express my appreciation to all the witnesses for coming today and presenting their testimony. Let me start with kind of a broader question. Respondents argue for looking at segments of the market. Do you agree that the market is segmented, and is it segmented by gauge or by end use?

MR. ROSENTHAL: No, we don't believe it's segmented. This is a market similar to many others you see in the metals industry, or an industry that's simply a continuum of different products. And as you've heard, these products are made on the same equipment, the same processes,
the same workers in many, many instances. So we don't believe a segmented industry analysis of appropriate.

You've got different customers, but this is no different than many products you see in the steel industry or, for example, the corrosion-resistant products that go into the automotive industry or can go into the construction industry. Those are not segmented industry, and you didn't approach those cases with a segmented industry analysis and you shouldn't do it here.

MR. HERRMANN: Just one additional point, Commissioner, if I could. For all the reasons Mr. Rosenthal indicated, we don't think a segmented analysis here is appropriate. But even if the Commission were to look at a segmented analysis, the record information before the Commission shows that subject imports have increased in every segment that's been identified.

So the Respondents' arguments that they are present in the light and standard gauges of the market but are not present in the heavier gauges of the market is not supported by the record before the Commission.

COMMISSIONER WILLIAMSON: Okay, taking that last point, what do we make of the difference in market concentration between domestic and subject imports that we see in the record? And also there are some differences in market performance for the domestic industry in different
MR. ROSENTHAL: I would argue that their analysis proves our point. What they are confusing is cause and effect. They will show you that they have a larger market share in the intergauge products. Yes. Because they drove the U.S. industry out. It's not like the U.S. industry doesn't have capability and is not producing the product as not competing, but they have--the domestic industry has lost sales, they've closed facilities, and, yes, now the imported products have a higher market share. And that's the evidence of injury. It's not evidence of lack of injury.

MR. HERRMANN: One other point, Commissioner, that I think is worth considering is having already driven the domestic industry out of the light gauge or lighter gauges, 003 and less, and standard foil, there is increasing competition from imports from China even on the thicker gauge products now.

I don't know if any of these folks on our panel would comment on that briefly, but they are seeing competition throughout the entire range of products.

MS. LANDA: Yes. So this is Novelis. I can talk about the Novelis experience. So we exited the household foil market in 2014 because we could not compete with the low prices. And that forced us to take the very painful decision of shutting down three mills, two separators, and
one annealer. So I think that proves that it's not just
focused on the thinner gauge market, but it's throughout.

COMMISSIONER WILLIAMSON: Okay, thank you.

Anybody else?

MR. MCCARTER: Just one other comment. At JW
Aluminum we sell below that 003, roughly 10 percent was
below that 003, and I'd just like to make the point that
with the preliminary duties that went into effect last fall
we have even more requests for volume in that range to sell
than we had previously through the Period of Investigation.

COMMISSIONER WILLIAMSON: Any complaints about
what you're selling them?

MR. MCCARTER: Well it's ironic enough. You know,
there were complaints on the quality side of that, if you
read the Respondents' requests, but all of a sudden when the
price went up from China we didn't hear the quality concerns
that were being expressed. They needed the product. They
wanted the product at the price that we were offering.

COMMISSIONER WILLIAMSON: And they weren't
whispering that "we're not happy" other than the fact that
they may be paying more?

MR. MCCARTER: You know quality is always a topic
of a discussion. I'm not going to run away from that. And
so we always strive to produce the highest quality product
we can. But I do find it fascinating that when the duties
went into place, price went up. All of a sudden price wasn't, you know, as it relates to JW Aluminum, the quality noise dropped significantly.

COMMISSIONER WILLIAMSON: Okay, thank you. That's helpful. Mr. Rudisill?

MR. RUDISILL: This is Murray Rudisill with Reynolds. We have a slightly unique perspective to add. When we shut down the Richmond foil plant in 2009, we became a net buyer. Even though we're mostly a producer, we were buying foil across the whole gauge range that's part of the case here.

So we saw the progression of the Chinese entry into the market that started with the light-gauge foil, and it's worked its way up the gauge spectrum, and now it's in every gauge category.

COMMISSIONER WILLIAMSON: Is there any reason why that particular pattern? I mean it's not the first time we've seen that you move from one area to another, but is there any reason why it followed that pattern as opposed to the heavy start in the heavy gauge or something?

MR. RUDISILL: Typically the fabrication prices are higher in the lighter gauges. So it's a logical entry point for it. And then, because it is so similar across the gauge range, you can make any product in the foil category with the same equipment. So as more and more producers came
online in China and the competition got greater in the light
gauge area, some producers moved into heavier gauges, for
whatever economic reasons that they had at the time.

We just saw it in every category.

MR. HERRMANN: One additional point I would add,
Commissioner, is that the light-gauge products not only
maximize the value addition, as Mr. Rudisill was just
talking about, but it maximizes capacity utilization with
the number of passes that are required to achieve the
thin-gauge, with the number of jobs that are associated to
rolling a product down to a very thin gauge. You basically
have additional processing time, which maximizes the usage
of the assets wherever that product is produced.

COMMISSIONER WILLIAMSON: Okay. So why would
that--so I guess the thinner gauges are a higher value
product. I'm just curious. Why is it that that's where
they would enter? Is it because their production costs are
lower for doing that?

MS. BROCK: Commissioner, this is Heidi Brock with
the Association. One of the things that we see is the Value
Added Tax rebate in China is an incentive for the
fabrication industry to collect that rebate on higher value
products.

So the higher value--or the higher prices there,
there's an additional incentive for them to enter in at that
stage because of the Value Added Tax.

COMMISSIONER WILLIAMSON: And in fact they get that rebated.

MS. BROCK: They get that rebated.

Ms. Landa: I think the other aspect is, there's so much capacity in China that the more production time they can use the more utilization they're going to get out of their assets. So the thinner gauge requires the most production time. So I think it makes sense that they would enter in that category.

COMMISSIONER WILLIAMSON: Okay. Thank you. That's helpful for understanding.

Table 20 of the Flexible Packaging prehearing brief shows which domestic producers produce which products. And I was wondering if you agree with that table? And you can either do it now or posthearing.

MR. HERRMANN: I'm sorry, Commissioner, I don't have the table in front of me right now. Why don't we do that in the post-hearing.

COMMISSIONER WILLIAMSON: Post-hearing will be fine. Thank you.

This can also be answered post-hearing, but is any domestic producer currently making foil under the zero point--I guess the 0003? Is any producer in a position to resume or increase production if Orders are imposed? That
may have already been answered, but--

MR. MCCARTER: We sell below 0003 today, and we
have an opportunity to turn on or expand some more capacity
in that area. But we obviously want to wait and see what a
final determination is, because the time to hire workers and
invest the funds and the equipment enables it to run, and so
forth.

COMMISSIONER WILLIAMSON: Thank you. Anybody
else?

(No response.)

COMMISSIONER WILLIAMSON: Good. I understand you
disagree with the Respondents' definition of fin stock, and
I was wondering how you would define it, and why? I think
they take a broader definition, if I understood what they
were saying.

MR. HERRMANN: This is John Herrmann of Kelley
Drye. I think we would say that the Respondents have carved
out a portion of fin stock generally. They are looking at
a product with a manganese content that would be comparable
to a 3000 series alloy. But as we indicated in our
prehearing brief, there are multiple alloys that are used to
produce fin stock, not just for automotive applications but
for HVAC applications and elsewhere. So our view is that
there is a much broader continuum or spectrum of fin stock
products, and that there is no clear dividing line that
would allow the Commission to segregate the certain fin
stock that has been identified from the Respondents from
other fin stock, much less from aluminum foil in jumbo
rolls as a whole.

COMMISSIONER WILLIAMSON: Does that definition
include a significant portion of the fin stock production,
or market?

MR. HERRMANN: I would say it includes a portion
of the market, but there's other information before the
Commission showing that there is significant production of
other fin stock that does not fall within the definition of
certain fin stock. JW Aluminum is a large producer of fin
stock that would not fall within the definition of certain
fin stock, and other companies produce fin stock that is
outside of the certain fin stock definition put forward by
the Respondents as well.

COMMISSIONER WILLIAMSON: Okay. Thank you for
those answers, and my time has expired.

CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you, Chairman
Schmidtlein.

Let's see. Mr. McCarter, how do we take into
account the statement on page 2-10 of the staff report that
says 31 of 45 purchasers indicated that they have
experienced supply constraints from U.S. producers since
2014? Doesn't that large number of purchasers experiencing supply constraints suggest a degree of supply tightness from the domestic industry? Particularly since two U.S. producers admitted that this is the case?

MR. MCCARTER: There is no question that, given what's occurred over the last five years, six years, seven years, and as Mr. Herrmann's charts had indicated with the shutdown of capacity, that supplies are tight. We've been forced to shut down and curtail capacity. In JW's case we had to curtail capacity in 2013 and lay off people and reduce our output simply because the economics weren't there to keep running that equipment.

So it's natural that as we've been driven out of business by the imports, driven by price because we can't meet those investment hurdles that keep equipment going, that you would see a tight market from domestic suppliers.

What we look forward to, as I indicated, is to expand capacity, to increase our ability to meet the needs of our customers with domestic capacity, with domestic jobs, by an affirmative decision out of this committee here.

MR. HERRMANN: If I could just add to that, please, Commissioner, I think two points that are important to keep in mind in that regard are: There are already existing idled mothballed capacity that the domestic industry has that can be brought back online in short order
should there be improvements in market conditions.

Ms. Landa testified about mills that are sitting idle at Novelis's facility in Terra Haute that the Commission staff had the opportunity to see. So that's one component of the ability to supply a demand in the market.

The second is, as we were talking about a few minutes ago, there have been announcements about companies looking to invest and expand their capability to produce aluminum foil. You've seen that from Granges with their $110 million announcement. We talked about JW's announcement that they're looking to invest $255 million in their facilities. And a third one I would point to is, as Mr. Roush I believe testified, reporting that Tachan International is looking at major investments in the United States, including the production of a fully integrated mill in Florida that would supply aluminum foil. And I guess one other one that's worth mentioning is the former Alpha Aluminum facility in Winston Salem, North Carolina, that could be brought back online and produce lighter gauge products.

MR. ROSENTHAL: Commissioner Broadbent, if I just might interject a little bit, I swore to myself I was not going to use the line that you've heard many times before about the boy who killed his parents and throws himself on the mercy of the court because he's an orphan. You've heard
it many times. It actually applies here, but it may be
slightly too glib even for me.

But this is a really important--the reason why we
go into this context, and why the history here is so
important, is that the same purchasers who are complaining
about, or alleging lack of availability, are the ones who
essentially starved the domestic producers of sales because
they relied on imports from China.

And now, for example after their preliminary
determination has been issued, they go to JW and say, well,
we want you to supply this product right now. I know JW has
increased its sales and are prepared to increase them
further, but it's a little ironic, and I would argue unfair,
to suggest that the industry based on their arguments should
be penalized further because, having reduced capacity, they
now cannot immediately supply the domestic purchasers'
needs.

You've got customers who were long-standing and
having their needs supplied, and you've got customers who
now, I would hope, would like to use domestic supply going
forward, and you've got a willing industry willing to
invest.

And my argument would be that just because at
some time in this period the customers have not been able to
get this product, (a) is not legally a reason to not provide
relief because the statute and the Commission precedent
makes clear that the industry doesn't have to supply the
whole market; but, secondly, because it is effectively an
indication of injury that they can't get this product, not
an indication of no injury.

COMMISSIONER BROADBENT: Mr. Herrmann, Table 2-7
on page 2-19 of the prehearing report shows that all of, or
almost all purchasers considered availability, product
consistency, quality, and thickness specifications to be
very important in their purchasing decisions.

For all of these factors, majorities or
pluralities of purchasers indicated that the U.S. product
was inferior to Chinese imports, as shown in Table 2-9 on
page 2-22.

Does this suggest the lack of substitutability
between domestic like product and subject imports?

MR. HERRMANN: No. Commissioner, I don't believe
it does. And I think the point that Mr. McCarter was making
a few minutes ago about domestic purchasers coming back to
JW Aluminum seeking supply from that company, to replace
product that they had previously purchased from China,
indicates that the two products are very much
interchangeable.

COMMISSIONER BROADBENT: But how would you square
that with the results on these tables, Table 2-7?
MR. HERRMANN: You know, I guess I would say the behavior of those purchasers to come back and be seeking supply from domestic producers, clearly I think they would not be buying a poor quality product from domestic producers.

Mr. Roush testified concerning the superior quality ratings that JW has received in selling light-gauge product to one of the purchasers that will be testifying later this afternoon. And I think those facts speak for themselves.

MR. ROSENTHAL: I would also compare, if you will, the return rate that you heard JW testify about, that they have a return rate of point six percent, which is phenomenally good. They supply the aerospace industry. I would argue that the return rate on Chinese products is no better. And therefore I am skeptical of purchasers who find other reasons to cite other than price.

I'm not disagreeing that quality, availability, and all those things are not important in this industry as they are in many others, but the notion that this quality is not as good I don't think is borne out by the objective facts on record.

COMMISSIONER BROADBENT: Okay, I guess I'm saying that this table really is pretty difficult for you guys to deal with, because there's a lot of information in there
that you're trying to address with anecdotal--

MR. ROSENTHAL: But that table is anecdotal as well. It's their subjective--

COMMISSIONER BROADBENT: But it's a lot of people.

MR. ROSENTHAL: Understood.

COMMISSIONER BROADBENT: A lot of purchasers.

MR. ROSENTHAL: Understood. A lot of purchasers who have a particular let's just say reason for answering as they do. And I would argue that when you look at return rates of point six percent, and you compare those to the Chinese, that's an objective measure. And perhaps the subjective response in that particular table is not, I would say, a fair representation of what's happening in the marketplace.

MR. MCCARTER: Lee McCarter. I would just like to make one other point on that.

Quite simply, with the mills that we run if we have return rates that are in excess of that one-half or one percent, our financial performance would be so draconian it wouldn't even be worth running, given this marketplace that we have out there.

So, you know, that's across the company's operations. We're very focused on the quality, and obviously delivery and availability and all of that. But you couldn't survive with high return rates.
So again I come back. The customers with the preliminary duties that were put in place were coming to us asking us to supply. It clearly exceeded our ability to supply, given the manned capacity we currently have, but we look forward to investing to expand that capacity to support the industry as we go forward.

COMMISSIONER BRODBENT: Okay, thank you.

CHAIRMAN SCHMIDTLEIN: I would like to go back to the argument with regard to the certain fin stock. And I was looking at your slide, and I think you just talked about this maybe with Commissioner Williamson, that in your view the Respondents' arguments are limited to certain fin stock used in automotive applications? And so are you saying that the certain fin stock that's discussed in the staff report isn't also used in HVAC?

MR. HERRMANN: The certain fin stock that's identified in the staff report has a manganese content of greater than one percent. And at the preliminary conference, the Respondents' testimony was focused on fin stock used in automotive applications. I suspect you'll probably be hearing more about fin stock for use in automotive applications this afternoon from Valeo, which is a major auto component manufacturer.

The point I was trying to make, and the point we make in our brief, is that there are many other
nonautomotive applications of fin stock—aluminum foil used in fin stock applications—and that you have other alloys that do not have the same manganese content such as a 1000 series alloy which is essentially pure aluminum that are manufactured by domestic producers here in the United States and sold in significant volumes.

CHAIRMAN SCHMIDTLEIN: Alright, so I'm just trying to find in the staff report—because I'm looking at it where we talk about the certain fin stock and the tables produced—you know, Table 1-2. And it talks about the chemical composition and the different arguments with regard to that, and the alloys that are used. And that's another question I have is, you say there's overlap.

But before we go to that, I don't see in here where what this table is discussing is limited to manganese content greater than one percent. It defines it on page 1-29, a certain fin stock is composed of a thicker gauge of aluminum usually above 45 microns. And then it talks about differences in chemical composition.

But I'm looking—so I'm just—and we do discuss it over here in terms of I think what's being defined in this table as heat exchangers that are also used in HVAC applications. So maybe they have a purchaser here that's from the automotive industry, but I don't think this table is limited to just automotive applications.
MR. HERRMANN: Sorry, Commissioner? Which table was it?

CHAIRMAN SCHMIDTLEIN: I'm looking at Table 1-2.

MR. HERRMANN: On page?


You know, and the question on this table is, of the U.S. purchasers that were surveyed, you see the vast majority of them saying, in terms of comparability, that fin stock--certain fin stock, which is defined, right? But I don't see the one percent manganese but, okay, we'll come back to that question in a second, but those purchasers, 14 say "not at all comparable" in terms of characteristics and uses to all other aluminum foil, which would presumably include these other categories of fin stock; 17 say "not at all comparable" in terms of interchangeability; 14 out of 17 say "not at all comparable in terms of market perceptions."

MR. HERRMANN: Yeah. I guess in terms of the one percent of manganese, I'm looking now at the Commission's questionnaire where certain fin stock is defined. It's defined in the Commission's questionnaire as "a product greater than or equal to 45 microns in thickness, containing 1 percent or more by weight of manganese."

CHAIRMAN SCHMIDTLEIN: Okay. Okay, so maybe it's just not repeated in the narrative here in the staff report. But that is what's being compared here.
MR. HERRMANN: Right.

CHAIRMAN SCHMIDTLEIN: So but the real question is, doesn't this undermine your argument that there's no clear dividing line between how certain fin stock is defined, and "all other aluminum"?

MR. HERRMANN: No, I don't think so, Commissioner, with all respect. I think the manganese content in the certain fin stock distinguishes it from other fin stock. The certain fin stock that's defined in the Commission's questionnaire is only a small portion of the continuum of all fin stock products.

You know, I'd invite some of the industry witnesses to weigh in here in terms of fin stock products that they manufacture that have specifications and alloys that differ from the certain fin stock as defined in the Commission's questionnaire and is defined generally.

MR. ROSENTHAL: Madam Chairman, you're trying to figure out whether fin stock, however defined, is different than other aluminum foil, based on this chart? Because I see two separate issues here.

One is the way that the Respondent has defined fin stocks, which is narrower than the entire universe of fin stock. And that's where we say their line-drawing makes no sense.

And the second one is whether purchasers see fin
stock, however defined, as comparable to other types of aluminum foil. And I would argue that this is no different than many other products on a continuum where you would, in many other steel products you'd never find, let's say, an alloy steel product of certain types interchangeable with the carbon, because you just won't use it in the same applications. No one would use one type of steel on one end of the continuum to substitute for the other, and therefore they're not interchangeable. It doesn't mean they're not part of the same continuum.

So the way this question is asked, I can certainly understand why purchasers would say I wouldn't use a thick fin stock product in a foil application that would be used for tobacco wrappers. So in that sense they are totally not interchangeable. It doesn't mean they're not part of the same like product because of the continuum.

So that's I think what is asked for here, and I don't think really this chart gets you an answer to whether it is the same like product. I think the problem that the Respondents have is the way they've defined fin stock is too narrow, and they've been inconsistent in trying to carve out or define how fin stock should be defined as a separate like product. Because there there isn't any clear dividing line that they've proposed, or at least not one that makes commercial sense.
CHAIRMAN SCHMIDTLEIN: Okay. But I would assume that this other fin stock that's outside the definition of certain fin stock would be lumped into this category all other aluminum foil, right, in the question that was put to the purchasers?

MR. ROSENTHAL: Yes.

CHAIRMAN SCHMIDTLEIN: Right.

MR. ROSENTHAL: Those were two separate -- again, two separate issues. Would you use a thicker fin stock in an application involving a thinner-gauged foil? That's the way I look at this question. If I'm wrong about that, then I can be correct; but this question is basically asking do you find fin stock, which is thicker, which we might use in an automotive application or VAC application as interchangeable with other aluminum foil. That's the question I see being asked here. And of course, the answer is going to be no because I would never use a thicker-gauged fin stock product as a substitute for a product that's going to go and be using a foil that might be used in a household application or a foil that might be used in a gum wrapper. It doesn't mean they're not the same like product.

CHAIRMAN SCHMIDTLEIN: Right. So before my time runs out maybe one of the industry witnesses can address it. There were a couple of questions in the prelim that we said we would come back to which involved the physical
characteristics and how those are defined, but then also the process for making fin stock as compared to other types of aluminum foil and what additional steps are involved. And then the question about -- and I know you say there's overlap in the alloys, but I assume that means there are additional alloys that are used in fin stock that aren't used in other, so Mr. McCarter, if you want to take on a couple of those.

MR. MCCARTER: So first of all, let's back up for a second. So you melt aluminum and you have an aluminum bath prior to casting it and rolling it and making it into the end use product. So to be clear, you know, if you look at JW Aluminum we have a multitude of alloys that going to the foil industry. It could be 1100. It could be 1200. It could be 3,000 series or 8111 and so forth.

We also have customers that have asked us to run different levels of mag for their products, right? So we might have Customer A, based upon their specifications, we will create a cast coil with a higher level of mag versus somebody else in another application for those products. That's all taking place at the bath, if you will, the aluminum bath side were we cast the product. So it's not unusual to have different levels of alloy and elements, if you will, in the process based upon customer specification and we meet those specifications of the customers.
The second thing I'd point out in the production of foil, fin stock or lighter gauge, you use the same mills and the same process to do that. As you cast a product, you then roll the products. I can roll products foil in all four of our facilities. I can choose not to produce foil in some of our facilities because of being economically driven.

CHAIRMAN SCHMIDTLEIN: But there must be additional steps you take to make this higher-gauge with this special --

MR. MCCARTER: Ironically enough -- well, it takes place --

CHAIRMAN SCHMIDTLEIN: As opposed to like ultra-thin aluminum foil or standard aluminum foil.

MR. MCCARTER: In the case that you're speaking of here where the different levels of magnesium come into the product, if you will, that is done all the way at the front end of the process, so you'll add another ingredient, if you will, into the aluminum bath.

CHAIRMAN SCHMIDTLEIN: So the steps to make ultra-thin aluminum foil at your company are exactly the same as to make this certain fin stock that's defined in the questionnaire?

MR. MCCARTER: What I'm saying to you is that the production of the aluminum itself at the front end of the bath we make those different alloys and so if I wanted
to have a higher level of mag in the product I would do
something different at the very beginning of the process and
the next day I might do something different again to create
another alloy at the front end of the process. From then it
goes right into the rolling process, which is the same
across the foil spectrum.

CHAIRMAN SCHMIDTLEIN: Right.

MR. MCCARTER: Same type of mills, if you will,
or different types of mills; but it's a milling or a rolling
process.

CHAIRMAN SCHMIDTLEIN: Right.

MR. MCCARTER: That then goes down further steps
that are similar along the way there.

CHAIRMAN SCHMIDTLEIN: So are they exactly the
same or are there different steps for certain fin stock and
other aluminum?

MR. MCCARTER: So let me give you an example.
For a fin stock product that might be a heavier gauge you're
going to run it fewer times through the mill, okay, versus a
very thinner product you're going to run it more times
through a mill because you have to get it thinner and
thinner and thinner each time. And then depending upon how
thin it goes, it might even have to be run in a process that
results in having to separate the product after it's milled
because of the thickness required in the production
process.

But the concept of casting -- melting, casting, rolling, separating, slitting, dependent upon the thickness of the product, you're going to run it, like I said, either less or more times through a mill and it may use a separator or not. And based upon the customer's specification, you may have a different alloy requirement, higher level mag or not.

CHAIRMAN SCHMIDTLEIN: Okay. But I just want to be clear.

MR. MCCARTER: Sure.

CHAIRMAN SCHMIDTLEIN: So what I'm taking from your answer is that the steps are the same. It's just the question of how many times you're rolling it depending on how thick you want it.

MR. MCCARTER: Generally, yes, I'd make that statement. You might make it longer. You might make it less to get different physical properties, but you're still baking it, if you will.

CHAIRMAN SCHMIDTLEIN: Right, okay.

MR. MCCARTER: Putting it in a kneeling furnace, for example.

CHAIRMAN SCHMIDTLEIN: Okay, alright. My time is up. We can continue with this the next round.

Vice-Chairman Johanson.
VICE CHAIRMAN JOHANSON: Thank you, Chairman Schmidtlein.

On page 81 of the Flexible Packaging Associations brief and also found at page 79 of the Chinese response brief, there is an assertion that the profitability of the domestic industry in volumes of subject imports have not always moved in the same direction. Does that weaken the causal link?

MR. ROSENTHAL: Vice-Chairman Johanson, I partially answered this earlier, but I want to expand a little bit on that. Our point, essentially, is that the profitability throughout has been very, very low and from a very narrow gauge. And what was happening throughout this period is that in order to maintain profitability as imports were increasing the domestic industry were doing things to reduce cost, including closing lines, laying off workers, and the like. So I don't think you can simply look at the increased imports in a -- for example, an increase in overall profitability from one year to the next and say, oh, well, the imports had nothing to do with the industry's profitability.

Profitability was terrible throughout and even when it improved it improved only a very, very low level and that was accomplished by closing lines, laying off workers, and finding other ways to reduce costs. So no, their
argument does not prove that there's no relationship between
the imports and profitability.

And I would add one more thing and that is that
the foreign producers throughout their briefing have ignored
the impact of their pricing and the requirements by the U.S.
producers to maintain production to reduce prices and that's
been a steady state throughout the entire period and before.

MR. RUDISILL: If I could build on that answer a
little bit, an example of where that general rule would be
untrue that higher volumes would correspond directly with
higher profitability would be if you were running a facility
that was not fully loaded. It's a highly capital-intensive
industry, so you have fixed costs. So in our case, when we
shutdown our facility, obviously, we had lower volumes at
the end of that. We had higher profitability than we had
right before the shutdown because there were a lot of fixed
costs that went away.

So often that trend that you brought up is true,
but then there are examples where it wouldn't be the case
either.

VICE CHAIRMAN JOHANSON: Thanks, Mr. Rudisill
and Mr. Rosenthal.

On page 28 of the Flexible Packaging
Association's brief, they argue that a difference in the
production processes between the domestic industry and the
Chinese industry is that the Chinese foil industry has more access to primary aluminum and that it does not need to use scrap aluminum. Is such a difference in raw materials significant for the quality of the final foil product?

MR. MCCARTER: In our foil products, depending upon which application, we'll use 100 percent prime aluminum. So we have access to it here in the U.S., right? It's freely traded out there in the marketplace and haven't had a problem getting a supply of prime aluminum for our product.

It is, in fact, the case in some products we may be able to blend and use scrap aluminum, which actually could lower the cost of the product and allow us to stay in business throughout this period of time, but in what we're talking about primarily it is mostly prime aluminum used in our processes.

VICE CHAIRMAN JOHANSON: Okay, thank you Mr. McCarter.

In following up with that, and this is partially out of my personal curiosity, but in the past month or so I read in the New York Times or the Wall Street Journal that the Chinese Government has established new rules about the importation of scrap aluminum and would these new rules provide increased access to scrap for the U.S. industry? I recall a picture of someone in Portland, Oregon with like a
giant mound of aluminum cans. He said he couldn't get rid of them.

MS. BROCK: Yes, if China is successful in implementing their policy to have more barriers for scrap imports into China that would mean there's additional scrap here in the United States for use in aluminum products.

MR. MCCARTER: I just want to point out again for these foil products it requires a higher purity of aluminum to meet the customer's specifications, so whether there's more scrap or not really doesn't have a significant bearing on the production of foil products as a whole. It might have an impact on other segments of the market outside of the foil products.

VICE CHAIRMAN JOHANSON: I assume a lot of those aluminum cans are going to become new aluminum cans; is that the case?

MR. MCCARTER: Basically, yeah.

VICE CHAIRMAN JOHANSON: Okay, thanks. I appreciate it. That's one area of aluminum I know a lot about, so I was just curious. My son brought it up. He was very curious. He said I'm finally working on a case that he knows about. He knows all about aluminum from foil and cans and so anyway it's not some of these products we deal with. I'm digressing, though.

I confess to finding that the Midwest Premium is
confusing and it's a confusing part of the market. How did something like this evolve and in the case of import competition does it remain a future of the U.S. market? It appears to me that the Midwest Premium is disadvantaging domestic production; am I correct there?

MR. MCCARTER: So let's just talk about what the Midwest Premium is just to get on the same base. You know aluminum is traded in the U.S. We buy it based upon the LME price, the freely-traded price, plus the Midwest Premium or sometimes it's referred to as a location premium. The cost of getting that aluminum either from a warehouse or from a smelter to a site, so hence, the term "location premium" and our products are a standard pass through of both the LME, plus the premium or what we call the Midwest Transaction Price, so that's a pass through part of our products, if you will.

Just like, though, over in China they have the Shanghai Exchange over there. They have a premium, if you think about it, to ship it from China all the way over here -- a location premium. It's just not articulated as a Midwest Premium that's out there. So to me, you know, while they could have an advantage because they are getting lower-cost prime aluminum that's subsidized by the government put into their facilities, yes, you know, they would have an advantage from that standpoint.
From our standpoint, given domestic competition, it's a pass through process for us and we're focused on the fabrication margins versus the metal price, if you will.

VICE CHAIRMAN JOHANSON: But as a pass through, someone's having to pay for that pass through.

MR. MCCARTER: That's correct.

VICE CHAIRMAN JOHANSON: And who would be paying for that?

MR. MCCARTER: The customer pays for it. The all-in pricing is the LME, plus the premium, plus our fabrication charges, the all in revenue charges.

VICE CHAIRMAN JOHANSON: So this Midwest Premium hurts the U.S. production; is that correct to say or it puts you, competitively, at a worse position?

MR. MCCARTER: You know you'll see the Chinese Exchange will track up and down and close to the LME, plus the premium advantage or disadvantage, dependent upon what's going on, on the world commodity markets. I don't look at that as a disadvantage -- a significant disadvantage, other than the facts that those mills over there it's not transparent what they're buying that for because of the subsidy efforts that go on in the country over there.

MR. ROSENTHAL: The problem in the U.S. has not been the raw material cost fluctuations up or down or the Midwest Premium. The underselling that's taken place is
dramatically -- accounts for -- well, let's put it this way, the problem as been the squeezing of the fabrication price, if you will. That's where the U.S. industry's profitability has been squeezed. It's how much are they actually getting for fabrication.

The amount of underselling far dwarfs any kind of advantage or disadvantage when it may come to premium, which I don't believe really exists because the Chinese have to actually, as you've heard, ship that product all the way over here. So they have to account for a lot of additional costs and still manage to undersell the U.S. producers quite dramatically.

VICE CHAIRMAN JOHANSON: And just to follow up, Respondents indicated in their pre-hearing briefs that U.S. imports of aluminum are not subject to the Midwest Premium. Is this because the Midwest Premium is only applicable to primary aluminum; is that the case?

MR. MCCARTER: Yes. When you buy it from China many of them will price over what they call the LME or London Metal Exchange, okay, and then you've got to add freight and duties and so forth; hence, an equalizing factor to some extent. Here we price based upon the LME and the premium and we offer -- there is full market transparency into that price and cost, unlike what we see coming from China.
VICE CHAIRMAN JOHANSON:  Okay, thank you for your responses. My time has expired.

COMMISSIONER WILLIAMSON:  Okay, thank you.

Following up on that, so how often does the Midwest Premium change and how quickly do your contracts reflect changes in the premium?

MR. MCCARTER:  What's the industry standard for this is so every day that premium and the LME can change and what is typically -- and you really have two different ways that contracts are applied here. Some customers will elect to call us up and say we want to fix the metal for a period of time -- the year, the month, or six months and we will lock it in with a hedging program, both on the premium and the LME versus -- or the other normal way is what's called a Prior Month Averaging, so for example, in the month of January there will be kept a tab, if you will, a table of all the various daily changes in the LME and the Midwest Premium. You take a monthly average, so it goes at what's called a Prior Month Average.

So let's just say you had a number of fluctuations and then in January that the LME metal was a dollar and the Premium was 10 cents it would be -- a 1.10 would be the pass through charge for the metal.

COMMISSIONER WILLIAMSON:  Okay. And how closely does the premium reflect actual cost experienced by domestic
MR. MCCARTER: The transportation costs, so how closely -- I just want to make sure I understand the question. So how closely does that premium reflect the cost of the transportation for the location charge from the smelter to the consumer? Again, that's an average that's set. JW has a smelter that sits right next door to it. We don't happen to buy any metal from that smelter because it doesn't offer at a suitable price, but at the time that we were still buying from it you would still pay the premium even though it was a mile away.

COMMISSIONER WILLIAMSON: Okay. So it's almost like some kind of average of transportation.

MR. MCCARTER: From regions from across the United States, yes.

MR. RUDISILL: If I could take a run at the Midwest Premium too.

COMMISSIONER WILLIAMSON: Sure.

MR. RUDISILL: The Midwest Premium, first of all, it's a regional premium for North America and every region of the world has its own premium. There's one in Asia. There's one in Europe. Mostly, North and South America do it off the Midwest Premium. It's the theoretical cost to get metal from the smelter to a location in the Midwest. That's how it's defined. And how the price is
actually arrived at is through a survey from the
publication called Platts. And they will take data from
buyers, sellers and traders and aggregate that data and come
up with an average premium.

So depending on where your location is -- you
could be closer to a smelter and have an advantage over the
Midwest Premium. You could be further from the sources of
metal and be disadvantaged to the Midwest Premium, but
that's the intent of it is to try to aggregate what that
true cost is of transportation within this region.

COMMISSIONER WILLIAMSON: Does the formula ever
change?

MR. RUDISILL: It's a survey.

COMMISSIONER WILLIAMSON: Okay.

MR. RUDISILL: Yes, so it's actually prices that
are reported to this publication and they aggregate them.

COMMISSIONER WILLIAMSON: And everybody just
accepts it.

MR. RUDISILL: We just accept it.

COMMISSIONER WILLIAMSON: Okay. My next
question was going to be why is this still a factor in
setting foil prices, but I guess that's --

MR. RUDISILL: There's a long history to that.

COMMISSIONER WILLIAMSON: Okay, which we
probably don't need to go into here.
MR. ROSENTHAL: I just want to leap in on this. First of all, Midwest Premium was a mystery to me too until we got involved in this, but one of the things I realized is, to the extent that the Respondents are arguing that that's the cause of the domestic industry's problems, I want to strongly urge that that's crazy. If that's an alternative cause of injury they're proposing or that's the reason why the domestic industry's profitability has been depressed for this time that makes no sense and is not supported by the record.

The problem here is low pricing due to underselling by the foreign producers and customers basically saying we're not going to buy your product unless you lower your price to compete with the Chinese. It has nothing whatsoever to do with the Midwest Premium. I just want to make clear that in my view the discussion of the Midwest Premium is a total red herring.

COMMISSIONER WILLIAMSON: Okay, thank you. Could you show us what -- and you'll probably have to do it post-hearing, but could you show us what happened to the fabrication fee portion of the price over the POI. You did mention that there was a squeeze in the fabrication price.

MR. ROSENTHAL: I think the producers should talk about that.
COMMISSIONER WILLIAMSON: Okay, that'll be helpful. Who wants to go first?

MR. MCCARTER: You know our fabrication prices have been on the decline in the period and since I joined the company in 2009. It has been a declining line versus an increase in line for the like products as you go across the period.

MR. RUDISILL: So we've been buying foil in all the gauge ranges during the period of investigation and before and we've seen a steady decline in fabrication prices. It's basically been a consistent, steady downward decline in fab prices.

MS. LANDA: We see decline in fab prices and we also see a decline in volumes because there were just some categories we couldn't compete in.

COMMISSIONER WILLIAMSON: Okay. And this is a decline reflecting decline in cost of fabrication or are you just saying this is the import competition that's doing this.

MS. LANDA: This pretty much represents our pricing, so this would be a decline in pricing. We did do a lot -- we took a lot of measures to reduce our costs. At the same time, we were trying to be more efficient. There were some layoffs, so primarily, the big driver was the price coming down and us trying to maintain cost.
COMMISSIONER WILLIAMSON: Okay.

MR. RUDISILL: So as to the price of imports, since we produce and we buy we have a good basis of comparing the actual input costs and how they would compare to the fabrication charges of the material that we purchase. Our own fabrication costs go up and down some with energy and other factors. The fabrication costs of the product that we've been buying has only gone down. It hasn't really correlated with actual costs as we see it.

COMMISSIONER WILLIAMSON: Okay.

MR. RUDISILL: And the basis for that is there's been continued expansion in rolling mills in China, so they fight with each other for the market share that is much lower than the amount of available capacity that they have and it drives the price down.

COMMISSIONER WILLIAMSON: Okay, thank you for those answers.

You argue that subject imports cause both price depression and suppression. The Commission found neither in their preliminary phrase. What is new or different on this record to show price depression or price suppression?

MR. HUDGENS: I think where we'd argue is that over the period of investigation prices did decline from first quarter of 2014 to fourth quarter 2016. And as a result of significant underselling throughout the period the
U.S. producers have not been able to obtain an operating margin that has been sustainable and the operating margins that the U.S. industry is experiencing throughout the period is a reflection of suppression and depression of pricing and that's the reason why there's been such an abysmal financial performance by the domestic industry.

COMMISSIONER WILLIAMSON: Thank you. I say again what is new since the prelim? I might've missed that part.

MR. ROSENTHAL: We didn't answer that one. And I would argue that you're wrong in your prelim.

COMMISSIONER WILLIAMSON: I guess his answer would say why we were wrong.

MR. ROSENTHAL: I really do believe that you should've found it in the prelim. And if you look at what's happened here, whether raw material costs go up or go down, whether the prices go up or down with those raw material costs what continues to happen is inadequate profits. So even when the U.S. producers raised their prices in order to reflect the pass through or the pass through that happens you still see depressed profitability. The bottom line here, despite all the efforts through reduced costs, layoffs, closing facilities to maintain profitability, even when you've got declining raw material costs you see profits that don't get above an injurious level. To us, that's an
indication of price suppression.

COMMISSIONER WILLIAMSON: Okay. Is there anything new that's happened that might make us see the light, in your view?

MR. ROSENTHAL: Well, you weren't at the preliminary staff conference, so I'm just hoping I can be more compelling in front of you than I was with the staff.

COMMISSIONER WILLIAMSON: You always are, but okay, thank you. Okay, if you do think of anything post-hearing, I'll take it.

MR. ROSENTHAL: I understand I haven't been convincing thus far, but we'll try harder in post-hearing.

COMMISSIONER WILLIAMSON: Okay, thank you. And actually, my red light just came on, so thank you.

CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

COMMISSIONER BROADBENT: Mr. Herrmann, I'm trying to make sense of this scope change that you requested in December. Why did you wait to seek the revision in the scope with respect to the double backed versus single backed aluminum? Isn't that going to mess up the questionnaire responses we have to look at?

MR. HERRMANN: I don't think so, Commissioner. The reason we requested the scope clarification is from our perspective double backed foil was never a part of the scope and was never a product that we were seeking relief on. In
fact, none of the members of the domestic industry before
you today produce that product.

The reason that there was confusion is the
domestic industry did and does and continues to want to seek
relief on thicker-gauged foil products that have a lubricant
applied on both sides. They are not backed in the sense of
being backed, but they do have a lubricant applied on both
sides and that is to allow the container foil to be easily
removed from molds when you're making a pie plate or a
turkey pan or something like that. So the reason we wanted
to come forward at the Commerce Department was to clarify
that there is no intention by the Petitioners to cover
double backed foil. And in doing that, we did clarify that
we do wish to seek relief with respect to aluminum foil that
has a lubricant applied on both sides.

COMMISSIONER BROADBENT: Do you think it's
legitimate that Trinidad's complaining about that?

MR. HERRMANN: No, I don't. I don't think the
intention has ever been to include that product in the
scope. We didn't talk about it at the preliminary that we
were seeking relief on that product. I would look at the
submission we made to the Commerce Department simply as
being explicitly clear that the domestic industry does not
seek relief on double backed product.

COMMISSIONER BROADBENT: Okay. Trinidad
recommends using the six-factor traditional like product analysis for determining whether household foil should be included in the domestic-like products. It states that there's a clear continuum between household foil and other standard-gauged aluminum foil. How do you respond to Trinidad's usages of the traditional like-product analysis and how do you respond to their factual argument?

MR. HERRMANN: Sorry. You said they're seeking to include household foil within the like product or was it a different product?

COMMISSIONER BROADBENT: They want to use the six-factor traditional like-product analysis for determining whether household foil should be included and it states that there's a clear continuum between household foil and other standard-gauged aluminum foil.

MR. HERRMANN: I'm sorry, Commissioner, maybe we can address that in the post-conference. I don't recall that anyone has challenged the inclusion of household foil in the domestic-like product.

COMMISSIONER BROADBENT: On less than 25.

MR. HERRMANN: On small reels, I'm sorry. I'm sorry. I'm sorry. So yes, we address that issue in our pre-hearing brief. We'll be happy to provide you more on that. Mr. Rudisill testified at length about that with respect to Reynolds' production process.
I guess one thing I would point you to is the vast difference between the operations that spoolers have that are making this argument, so Trinidad Benham purchases jumbo rolls and spools those products into small reels. Other domestic spoolers do the same thing. They do not have facilities that allow them to produce jumbo rolls and I think that's a very significant distinction between the producers that are here before you now that are heavily invested in capital-intensive production facilities to produce jumbo rolls and spoolers that have a much, much lower level of capital investment and are not melting metal and are not producing jumbo rolls.

MR. ROENTHAL: Go ahead.

MR. RUDISILL: I can speak to that. So I don't have all six factors in front of me, but I can just describe to you some of the differences that delineate the products. So first of all, the physical characteristics of it a jumbo roll ways 700 or 800 pounds where a boxed roll of foil weighs a few pounds. It's designed to be in a grocery store on the shelf the consumer could pick up and you know take home, put in their cart or be in a restaurant where you can use it for one use after another.

A consumer roll, a box roll it's in a box. It has a cutter blade on it. It's designed to dispense and tear. It's designed to protect it from contamination. You
couldn't use a jumbo roll in that application.

COMMISSIONER BROADBENT: Yes. But I think what we're talking about is the different between the 24 and the 26-pound reels, right?

MR. RUDISILL: Okay, so why 25 pounds was chosen to be the upper limit. The largest roll that we're aware of weighs less than that box roll. So there's a 24-inch wide roll that is like a thousand feet and heavy gauged that weighs like 22, 23 pounds, but again, it's a box used in a similar application to say a 10 or 15-pound roll on a food service application, but very different from one that's designed to be put on a spooler and spooled into individual rolls. There's nothing in between like, say, 25 and 800. There's not like steps that go up to say 25, 30, 45, 50. That's the highest.

COMMISSIONER BROADBENT: But what about the distinction with 24 and 25?

MR. RUDISILL: There's no distinction.

COMMISSIONER BROADBENT: Okay, so why are we picking 25 as the cut off?

MR. RUDISILL: Because it's the upper limit. So the difference is between 25 and 800 as opposed to 25 and 24.

COMMISSIONER BROADBENT: Okay. I mean Trinidad is arguing that there is limited difference between 24 and
26-pound reels and I'm just trying to -- tell me again. I guess I didn't follow you.

MR. RUDISILL: So we're saying 25 and below is the same. It's 24 and below, but there's a weight for the maximum weight of a box roll that's in that range of 24 or 25 pounds. Everything below that is a totally different use of foil than what's in our case, which are these jumbo reels that are 7, 800 pounds. Does that make sense to you?

MR. ROSENTHAL: I'm not sure that argument gets them very far. It may get them to a 26-pound roll, but it doesn't get them to the jumbo roll, which is really an intermediate product. I look at the jumbo roll similar to a product like wire rod, which is a product that is intermediate and then is used by downstream industries to produce a number of different products from nails to fences and the like.

Similarly, the jumbo rolls here are used by downstream industries to produce wrap, Reynold's Wrap, or it could be used for household aluminum products or it could be used for fin stock and the like. So I think that they are, by just trying to argue that the 25-pound line should be 24 or 26 doesn't get them to where they want to be. We're not arguing that -- or I can't believe that they are seriously arguing that the 24 or 25-pound roll is the same as the jumbo or vice versa.
They're different like products. And we've gone through -- and Mr. Rudisill has gone through the six-factor test and we will reiterate that. But there's a clear difference between those products. They're a downstream convertor into another product.

COMMISSIONER BROADBENT: Okay, thanks, that helps. Let's see. This is for -- I know your first name, but I don't know your last name. Heidi Brock. In August 2016, Aleris announced that it entered into a definitive agreement to be acquired by Zhongwang, USA, a subsidiary of one of the largest producers in China.

However, in November 2017, Aleris and Zhongwang announced that their plan merger was suspended after failing to win approval from CFIUS. Can you comment on what Aleris' rationale was behind entering into this agreement with Zhongwang and the reasons why the deal fell apart? As well as Aleris' current relationship with Zhongwang.

MS. BROCK: Commissioner, thank you for the question. I think it's probably best for us to go back and provide a follow-up in the post-hearing.

COMMISSIONER BROADBENT: That's fine. Ms. Brock, are imports of out-of-scope downstream aluminum products, such as aluminum foil containers, increasing from China or nonsubject countries?

MS. BROCK: We would be happy to take a look at
nonsubject countries and provide some additional information
in the post-hearing, but I can say that our members have not
been commenting on concerns with imports from other
countries.

COMMISSIONER BROADBENT: Okay, thank you very
much.

CHAIRMAN SCHMIDTLEIN: Okay, I want to follow up
on this question about price depression or suppression. And
I looked quickly again at your brief. And the argument you
make in there, and then at the prelim decision where we talk
about the raw material cost -- and I understand your
argument with regard to, you know, why--basically coming
back to why--why is it that we're unable to make a
reasonable profit, right? When we're passing through the
LME and the Midwest premium.

One question I had though is when I look at the
pricing tables--and this is not confidential--when you look
at the staff report, Roman Numeral V-25, where it talks
about what happens with the pricing products, and that for
five of the products, domestic prices actually increased
from January 2014 to September 2017? And for three of the
products, there were decreases ranging from .3% to 5.7%. So
I guess one question is, does this support price
depression? When you've got five out of the eight products
increasing in price?
MR. HUGGENS: This is Brad Hudgens for Georgetown Economic Services. So I think that the conversations with the staff, there's been an error in Product 1, that would--once we get it corrected--that will show a price decline over the four-year period.

There's also been several revisions that have been filed since the report has been published. So once those revisions and corrections have been made, you will see that in all but one of the eight pricing products, there has been a price decline over the three-year period, which is First Quarter 2014 to Fourth Quarter 2016.

CHAIRMAN SCHMIDTLEIN: Okay, say that again? That, so there's been an error and what were the errors? What happened? Because I thought I have the revised Product 1 pricing table from last night, but it shows an increase.

MR. HUGGENS: If you're looking at First Quarter 2014 to Fourth Quarter 2016, over the three-year period --

CHAIRMAN SCHMIDTLEIN: Oh, I'm looking through the nine-month -- period --

MR. HUGGENS: -- There has been an increase in the most recent quarter. But we were looking at the period before we filed the petition.

CHAIRMAN SCHMIDTLEIN: I see. So you think that in turn is a result of the --

MR. HUGGENS: We think that plays a role --
CHAIRMAN SCHMIDTLEIN: -- petition?

MR. HUDGENS: Yes.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. ROSENTHAL: Commissioner, if you look at Confidential Slide 15, that summarizes where pricing was through that three-year period, '14 through '16, and as we note that the producers' prices fell for all the A products, but for one. That's our analysis of the up-to-date pricing information. Up-to-date in your--that you've gathered--it does not include the interim period, as Mr. Hudgens pointed out.

CHAIRMAN SCHMIDTLEIN: Okay. And have you looked at the decrease in these prices compared to raw material costs?

MR. HUDGENS: Yes. So what --

CHAIRMAN SCHMIDTLEIN: Because I don't see that in your brief. So can you talk about that here? Or --

MR. HUDGENS: We can. So I think that Number One, that the witnesses have indicated that there's been a squeeze in fabrication prices over time. I think another point that we'd make, as I've indicated to Commissioner Williamson, is that there was a degree of price depression already in the market as we entered the period of investigation.

So prices have been depressed to the point where
the, you know, the producers have not been able to sustain a
profitability that is much above break-even. And even in
2014, you're beginning to have a price depression, and that
has sustained over the period because of this significant
pervasive underselling by the subject imports over the
period.

CHAIRMAN SCHMIDTLEIN: Okay. So can you follow
up in your post-hearing, I guess, with comparison of what
the raw materials, I guess as a part of the cost of goods
sold, you know, what we see, in terms of the percentage
change, the absolute change, and how that compares to --

MR. HUDGENS: Yes.

CHAIRMAN SCHMIDTLEIN: -- the changes in the
pricing products? And I suppose along with the AUVs, I mean
we don't have -- well, I guess you could look at the
absolute changes in these prices, but it might be easier to
look at it on a short term --

MR. HUDGENS: Yes, we will do that.

CHAIRMAN SCHMIDTLEIN: -- by the -- per pound.

All right. Okay. The last question I wanted to ask was, if
the Commission does find that certain fin stock is a
separate like product, is there a record to go affirmative
on that here?

MR. ROSENTHAL: We'd like to take a look at that
in the brief. We frankly don't, obviously, don't agree with
the premise there that you should go that way, but I would say that on the face of all the data, with the increased imports declining profitability for those producers of fin stock, that the answer would be "Yes, there is a record to go affirmative," but I haven't looked at that.

   I think we should look further at whether -- I don't know if it's broken out or could actually get information separately on, preferably fin stock per se, and we need to worry about that little problem.

   CHAIRMAN SCHMIDTLEIN: Yes. Staff has collected that information, I believe, so you could address it in the post-hearing if you'd like.

   MR. HERRMANN: Commissioner, I'm just gonna add one point. We'll obviously address that in our post-hearing, but one thing that I think is significant to think about here is the threat of injury to domestic producers of fin stock.

   As we've talked about this morning, you've seen a progression of imports from China focused in the light-gauge products moving to the standard-gauge products. They're now, as our witnesses have testified, seeing an increased presence in Chinese imports in thicker-gauge products. We have the slide, I believe it was Slide 22, which showed the increase in Chinese imports across all of the thickness types over the course of the period.
And one thing I would invite you to think about, and which we'll be obviously addressing in our post-hearing is, the prospect of threat to the domestic industry if fin stock is carved out, and what would happen to those producers if you have all of the Chinese overcapacity and shipments to the United States focused on that unique application along the continuum of aluminum foil products.

CHAIRMAN SCHMIDTLEIN: Okay. Well, I invite you to address that in the post-hearing, along with the respondents, they could also address that argument in the post-hearing.

MR. ROSENTHAL: Commissioner, I'll add one thing. I now see the table on the fin stock profitability and I would argue that it looks pretty dismal there, too. So I don't think -- you get the threat.

CHAIRMAN SCHMIDTLEIN: Okay. Okay. All right. I have no further questions. Back to Vice-Chairman Johanson.

VICE CHAIRMAN JOHANSON: Thank you, Chairman Schmidtlein. Maybe I'm being a bit simplistic, but I'm curious. Given the name of the product listed on the petition, how did fin stock end up being included in the scope? Was that just an artifact of having drawn the upper limit dimension at 0.2 millimeters?

I do find it interesting that the Aluminum
Association makes the distinction between foil and fin stock in some of its publications. And you can see this at Page 14 of Valeo's brief. Why didn't you all call the product aluminum foil and fin stock?

MR. HERRMANN: I think the answer to that, Commissioner, is we view aluminum foil as jumbo rolls that are used in many different applications. We referred to certain aluminum foil as the product at issue here. For the same reason, we didn't refer to flexible packaging or household foil or fin stock for that matter.

We think there's a continuum of uses to which aluminum foil jumbo rolls can be put. And as Mr. Rosenthal has mentioned, that's not unusual to see a product that comes before the Commission and is a single like product put to multiple end uses for different products along a continuum.

MR. ROSENTHAL: And in fact, in many cases, either an association or a company may say, "I produce jumbo rolls" or "I produce wire rod," and they'll put on their website for their customers, "These are the applications," will use in nails, for fences or PC strand. And "For you customers, this is what we make for you."

Same thing goes for producers of aluminum foil in jumbo rolls. We sell that to you customers in the automotive industry, in the HVAC industry, in the household
foil industry and so these are what I regard as marketing
and customer-driven and commercially-driven definitions or
services. But they don't define the product that is the
subject of the case.

They are subject to the case, as I said, as an
intermediate product that can be used in all sorts of
applications. And I think part of the problem we have in
this case is that people talk in shorthand. It's aluminum
foil for a fin stock application of aluminum foil that goes
into household application, but it is not a separate
product.

MR. HERRMANN: And I'm sorry, Commissioner, just
one other point. We will address for you in our
post-hearing brief, the Aluminum Association's reporting
methodology. So we'll address that for you.

VICE CHAIRMAN JOHANSON: Thanks, Mr. Herrmann.
And also in your post-hearing brief, or maybe right now, if
you'd like, could you provide me with the petitioners' best
arguments for distinguishing the fin stock domestic like
product argument from the way the Commission handled
heatsinks in the aluminum extrusions' investigation?

MR. HERRMANN: I think we'll have to do that for
you in the post-hearing. I am not familiar with that
decision as we sit here.

VICE CHAIRMAN JOHANSON: Okay, thank you. I
look forward to seeing that, Mr. Herrmann. Now, I just
spoke to that fin stocks. And I'm gonna talk just for a
minute about ultra-thin aluminum foil. How does the
European Union carve out for ultra-thin aluminum foil in its
anti-dumping case and form the market characteristics in the
United States?

MR. HERRMANN: Sorry, Commissioner, I'm not sure
I understand your question.

VICE CHAIRMAN JOHANSON: From what I understand,
the EU has an order on foil, and I think that they carved
out ultra-thin aluminum foil?

MR. HERRMANN: Right.

VICE CHAIRMAN JOHANSON: How should that -- did
they see something there that you are concerned we're not
seeing here?

MR. HERRMANN: I think you've got a different
industry bringing a different case in a different
jurisdiction. I think, as we've addressed in our brief,
there is domestic production of that product here. There
used to be a lot more, frankly. And, you know, based on the
six factors that the Commission applies, we think it's very
clear that that product should be included in the single
like product.

MR. ROSENTHAL: I'd argue, too, they industry
chose to have a narrower scope. It doesn't really make any
difference here, just in response to Commissioner Broadbent's question, I would argue any purchaser who is concerned about the scope clarification that took place earlier in the Fall really shouldn't be complaining. It should be happy that it was clarified to cover one product and not another so there's not confusion there.

So narrower scope, more clarity, and in our case, I think it's helpful. The fact that the Europeans wanted a narrower scope for their case is really based on their industry needs and production capabilities.

MR. HERRMANN: And just one other point, Commissioner. I think there were some arguments and issues raised to the European finding in the preliminary phase. And in its preliminary views, the Commission quite clearly indicated that what the Europeans did was not particularly persuasive or controlling with respect to what this Commission does in defining the domestic like product in this investigation. We'd encourage that same finding in the final.

VICE CHAIRMAN JOHANSON: Okay, yeah. I was wanting to focus on the persuasive part, not the controlling part, if you understand. Thanks for discussing that.

On Page 24 of the Flexible Packaging Association brief, it is noted that the household foil market in the United States is past the point of rapid expansion. And I
was gonna ask you all, since you're the domestic industry here, is this due to the presence of substitute products in this segment?

It seems to me that for most uses of household foils, there's other substitutes that are readily available such as plastic wrap, sealable containers, etcetera. Why is the market not growing that quickly?

MR. RUDISILL: So maybe the best way for me to start. This is Murray Rudisill. Could I ask you to repeat the question to make sure I'm answering it?

VICE CHAIRMAN JOHANSON: Yeah, the Flexible Packaging Association states that the household foil market in the United States is past the point of rapid expansion. And I'm wondering, if you agree why is that the case?

MR. RUDISILL: How you define rapid expansion? But it is consistently growing. It's a consistently growing market and there are increasing uses of aluminum foil in consumer applications. And we expect it to continue growing. The other question you mentioned was on substitution --

VICE CHAIRMAN JOHANSON: Right.

MR. RUDISILL: -- so there is overlap, obviously, in some areas where -- so say, for food storage, you could wrap something in foil or you could put it in a plastic bag, so clearly, there's an opportunity for
substitution in an application. There's other applications
where there is not a substitute, like, for example,
grilling. There's not a suitable substitute for foil.
Does that --

VICE CHAIRMAN JOHANSON: Yeah, that does help
out. Actually, I use aluminum foil to cook on fire a lot,
so. But you have to get extra-thick aluminum foil.
Commissioner Williamson is laughing, I don't know why. It's
actually a very good meal when you go camping. Okay.
Thanks for your response, Mr. Rudisill.

We are all familiar with what's going on out
there. There's a whole lot going on with trade right now
here in D.C. And I was wondering, how would the possible
trade restrictions as a result of the impending 232 aluminum
investigation affect the aluminum foil industry, either
directly or indirectly?

MR. ROSENTHAL: I can safely say that we don't
know. We don't know what the scope of the 232 will do,
whether it -- obviously, it's a national defense-oriented
analysis and I would like to think that household foil is
essential to national defense, but I'm not sure that
everyone else will agree with that.

In all seriousness, I don't think anyone has any
idea of what the scope -- either a product coverage, country
coverage -- type of remedy might be employed, if any. So I
don't think we can really answer that, other than we have to wait and see along with you.

MR. HERRMANN: I think one other point, Commissioner, to consider is the duration of the remedy, if any, that's put in place by the president. It could be in place for a very short period of time. It could be in place for a longer period of time. It's impossible to know.

But as you've heard, Mr. McCarter and some of the other witnesses testified this morning, the certainty that would be provided by unfair trade orders, anti-dumping and countervailing duty orders, would give the industry the certainty of the duration and sustainability of relief that would allow them to move forward with some of the investments that we've talked about this morning.

VICE CHAIRMAN JOHANSON: All right. Thanks for your responses. My time has expired.

COMMISSIONER WILLIAMSON: Thank you. Just a couple of questions. Ms. Hart, we've heard mention of a number of closures and, you know, reduction in staffing in this industry, and I was just -- and many times when we have an industry that's under pressure, we see that the unions and the workers have been taking steps to try to help the industry be competitive. And I was just wondering if, is any of that going on here?

MS. HART: Yes.
COMMISSIONER WILLIAMSON: Just -- what's happening to the workers here?

MS. HART: Holly Hart from the Steel Workers. You know, clearly, you've heard from not only the company witnesses, but from me, about the number of people that have lost their jobs are continuing to, you know, those that do have their jobs, some of them are working reduced hours. That's a significant hit to their take-home pay.

And, you know, the union -- I can't speak to specifics, and perhaps the individual producers can help fill in -- but as a general rule, we try to, you know -- if our employer is successful, our membership stays steady. And, you know, so we as a union have a direct interest, and our members do, in making sure that their employer is as successful as possible.

So, you know, if there are efficiencies that can be eked out of the process that currently is being used, you know, we're always willing to work with employer to make sure we're producing it as efficiently, quickly and as well as possible.

COMMISSIONER WILLIAMSON: Thank you. Anybody else wanna add anything on this topic?

MR. RUDISILL: I can add one example to that. So, the Richmond foil plant that we shut down was a USW plant. And the steel workers worked with us along the way
to find ways with job classifications and other operational
efficiency initiatives to prolong the life of that facility.
So our experience with the union has been one of cooperation
and mutual effort to make the most of the economic
situation.

COMMISSIONER WILLIAMSON: Thank you. My last
question also has to do deal with closed plants. And we've
noted that several companies either exited the aluminum foil
business or ceased production of products like light-gauge
or household or foil.

This is, you know, a lot of these examples came
from before the beginning of the period of investigation.
So how should the Commission consider this information?
Since these things happened before the period of
investigation?

MR. ROSENTHAL: I think this is a very important
condition of competition. And it goes in very many
respects, the direct rebuttal of the respondents' arguments.

One of their arguments has been that the
domestic industry is not interested in producing and
supplying such things as light-gauge foil and what we're
telling you is, A, the industry's interested. We were
forced out of a lot of the business before this, but we
still have production and we still have interest.

And so, yes, that history, that context is very
important to understand why we got to where we are today, and why it's so important to have relief going forward. JW Aluminum is prepared to invest a lot more money if there is trade relief here and to expand the capacity to supply the light-gauge foil market. So that's why that context matters.

When the domestic industry is being accused of lack of interest or lack of willing to invest, and you hear Ms. Landa say, "Well, we're investing hundreds of millions of dollars in a aluminum product for the auto industry because we can make a profit there," and she rejects the claim in the flexible foil industry brief that suggests that the industry in this case is not focused on and willing to invest in profitable areas, that is part of this entire context.

I can go on and I'll probably spend a little bit more time in my rebuttal on this topic. But this is an incredibly important context. This industry wants to produce the entire range of foil products. They do. And they can produce more, but history, the past, we hope is not prolonged.

The reason why we're here today is to say that, unless something is done now, there won't be any arresting of the decline in the ability to produce light-gauge foil. There won't be an ability to supply the medium-gauge.
And in fact, if you choose, and I hope you don't, and I don't think the record supports you find a separate like product on the aluminum foil for fin stock applications, the same trends are appearing there and profitability has declined there, and what we're telling you is that history is a guide to the future and it reflects on what's happened in this period of investigation.

So that is why we've spent as much time as we have, providing you this context, because it reflects what's been going on through this period and what will happen in the future.

COMMISSIONER WILLIAMSON: Okay. Anybody else?

Good.

MS. LANDA: Bea Landa from Novelis. Just to add to Mr. Rosenthal's comments. I think it's really a turning point for us. The Chinese capacity is unlimited. They're gonna continue coming in unless there's a remedy. What we see is either, there's a path where we continue idling assets and continue shutting plants because we can't compete.

Or we have some remedy and there's an opportunity to make investments in a healthy market. And the only action that could happen is remedy. I think that's really what we're holding onto and what's gonna change the domestic industry. Thank you.
COMMISSIONER WILLIAMSON: Thank you for those answers. I have no further questions.

CHAIRMAN SCHMIDTLEIN: Any questions?

VICE CHAIRMAN JOHANSON: Thank you, Chairman Schmidtlein. I had just three remaining questions that are disparate. So, get ready for it. I was wondering, what is the focus of Granges' $110 million investment in Tennessee? Is it fin stock, standard, ultra-thin? And do you happen to know about the other domestic industries as well?

MR. HERRMANN: So, Commissioner Johanson, this is John Herrmann. All we know about the Granges investment is what is identified in the press release. In the press release—which is attached to our prehearing brief—identifies fin stock, it identifies light-gauge foil. I believe they use the term convertor foil in the press release. And I believe there may be one other aluminum foil application that's identified. But those are the applications that are identified in their press release.

VICE CHAIRMAN JOHANSON: Do you know about the other companies which are planning investments? What they might be investing in?

MR. HERRMANN: Well, I think, JW can talk to that. The other information that's in our prehearing brief is an investment that's being contemplated by Ta Chen International. The press reports of that contemplated
investment specifically identified convertor foil.

I think they would produce a wide range of products, the integrated mill that they've been rumored to be interested in. I'd need to look back at the reporting to see exactly, but I think it's a range of different gauges and different applications.

VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr. Herrmann.

MR. MCCARTER: Yes, sir, Commissioner, you know, JW, we're looking to invest in a, to significantly upgrade facilities that could provide product into the foil segment. What is really gonna determine is where we apply that investment is largely be dependent on the decisions we see out of this Commission over the next weeks or months or whatever it is.

So again, back to what Bea was saying down there, just like in the, for Novelis, they're economically motivated to invest in an automotive product, hundreds of millions of dollars. It's no different. We're gonna go where the return is. And I can tell you now, you know, she used the term "a turning point". I think it's quite simple on the foil business in North America. From JW's standpoint, if we don't get an affirmative decision, those plants are toast. Right?

Those are employees we're gonna have to go look
in the eye and say goodbye. Because, quite simply, the
level of earnings out of that, it just doesn't warrant
staying in business. So we're gonna go where the return is,
just like in Novelis' example, they've gone where the
automotive return is, we're gonna do the same thing. We
have to. In order to survive.

VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
McCarte.

MR. RUDISILL: This is Murray Rudisill with
Reynolds. Just to add our perspective to it. I mentioned
in my testimony that we considered a major capital
investment in 2014 and believe the economics to be
undependable to support it. We would bring back that
analysis, redo it and if this is a favorable ruling, it
would increase the probability that that would happen.

VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
Rudisill. The bullet point in the Chinese respondents'
brief, and which runs over Page 43 and 44, is fairly direct
in stating that the domestic industry has quality problems
in ultra-thin, and that this is not just an issue with idle
facilities. Could y'all please respond to this?

MR. ROUSH: This is Chester Roush with JW
Aluminum. I think I can respond based on what I reported.
If you take a look at our return rate, if you will, to our
customers, in total, in our light-gauge facilities, we're
averaging about 99.2% our customers who are keeping that material.

So we feel we're very competitive in the marketplace. We're supplying a very critical aerospace application, which is the customers' keeping 99.6% of that product. So we hear the argument and we think quality is important. But at the end of the day, we feel like we're very competitive in the quality side.

VICE CHAIRMAN JOHANSON: Okay, thank you, Mr. Roush. And I have just one more question. The respondents note that China is cutting its aluminum production this winter as part of their Blue Sky Program. How does this affect the likely volume entering the U.S. market?

And also, you all mentioned at Pages 2 and 23 of your brief that China is increasing its capacity irrationally and this seems to contradict what the respondents contend. Could you all please discuss that?

MS. BROCK: Vice Chairman Johnson, this is Heidi Brock with the Aluminum Association. We commend China for a policy like the winter heating program, but I think that there are really varying degrees of what we've seen, in terms of the data coming out of that program, and what is actually being verified as taken offline.

That winter heating program is really targeting more of the primary aluminum production because when you
make primary aluminum, it's very energy intensive. There are greenhouse gas emissions that are significant, that come from that production. So that winter heating program is targeted more at that upstream product of primary aluminum. There's really -- the data on what's actually being taken offline is quite variable there. And your second question was --

VICE CHAIRMAN JOHANSON: You all mentioned at Page 2 and 23 of your brief that China is increasing its capacity irrationally?

MS. BROCK: So what we see --

VICE CHAIRMAN JOHANSON: And this seems to contradict what the respondent's state.

MS. Brock: Right. What we see is the overcapacity continuing to grow, despite these programs to address the overcapacity. So that the gap continues to widen between what China is consuming and what the demand profile is, as well as what is being built and brought online.

MR. HERRMANN: If I could, Vice-Chairman. This is John Herrmann from Kelley Drye. I think we'd refer you back to the slides at the end of our PowerPoint deck that show the significant excess capacity in China beyond its domestic consumption, and the fact that -- despite those substantial differences that would give China enough excess
capacity to supply the enter U.S. market, you're still seeing additional capacity being added in China beyond what is already currently a very significant oversupply situation.

VICE CHAIRMAN JOHANSON: Okay, thank you, Mr. Herrmann. Mr. Rosenthal, did you wanna add something?

MR. ROSENTHAL: I'd just add, apart from the excess capacity, is the declining opportunity to unload that capacity. You also saw towards the ends of the slide that more countries are imposing barriers to exports of this product from China. So whatever excess capacity there is, is gonna be more focus on the U.S., which is already their number one target.

VICE CHAIRMAN JOHANSON: Okay, thank you for your responses. That concludes my questions. I appreciate you all being here today.

CHAIRMAN SCHMIDTLEIN: Okay. That concludes the Commissioner questions. Do staff have any questions for this panel?

MS. HAINES: Staff has no questions.

CHAIRMAN SCHMIDTLEIN: Thank you. Do respondents have any questions for this panel?

MR. MARSHAK: No, we do not.

CHAIRMAN SCHMIDTLEIN: Okay. Thank you very much. All right. That brings us to our lunch hour. So, we
will take a full sixty minutes. So, let's reconvene at 1:35
-- I'm sorry. Let me dismiss this panel. I apologize.

Thank you very much for your testimony. This
panel is dismissed. Let me remind you that the hearing room
is not secure, so please take your documents and
confidential information with you, and we will stand in
recess until 1:35.

(Whereupon a lunch recess was taken to reconvene
this same day.)
AFTERNOON SESSION

CHAIRMAN SCHMIDTLEIN: For a moment I thought I had a secret valentine, but I realized everyone got one, so all right. All right. Good afternoon. Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Chairman, I would note that the panel in opposition to the imposition of the anti-dumping and countervailing duty orders have been seated. This panel has 60 minutes for their direct testimony. I would also remind everybody that there's a lot of witnesses here. Please state your name when you speak. That means every time you speak, even if you're just saying no. Please say your name so the court reporter can attribute to. Thank you. There's no other preliminary matters.

CHAIRMAN SCHMIDTLEIN: Very well. You may begin when you're ready, Mr. Grimson.

MR. GRIMSON: Thank you very much. Jeff Grimson from Mowry and Grimson. We have several panels here today represented by six different law firms. Unlike this morning's panel, we have many purchasers and end users here representing an exponentially greater number of American manufacturing jobs than the domestic foil industry. Our panelists will address the three segments of the foil market, converter, household and industrial or heavy.
It's important that the Commission understand and appreciate how the market is organized in this way, because if you do, you'll find the Petitioners' causation case falls apart. We'll also hear from representatives of the Chinese industry who will address the lack of any threat. With that, I'd like to turn things over to Alison Keane from the Flexible Packaging Association.

STATEMENT OF ALISON KEANE

MS. KEANE: Thank you. I am Alison Keane, president and CEO of the Flexible Packaging Association, and I will start the panel on the converter market. In the United States alone, the flexible packaging industry directly employees 80,000 people and has approximately $30 billion annual sales. The flexible packaging industry consists of 419 companies in 45 states, both publicly traded and family-owned companies with thousands as well as companies with less than ten employees.

The industry indirectly supports over 230,000 U.S. jobs. We are an American manufacturing success story. We do rely on both domestic and imported foil. Our industry is growing in the United States, and we want to keep it that way. I recognize that it is not within the Commission's mandate to weigh the social and economic importance of our 80,000 American manufacturing jobs against the jobs of the three petitioners, which were put at 800 in the staff
conference.

But it is my understanding that it's wholly within your mandate to listen to the expertise of the companies that purchase and use this foil, take into account their questionnaire responses and their testimony today. Our member witnesses have divided up their testimony by subject matter, and each of these witnesses is eager to answer any questions about any of the issues collectively presented today. Thank you.

STATEMENT OF STEVE CASEY

MR. CASEY: Good afternoon. I am Steve Casey of Bemis Company. The flexible packaging we make is used in a variety of industries, ranging from food packaging to medical devices. It keeps the food you buy safe and fresh through distribution and keeps patients safe during surgery.

Aluminum foil is a crucial component of these packaging products because it provides a superior barrier to moisture, oxygen and bacteria, extending shelf life, preserving the freshness of food and ensuring sterility of medical products. There is no other substrate that provides equivalent properties to aluminum foil.

Aluminum foil ranges from 40 to 75 percent of our raw material cost for these applications. Our customers demand continued improvements in our packaging, with a focus on lowering costs and improving sustainability. Gauge and
quality are the primary product characteristics that drive
purchase decisions for the aluminum foil that converters
use.

To meet these targets, we are using thinner
foils. The use of thin foil demands that the foil itself
must be produced with tighter tolerance and higher quality.
A product that does not meet our quality specifications
simply cannot be used by Bemis, regardless of the price.
This goes to the heart of the matter. A significant portion
of the volume of foil purchased by Bemis is below .003
inches thick.

Product this thin is like tissue paper, yet
runs on our machines in rolls up to five feet wide by 40
miles long weighing 3,000 pounds at speeds up to 800 feet
per minute. If the roll tears or otherwise disrupts our
production, the line can be down for hours resulting in
significant additional costs. These realities mandate a
very uniform, high quality product. We have found those
attributes in the import market.

Ultra-thin foil of the quality we require is
scarce in the domestic market for two reasons. First, we
are able to obtain a limited supply down to .000275 from JW,
but their stated preference is not to supply below .0003.
JW does not have the capacity to meet all of our packaging
foil requirements, much less all converter demand and the
product is of inferior quality.

    Domestic producers have retreated from
production of the ultra-thin gauged foil and some have
exited the market while we were actively purchasing from
them with little notice, leaving us with minimal time to
find new supply. The primary reason for their exit from
the ultra-thin market is because they could not meet the
quality requirements and the inefficiencies of their old
assets made it economically infeasible to produce.

    Second, the limited quantity available in the
domestic market is of lower quality than imported foils.
Domestic ultra-thin foil frequently has an unacceptably high
rate of tearing, bagginess, variations in thickness and
overall poor quality. This is all the results of outdated
equipment incapable of producing quality ultra-thin foil.

    Quality issues like web breaks and tear outs
during conversion can cause extended periods of machine down
time, increased scrap and costly cleanup. Bagginess and
variations in thickness can cause wrinkles in finished
products, causing seal failures which compromise the barrier
of the package. These defects can impact the shelf life and
sterility of packaged products delivered to the consumers,
and can result in recalls and costly claims.

    Because we are producing packaging for food
and medical products, are foil supply qualification process
is long and rigorous. Our suppliers must meet our needs, the needs of our customers and the ultimate consumer, and I cannot stress enough that converter foil is not a commodity product. Because our customers have demanding requirements, we cannot substitute just any foil from any supplier for our final products.

Our qualification process has three phases involving multiple iterations, including conducting shelf life testing and operational trials, evaluating the properties of the foil as well as the consistent quality of the supplier. The qualification process often takes nine months to a year, but for certain types of products it is frequently longer than that. For medical products, the process is more rigorous and could be more than two years.

Because of the limited domestic supply of ultra-thin foil and the low quality that is available, we rely on imported raw materials in order to support our American manufacturing business. The imposition of duties won't improve the quality of domestic foil, won't increase the quantity of foil available and won't increase our purchases of domestic foil. Thank you.

STATEMENT OF BRIAN NELSON

MR. NELSON: Good afternoon. My name is Brian Nelson with Sunoco Products Company. We currently purchase both domestically produced and imported aluminum foil in
gauges that typically range from .00015 to below Triple-03 inches. We make a point to try to maintain the supply relationship with domestic suppliers, because it's important for us to keep our supply base diversified.

The Petitioner argue that if the quality of the Chinese ultra-thin product is so superior, it should command a price premium. The problem with this claim is that it completely ignores two main reasons: outdated equipment and the Midwest premium. The domestic foil suppliers we purchase from have machinery that we estimate to be at least 50 years old, and it is incapable of providing the quality of product we require.

Producers abroad have invested on newer, highly engineered computer-controlled equipment that makes ultra-thin foil in wider widths, larger OD rolls and superior sheet flatness. All these attributes improve our efficiency. The story of the domestic foil industry is one of chronic under-investment, especially in machinery.

There is nothing new to the Period of Investigation. Many U.S. mills can trace their last significant equipment purchases to the 1970's, and many of them are running on facilities even older than that. By contrast, Chinese mills have invested heavily in modern machinery to serve the needs of the U.S. converters.

These imports offer superior quality, product
selection and consistent volume. Chinese producers can manufacture the gauges that converters need at a level of quality converters can trust. The aging machinery in the U.S. cannot produce thin-gauged foil efficiently. They are pushing their machines to the absolute limit and rolling down the .000275. The amount of waste is tremendous, both in their factories and when we get substandard foil.

Thin foil cost is all about conversion efficiency, how fast you can run, the waste generated and the quality produced. Petitioners may tell you that they can't afford to reinvest due to offshore competition, but where were they 5, 10, 15 years ago when their equipment was already old? They have shown no interest in investing and serving the converter industry that demands higher quality foil.

Under-investment has been prevalent for years, and the suggestion that unfairly priced imports are the cause of the industry woes rings hollow.

The second point I would like to make relates to the Midwest premium and its role in the dynamics of foil. U.S. foil is priced in three components: the LME price for aluminum, the Midwest premium and the negotiated conversion price. Two of these components, the LME ingot price and the Midwest premium, are out of the control of the foil producers.
The Midwest premium is intended to cover the
cost of freight and inventory of the metal within the U.S.,
and most imported foil is not subject to the Midwest premium
but instead priced with only two components, the LME price
per ingot and the conversion price. The Midwest premium can
fluctuate sharply based on factors entirely unrelated to the
use of the product, such as speculation by commodity
traders.

In 2014 and '15, commodity market factors
drove premium to a historic high, a historic high which
created significant disparity with imported product. The
result is a higher delivery price for finished product due
to artificially inflated ingot costs. Imports from any
other country can source their aluminum ingot through the
LME and avoid the Midwest premium. This is no small issue.

Historically, ingot is about half the price of
the finished product. The Midwest premium only applies to
the U.S. product. These factors bear directly on domestic
producers' ability to compete with imports from China and
other countries. Thank you.

STATEMENT OF DHUANNE DODRILL

MR. DODRILL: My name is Dhuanne Dodrill, and
I am the president of Rollprint Package and Products. I'm a
chemical engineer by training and have been in the industry
for over 30 years. Rollprint serves the medical device,
pharmaceutical and health care industries. The majority of
our products are for sterile applications.

Chances are if you've been to the hospital,
you've encountered products packaged in our materials.
Absorbable sutures, knee and hip implants, human bone and
tissue and drug delivery systems are just a few examples.
We touch well in excess of a billion patient lives every
year. It is absolutely critical, truly a matter of life and
death that our products meet the quality standards required
by our customers.

While we purchase the majority of our foil
from the U.S., because that is the source that many of our
customers have qualified, Chinese aluminum foil is important
to our business. The thickness of the foil that we employ
ranges from triple-aught 3 to double-02 inch. Much like the
other panelists, we've experienced significant quality
issues with our domestic supply.

By contrast, we have found suppliers in China
that consistently provide us with products that meet our
high quality standards. In addition to the tearing that
others have reported, we've also received a significant
amount of domestic material with poor sheet flatness. It's
baggy. When foil that is baggy goes through a nip point, a
wrinkle is created. We can handle a certain amount of
bagginess by putting more tension on the web, but there's a
point where so much tension is applied that the material
tears.

While no customer wants material with
wrinkles, for a packaging material that is supposed to
provide a sterile barrier, a wrinkle that might fall in a
sealed area of the package can create a channel that will
potentially allow microbes to pass into the package.

Unlike food, medical devices don't get moldy
or develop an off odor. There are no visible clues that a
product that is supposed to be sterile is in fact not
sterile. Wrinkles are reasons for recalls. More
importantly, a failure of the sterile barrier system due to
substandard product has a direct impact on the quality of
care that patients receive and their health outcomes. We've
presented hard data in the post-conference brief that
demonstrates the relative rejection rate between domestic
and Chinese suppliers over the past three years.

Elevated rejection rates for domestic foil
have not been limited to thin gauge. Some years, the
majority of our rejections have been with double 01 inch
foil. Since the hearing began this morning, I've been
informed that we've rejected another lot of domestic
aluminum foil because of sheet flatness, bagginess, and that
delivery of four other orders of domestic aluminum foil has
been delayed.
Supply, both volume and quality, is a real concern for us. The vast majority of our customers are single-sourced. If we do not supply them, they are shut down. We have been advised by some of our customers that if that were ever to happen, the FDA would declare a national medical emergency.

Now keep in mind that our customers are in the highly regulated medical device and pharmaceutical markets, and that we're supplying the critical sterile barrier system. To qualify a change in supplier requires extensive testing and documentation to show that there are no deleterious effects. We have applications which U.S. aluminum foil has failed the qualification process, but where the same thickness in alloy from China has passed.

Typically qualification can take two years, and is a significant expense. Simply put, the quality of the product that we're able to get from China far exceeds the quality of domestic foil, and that quality is mission-critical to my business. Our business is already being severely impacted by this case. We are very concerned about the continued supply to critical health care uses if it becomes more difficult to source Chinese foil. Thank you.

STATEMENT OF JIM SQUATRITO

MR. SQUATRITO: My name is Jim Squatrito, and
I'm the CEO of Oracle Packaging and LLFLEX. We use a variety of foil alloys, widths, gauges and specifications for our products. We source our foil from China and from Europe. Oracle Packaging made its decision to source its foil abroad for several reasons, and all of them have to do with the lack of capability of the U.S. foil manufacturers and the lack of reliability of U.S. foil.

The U.S. cannot produce the gauge, width and alloy specifications of the various foil inputs needed for our finished products. In other words, we look outside the U.S. because what we need cannot be made here. You have already about the differences in gauges. I'm now going to discuss limitations of domestic supply in certain widths and alloys.

Our packaging machines operate at widths up to 65 inches, and others in this room use width up to 78 inches. We cannot get domestic foil greater than 62 inches in ultra-thin gauges. I am referring here to JW. They state this maximum width right on their website. Knowing this, we would not even approach JW if we need foil greater than 62 inches wide. We know they can't make it, and others have declined this business as well.

Even when we get supply from the U.S., the quality is compromised, so much so that we have increased waste, loss of product, lost production and products we just
can't sell. Their machines are very old, from a time when
the packaging industry was set up for narrower product
widths. By contrast, ongoing investment in modern machinery
allows Chinese producers to roll foil in widths we require.

Now we can run wider widths, giving us a
tremendous cost savings. It takes the same amount of labor
and close to the same amount of electricity to run a 60-inch
wide foil a 78-inch wide foil when making packaging
materials. But we get a 30 percent more -- we get 30
percent more output from the wide foil in the same amount of
time, and time is money.

Our foreign investors have grown with our
markets and have evolved as our products have evolved. The
domestic producers continue with their outdated machines and
they have declined to make the investments to meet
challenging or changing demand. They want to produce foil
at a certain sweet spot, producing heavier gauge products to
optimize their manufacturing operations. However, their
approach totally ignores our needs.

We cannot optimize our flexible packaging
manufacturing operations if we use domestic ultra-thin foil
which tops out at 62 inches in width. We would be wasting
capacity if we use less than optimal foil what's in our
process. In addition to widths, there are certain alloys
that are not available in the U.S.
Chinese ultra-thin aluminum foil is often Alloy 8079, which is ideal for manufacturing packaging materials because of its unique and superior mechanical properties. This alloy is not commonly available from domestic suppliers. Another difference I would mention is lead times. Recently, a U.S. firm quoted a 25 percent longer lead time than those of our foreign suppliers.

We purchase much of our foil based on immediate need and firm customer orders, and we cannot afford the loss of time caused by the longer lead times of the U.S. producers. The primary advantage of domestic producers was their shorter lead times, but orders that used to take six weeks now take six months. I cannot justify waiting longer for subpar foil.

As you may know, Oracle operated an aluminum foil mill in the U.S. for many years. But we got out of that business in order to focus on our core flexible packaging products. That decision was not made because of harm by Chinese imports, but rather a need to either invest in our rolling mill equipment to raise the capabilities of existing machinery, or sell the business.

Even when we were running the mill, we sourced a significant amount of our foil needs from Europe and China. Therefore, we made a decision to exit this business and focus on our core packaging business. Thank you.
STATEMENT OF TIM FRENCH

MR. FRENCH: Good afternoon. I'm Tim French, chief operating officer of ProAmpac. I'm here with Paul Schabow, our VP of Procurement. We are a U.S.-based company and leading supplier of ultra-thin gauged foil-based packaging products. It's important for the Commission to know that ProAmpac continues to enjoy a long-standing supply relationship with Petitioner JW Aluminum. At one point, JW and ProAmpac were owned by the same private equity fund. In fact, it was JW that introduced ProAmpac to Chinese foil suppliers.

Several years ago, JW approached ProAmpac and asked if we would consider supporting them in their initiative to import foil from China. They no longer wanted to supply ultra-thin packaging foil, choosing to move their capacity into heavier gauge products more suitability to the capabilities of their equipment. Representatives from ProAmpac and JW together traveled to China to meet with potential suppliers. Initially, JW handled the relationship and acted as intermediary between the Chinese suppliers and ProAmpac.

In fact, ProAmpac paid JW for the Chinese foil purchased and JW in turn paid the producers. This relationship continued until JW asked if we would consider handling the relationship with Chinese suppliers directly.
for our ultra-thin foil. While all this transpired, other
domestic suppliers of ultra-thin foil exited the market,
some more abruptly than others, leaving ProAmpac and the
industry with a very serious supply issue.

From that point forward, ProAmpac continues to
purchase its heavier gauge foil from JW, while sourcing its
ultra-thin products from offshore suppliers. If ultra-thin
foil is not exempted from this case, the end result will be
higher costs for consumers and potential job losses in the
domestic packaging industry, not likely to be offset by
those created in the aluminum industry.

To avoid these unintended consequences, we ask
the Commission to make a negative finding. Thank you
Commissioners and staff.

STATEMENT OF DONNA WALTERS

MS. WALTERS: My name is Donna Walters. I'm
the Director of Aluminum Risk with Trinidad Benham
Corporation. Trinidad is 100 percent employee-owned
company. About 300 of our 750 employee owners work at our
production facility in LaGrange, Georgia, packaging
household foil for retail sale and stamping and packaging
disposal aluminum containers. You've probably never heard
of our company because we produce private label or store
branded aluminum products sold directly to U.S. consumers in
your local grocery or Club warehouse store.
This case is very important to Trinidad. Without access to a reliable supply of quality household foil, our plant cannot operate. In addition, if duties are placed on the jumbo rolls that Trinidad relies on, Chinese and non-subject producers will simply import small reels of household foil and finished containers without AD CDD duties, competing directly with our product and Trinidad's employees. This competition is already a real threat and will only increase.

According to the import statistics in the public staff report, imports from China have risen by approximately 42,000 short tons. Much of that increase is Trinidad's imports of standard foil, and that number is represented on the confidential exhibit you have in front of you.

I understand this case hinges on allegations of growing imports from China taking U.S. producer market share, but those imports did not come at the expense of U.S. production. Trinidad did not abandon U.S. producers and begin purchasing Chinese imports during the POI nor before the POI. As far back as 2005, before I joined Trinidad, before Reynolds shuttered its Richmond mill and before Novelis closed its household mill, Trinidad was importing the majority of its household foil needs.

Those imports primarily came from Armenia and
Russia, not China. Between 2005 and 2010, Trinidad doubled its household foil business. We grew the business by providing superior service and high quality products that satisfy retailers' demand for private label products. As our business grew, we expanded imports from our long-term international suppliers.

Those imports were not from China. Imports from Russia and Armenia largely supplied that growth. During this time, Trinidad's purchases from U.S. suppliers remained relatively steady. In 2010, Trinidad shifted some of its imports to Brazil and a smaller amount to China. Moving forward throughout 2012 and 2013, Trinidad's purchases from U.S. sources increased.

Nevertheless at the end of 2013, Novelis announced it was ceasing household foil production, leaving Trinidad to look for an alternate supply. All that back story is a long way of saying Trinidad has been an importer since well before the POI. For more than 15 years, we've been importing the bulk of our supply. Before the POI, most of those imports were not imported from China.

In 2014, we began shifting imports from Russia and Armenia to reduce political risk. The situation in the Ukraine put our supply at risk of sanctions or other disruptions. We made a decision to diversify our sources by expanding purchases from China. In 2015 and '16, in
response to political and economic difficulties in Brazil, we decided to shift sourcing away from Brazil as well. We are not a vertically integrated company that rolls its own foil. Even without political and economic risk, it's important for Trinidad to maintain a diverse supplier base as a risk management strategy. As you can see from the exhibit, Trinidad's overall purchases and U.S. purchases remain fairly steady during the POI. What changed is that we shifted from one import source to another for risk management reasons. Our sourcing decisions are responsible for a very large percentage of the growth in Chinese imports. It should be obvious from the graph that Trinidad's shift of household foil imports to China did not cause injury to U.S. producers.

There are important dynamics for you to understand about competition in the retail household foil market. Reynolds is Trinidad's primary competitor for sales of packaged household foil to the retail market. Reynolds does not sell large reels of foil to Trinidad. To my knowledge, they do not sell to any external customers. All production from their rolling mill is captively consumed for their internal needs.

Thus, imported jumbo rolls do not compete with Reynolds' foil production, nor do subject imports compete
with Reynolds' sales of household foil in retail packages. Any competition that Reynolds faces for commercial sales is in the small real market. It is difficult to imagine injury to Reynolds during the POI.

To my knowledge, their branded product market share remains steady and their retail prices have increased over the POI. During the same time, the cost of a key input, aluminum, fell sharply as did energy costs. Add to that a period of low wage inflation and again it is difficult to see injury. Currently, there is only one U.S. roller that supplies household foil to Trinidad. This roller supplies a small percentage of our needs, and recently this roller has reduced our orders due to capacity constraints.

Now I'd like to talk about disposable aluminum containers. Like household foil, our end product is sold directly to the U.S. consumer. At present, Trinidad sources the majority of our foil for containers from U.S. rollers. However, we are concerned about the long term viability of these U.S. sources. A recent public statement by various U.S. rollers suggests they might have a long term interest in producing container stock. Rather, they are much more interested in the growing markets for high technology, high margin products such as automotive, beverage can, sheet and aerospace products.
Rarely if ever do U.S. rollers mention household foil and container stock as strategic markets. I do not think anyone has talked about household foil in a public statement for years. All of the recent announcements of capacity expansion have been targeted mostly at the automotive market. There are also technical hurdles to U.S. roller mills supplying container stock to Trinidad.

Certain rollers do not produce the container stock in the wide widths necessary for our modern stamping equipment, limiting available U.S. suppliers. Additionally, as discussed in our questionnaire response, one of our suppliers recently has switched the alloy for their container stock, such that their foil is no longer suitable for all of our container lids and some of our container products.

It is important to understand how jumbo rolls of foil are priced. Typically, contracts are LME or Midwest premium plus fabrication pricing. The U.S. rollers pass on the LME and the Midwest premium costs to customers like Trinidad. The rollers' revenue is the fabrication fee. As you can see in this next slide, the same Chinese companies that produce and sell jumbo rolls are already marketing small reels and disposable aluminum containers along with jumbo rolls.

We have already seen a loss of market share
for small reels and for finished containers due to imports from China. The potential for further loss of market share is not hypothetical. When the EU imposed anti-dumping duties on household foil jumbo rolls, it had to institute a new case and impose anti-dumping duties on small reel imports from China to prevent further injury to the competing EU industry.

In summary, Trinidad is a significant importer from China and elsewhere. While our imports from China have grown, they have not grown at the expense of U.S. producers. It is difficult to see how U.S. rollers are injured by a reallocation of volume among foreign supply sources. Only one U.S. roller other than Reynolds was active in the household foil market during the POI.

U.S. rollers have not been a supplier of significant household foil volume to Trinidad for many years.

STATEMENT OF DANIEL CANNISTRA

MR. CANNISTRA: Good afternoon. My name is Dan Cannistra of Crowell & Moring. I am here today on behalf of Valeo to discuss fin stock.

Before turning to Rogelio Garcia of Valeo and Albert Wang of Yinbang, a supplier of fin stock, I will make some preliminary comments.

At the conclusion of the preliminary phase of
this investigation, the Commission found that fin stock may constitute a separate like product and sought additional information in the final phase. Fin stock is not an obscure product. Fin stock is expressly defined by the Aluminum Association itself as coiled sheets or foil suitable and intended for the manufacture of fins for heat exchanger applications.

Fin stock specifications are again defined by the Aluminum Association itself separate and apart from aluminum foil. We submitted those specifications in Exhibits 2 and 3 of our prehearing brief.

The parameters of fin stock are also well known by the Aluminum industry. In fact, every single quarter the industry compiles separate statistics for fin stock and foil. Separate reports are also prepared by the Association on end use by fin stock and aluminum foil separately. These reports go back to 2001.

In consideration of the like product inquiry, we note that, first, fin stock is a thick gauge product that has a single use. The manufacture of aluminum radiators and heat exchange applications. In contrast, aluminum foil is generally a thinner gauge product.

Second, fin stock is not interchangeable with aluminum foil. Fin stock is an engineered product that is manufactured at specialized mills that impart the necessary
mechanical properties and yield the tolerances necessary for
the manufacture of fin stock.

Third, while aluminum foil is sold to both
distributors and end users for a variety of applications,
fin stock is sold directly to end users that consume the
product only to manufacture radiators and other heat
exchangers.

Fourth, U.S. mills such as Novelis produces fin
stock at a completely different facility than it produces
aluminum foil. Specifically, its mill in Oswego, New York,
produces fin stock, while its mill in Indiana produces
common aluminum foil. Moreover, fin stock has distinctive
manufacturing processes due to the very precise mechanical
requirements needed to meet consumer demands for fin stock.

And finally, consumers and producers perceive fin
stock and aluminum foil to be separate products. A
manufacturer of radiators will not purchase common aluminum
foil to use in its operations. Similarly, a food container
will not purchase fin stock when a product with more basic
physical characteristics and properties will meet its needs.

These are not my words. Those were the words of
Consilium and Novelis from a few weeks ago at this
Commission setting forth the reasons for why cam stock and
common alloys should not be considered the same like
product. But I only substituted the word "fin stock" for
the word "cam stock."

One final note before I turn to my colleagues. There have been two previous cases concluded concerning aluminum. The first concerned aluminum plate from South Africa. That case was specifically limited to individual alloys. Namely, the 6000 series.

Second, aluminum extrusions from China. In that case, similarly limited to specific alloys, in that case 1000, 3000 and 5000. And now we have yet another case pending before the Commission concerning aluminum sheet. And that case also concerns specific alloys 1000, 3000, and 6000. In each of the cases before the Commission to date, the Commission has separate and distinct like products individual grades looking beyond mere elements of thickness.

STATEMENT OF ROGELIO GARCIA

MR. GARCIA: Good afternoon. My name is Rogelio Garcia and the site purchasing manager for Valeo Thermal Systems in North America.

I would like to thank the Commission for their time and first I would like to state that the physical and chemical properties of fin stock impart unique mechanical properties and uses.

Aluminum foil, household foil, is much lighter and used for preserving food and medicine which must be
removed from the foil packaging for the ultimate use and it ends up in the garbage.

Fin stock, which is heavier, stronger, more corrosion resistant, and less temperate than aluminum foil is used in automotive heat exchangers, radiators, oil coolers, heater coils, evaporators, condensers, just to name a few. Fin stock is permanently incorporated into the product.

In addition, the special processing may be used to manufacture fin stock. This is to provide sag resistance and gradient size control which are vital to the bracing process. These differences are noted by the Aluminum Association itself. There is a set of specifications for fin stock, and a different set of specifications for foil.

If you look at the slide, you will see a sample certificate that we obtain for every shipment of fin stock. Each certificate documents the properties of the master coil, for example, and is required by the Aluminum Association. The certificate provides the mechanical properties, which include tensile strength, yield, and elongation. Without correct properties, it would not be possible to manufacture a fin.

The certificate also confirms the thickness, and even more importantly that it's within tolerance. The thickness tolerance is of particular importance for us
because the fin forming process is performed by highspeed
equipment that will malfunction with inconsistent thickness.
In other words, without this document we don't use the
product in our facility.

If you look at this next slide, it's an example
of an invoice from Novelis. And I would like to make some
specific observations particularly around issues raised by
the Commission in the preliminary phase.

First, you will see that fin stock is sold based
on proprietary grades. In this case, it's nominated SS334.
That's their name.

Second, the price point for fin stock is very
different than the price point for common aluminum foil. We
will provide the Commission with the exact price in the
posthearing brief and you will see it is very different than
the price for commodity aluminum foil of a similar
thickness.

Third, fin stock is not marked as aluminum foil.
It is clearly called what it is, "outer fin" even on this
invoice.

And fourth, the alloying elements are unique to
each proprietary grade. This is the exact chemical
composition of the alloy SS334 as we obtained it from our
supplier at that time. You can see the specific levels and
content stuff of every element, silicone, iron, copper,
manganese, magnesium, zinc, and titanium.

In this particular case, this is a product base captured by the product A definition of the questionnaires. If you look at the box at the top right of the slide, you will see a description. And I will walk you through to see how this product meets that description.

Product 8 defines fin stock as aluminum, certain fin stock 65 to 110 microns thick. You have the value in inches so you can see that the gauge of this particular product is 0039. So it's within the range. 15 to 100 millimeters wide. Again you have the values in inches. And you can see that the width is within that range as well. And contains between 1.2 to 2 percent by weight of manganese. In this particular case we're at 1.6.

I note that this was an actual transaction, one that I would expect is among those reported by Novelis in the product date section of their submission.

I will now pass to my colleague, Albert Wang, who will discuss some of the chemical and mechanical specifications for fin stock.

STATEMENT OF ALBERT WANG

MR. WANG: Good afternoon. My name is Albert Wang. I am representing Yinbang Material. Each specific grade of fin stock is unique and not interchangeable with each other. That along with common aluminum foil.
Each grade has specific corrosion resistance and a grand orientation for use. For example, brazing things --, tubes, or plate.

In this slide you can see packaging foil alloys, felt 35 --, 8011, 8111. The process also started from CC casting, foil loading, annealing, sleeving, and final annealing. The alloys and the process are simple, with low level of technical requirements compared with fin stocks.

Slide two, next one, you can see the fin stock using proprietary alloys. They are 10 to 20 times higher in zinc. Also, with copper and manganese for balancing electrical potential and high corrosion resistance. It also has added zirconium for post-brazing strengths. Next slide.

This slide show the proprietary alloys' properties. The properties are designed and superior mechanical properties before and after brazing for heat exchanger mechanical strengths. The next one.

The brazing process is a complex process. This process is the first process after they value purchasing -- the fin stock from us. It requires, the fin stock requires--the fin stock is very tight thickness tolerance, and the -- ratio for the highspeed fin making, assembling, and brazing in the furnace with all the value --. Common foils will not make it through this process.

MR. GARCIA: Rogelio Garcia again. I would like
to make one additional point on the fact manufacturing
facilities processes, equipment, and costs for fin stock and
aluminum defer. I personally visit our suppliers and I can
attest that I have never been to Novelis Aluminum Foil Mill
in Terre Haute, Indiana. I have, however, been to the
Oswego, New York, plant which is where all of their fin
stock originated from.

It is my understanding that fin stock is the only
foil product that originates in Oswego, which is generally
considered a sheet mill, not a foil mill. Thank you.

STATEMENT OF SEAN GALLAGHER

MR. GALLAGHER: Hello, and good afternoon. My
name is Sean Gallagher. I'm the owner of an all-American
company in Richmond, Virginia. It's name is Commodity Foil
and Paper. While I only have seven employees, I represent
countless family companies across the U.S. who make their
living through importing Chinese thin, ultra-thin aluminum,
to supply American factories and American workers.

Because of these tariffs, aluminum is now being
assembled into flexible packaging abroad and then shipped to
the United States, rather than American workers performing
those jobs and earning the money for their families.

We would like nothing better than to purchase
domestic foil from within the United States. It would solve
many supply chain and lead-time issues. But unfortunately
domestic capacity and quality are not available.

I say this, having tried unsuccessfully to
purchase the foil we need domestically, both in the past and
since the preliminary duties were imposed. There is simply
nowhere in America to buy the quality aluminum foil that our
small businesses need.

Domestic quality is so poor it consistently shuts
down Commodity's converting machine, and this caused
Commodity time and money to stop the machines and fix the
issue. Meanwhile, the tariffs are crippling us. Since
these tariffs were imposed, aluminum importers have been
forced to find other foreign sources of supply for thin and
ultra-thin gauges of aluminum foil, from 000216 to 0003 and
up to 78 inches wide, from countries other than China
because the aluminum foil is unavailable in the U.S. and
this only makes other foreign countries wealthier and
Americans poorer as we lose jobs here at home.

The U.S. producers that once manufactured
aluminum have failed to invest in their infrastructure and
product. It would take years for the U.S. mills to finally
invest in themselves to develop the technology needed to
supply aluminum that could compete with the quality levels
found in foreign aluminum.

It is unconscionable for some of those producers
now to claim foul because small businesses must import
aluminum foil. If you choose to impose permanent tariffs, then you choose to cripple American companies. You choose to ship American jobs overseas, and shut down small American companies.

Thank you for listening.

STATEMENT OF XINDA MO

MS. MO: Good afternoon. I am Xinda Mo, Chief of China Non-Ferrous Metals Industry Association. It is a great honor to attend this hearing and present our views on behalf of the Chinese aluminum foil industry.

First, China's rapid economic growth generated the demand for aluminum foil in China and thus spurred the development of the Chinese aluminum foil industry. In the past 10 years, the annual growth rate of domestic aluminum foil consumption in China is as high as 16 percent. Satisfying China's domestic demand is the priority of the Chinese aluminum industry. This increase was not because of our desire to increase our shipments of foil to the United States. The annual volume of Chinese exports to the U.S. is only about 3 percent of total Chinese aluminum foil production.

Second, China's aluminum foil producers operate independently. Chinese companies succeed in the market because of advanced technology and equipment, diversified product range, stable product quality and supplies, customer
service excellence, and many other factors. We have firmly believe that the foreign trade development of Chinese aluminum foil products is the result of fair competition in a market environment. Our success is not based on selling aluminum foil at low prices.

Third, the establishment and development of the aluminum foil industry in both China and the United States have been caused by independent investment decisions and market demand and supply changes which comply with market principles. The different development stages of the aluminum foil industry in China and the United States has resulted in a highly complementary structure of aluminum foil products between the two markets. We do not believe that Chinese foil exports have injured the U.S. industry. Rather, U.S. producers of certain downstream products require China's aluminum foil because U.S. mills cannot satisfy their needs.

Finally, we believe that trade protectionism runs counter to the rule of free competition, not only damaging the interests of Chinese exporters but also seriously undermining the interests of U.S. importers, downstream aluminum foil convertors and end users. We believe in a fair and competitive international trade environment. We do not believe that our exports have injured U.S. mills in the past or that we threaten U.S. mills in the future.
We believe the Honorable Commissioners will make a fair determination. Thank you.

STATEMENT OF JAMES P. DOUGAN

MR. DOUGAN: Good afternoon Commissioners and staff. I'm Jim Dougan from ECS, appearing on behalf of Respondents.

With respect to volumes effects, first, as you've heard from the industry witnesses on this panel there are distinct market dynamics at play in the different segments of the aluminum foil market which can be demonstrated by data regarding shipments based on product thicknesses.

It's first important to understand that subject imports and domestic producers were concentrated in different segments. The slide shows the total domestic and subject import shipments falling into each thickness categories. These relationships are true, not only in terms of percentage concentration, but also in absolute volumes, as shown in the next slide. The actual numbers have been removed from the chart to preserve proprietary information.

But what is clear from these charts is that the only category in which there's arguably a significant amount of competitive overlap is in the standard category, which is primarily composed of household foil, but even this apparent overlap is overstated because much of this domestic supply
is unavailable to the merchant market as noted by Ms. Walters. This fact pattern is crucial because it is in the standard category that most of the increase in imports occurred, as you see on the next slide.

Of course, what you've heard from Ms. Walters and what is shown in our pre-hearing briefs is that this increase came at the expense of non-subject imports, not domestic production. It did not and could not represent volume injury to the domestic industry because domestic producers did not have the supply available to satisfy this demand. See the further discussion in our pre-hearing briefs which analyze the capacity utilization of domestic producers who are capable of producing this foil. The remainder of any increase in subject imports of standard-gauged foil cannot have caused injury to the domestic industry, and not only for these reasons, but for other confidential reasons discussed in detail in our briefs.

Petitioners claim that subject imports are responsible for the shuttering of domestic capacity to produce household foil, but this claim is unsupported by the record. As shown in Ms. Walters' confidential chart, subject imports were a minor presence in the household fall market until after 2014 when they simply replaced non-subject imports; thus, they cannot have been
responsible for any reduction in the domestic industry's household foil capacity.

The next largest share of the increase of subject import volume based on questionnaire data was in the ultra-thin segment. And as you've heard from the industry witnesses on this panel, ultra thin and thin foil is not available in sufficient quantity from domestic producers and that which is available is frequently of unacceptable quality. In addition to the testimony that you've heard, this slide also summarizes purchasers' questionnaire responses from the pre-hearing report.

With regard to the quality on the next slide, a polarity, a majority of purchasers indicated that U.S. produced foil was inferior to the foil from China with respect to product consistency, quality meets industry standards and quality exceeds industry standards. Similar responses were given when comparing U.S. produced foil to foil from non-subject countries.

Moreover, on the next slide, only 8 of 43 responding purchasers indicated that U.S. producers always met minimum quality specifications compared to 19 of 37 purchasers regarding imports from China. Twelve purchasers indicated that U.S. producers only sometimes met minimum quality specifications and five purchasers indicated that U.S. producers never did. By contrast, only one purchaser
indicated that imports from China sometimes met minimum
quality specifications and zero purchasers reported that
subject imports never did.

In my experience, this is an unusually complete,
consistent, and compelling record on this issue. However,
there is extensive, additional confidential evidence
presented at pre-hearing report Table 5-14, which details
purchasers non-price reasons for purchasing subject imports,
which include both quality and availability issues.

In addition, the post-conference briefs of
Flexible Packaging Association and Commodity Foil both
provide extensive, contemporaneous documentation about the
quality issues experienced with domestic ultra thin foil.
And I'll just point out this morning Petitioners said that
purchasers complaints about quality were antedotal, but in
Commodity's post-conference brief at Exhibit 5, Attachment 1
contains dozens -- dozens of pages of complaints, returns,
rejections. There are dozens more pages available at the
Flexible Packaging Association post-conference brief. This
is not a case of He Said/She Said. This is a case of He
Said/She Said. She got the documentation together. She
took the pictures and she put the evidence on the record.

So for all the foregoing reasons, subject
imports of thin and ultra thin foil didn't cause adverse
volume effect to the domestic industry. In conclusion,
considering that between standard thin and ultra thin foil, we've accounted for the vast majority of the increase in subject imports. These could not, overall, have caused adverse volume effects to the industry.

Turning to price effects, in its preliminary determination the Commission found that it couldn't conclude that subject imports depressed the prices of domestic-like product to a significant degree due to the linkage between foil prices and raw material costs and similarly for similar reasons that they did not prevent price increases that otherwise would've occurred to a significant degree.

The final record supports the Commission's preliminary determination with foil prices tracking raw materials prices, both up and down over the period of the POI, and stable COGS to Sales ratios. There's also little evidence on the record that U.S. producers were forced to reduce prices to compete with subject imports. Only 3 of 45 responding purchasers indicated that this happened. The quantities involved were a tiny fraction of total reported purchases over the POI and even these quantities were overstated for reason described in detail in our confidential briefs.

This morning Petitioners omitted 2017 from this analysis, claiming that any increase in 2017 was due to the case and preliminary duties, but if you actually look at the
data the record shows that pricing began increasing from the end of 2016 into early 2017 before the case was filed in March and before any duties were imposed in the third and fourth quarter. Their analysis does not match the evidence. Therefore, the Commission should make the same finding of no price depression and no price suppression in the final phase.

With respect to underselling, the Commission did find that underselling was significant in the preliminary phase, but close examination of the final phase record should give you cause to reconsider this finding.

First, with respect to the traditional underselling analysis in terms of instances the pattern was mixed between underselling and overselling and virtually all of the volume of subject import underselling was in product segments accounting for only a tiny fraction of domestic producer shipments, the thin and ultra thin segments. Basically, all the underselling was in that little yellow slice of the pie. As noted earlier, these products were not available from domestic producers in sufficient quantities and some of the quantity available was not of acceptable quality; thus, this chart calls into question how this underselling could've had any material adverse affect on domestic producers' prices overall.

Petitioners argue that the Commission should
perform an underselling analysis using the pricing data for
direct imports for internal use. Again, and as discussed in
our pre-hearing briefs using confidential data, essentially
all of the underselling observed in these data too were of
products that weren't available in sufficient quantities or
of acceptable quality from domestic producers.

Notably, Petitioners, for the most part, have
not really tried to rebut Respondents' arguments and its
extensive documentation with respect to purchasers' quality
concerns about domestic foil. They don't address the
purchaser data, except to say that it's antidotal. In fact,
they almost seem to concede the point, instead arguing that
if subject imports are of a superior quality then they
should come in at a premium price, but there are several
reasons why this isn't necessarily the case.

First, as discussed by other witnesses on this
panel, import prices aren't subject to the Midwest Premium
charged by domestic producers; thus, if the imports
otherwise have the same underlying raw material costs and
conversion costs they would still be cheaper than domestic
merchandise.

Second, foreign producers and exporters have
more updated and efficient machinery than domestic producers
which allows them to produce and sell at a lower cost.
Third, subject producers are competing with one another as
well as non-subject suppliers; thus, any given subject producer doesn't have the latitude in this competitive market to charge a premium over a domestic supplier even if their target customers would not seriously consider purchasing from that domestic supplier. They would lose the sale to another subject producer or to a non-subject producer.

But again, to the degree that subject imports may have had lower prices for certain products resulting underselling observed on the record, it didn't cause adverse price effects because subject import purchases were driven by non-price factors. Table 5-14 of the pre-hearing report provides three pages of confidential purchaser responses indicating that while subject imports may have been lower priced than domestic foil price was not a primary reason in their purchase decision. This is consistent with other evidence on the record.

Faced with these responses, Petitioners argue in their brief that price doesn't have to be the primary reason for the purchase so long as price is important at all in the purchasing decision and it must lead to injury. I will leave it to the attorneys to address the legal significance of that argument, but what I can say is that based on the record evidence Petitioners greatly overstate the importance of price in purchasing decisions.
This next slide reproduces pre-hearing report Table 2-7. And as Commissioners Johanson and Broadbent already observed this morning, most purchasers did indicate that price was a very important purchase factor, but there were five factors that more purchasers ranked as very important -- availability, product consistency, reliability of supply, quality meets industry specifications, and thickness specifications. Without revealing confidential information, I can say that these non-price factors are precisely the ones cited by purchasers in Table 5-14 as to why they purchased subject imports instead of domestic merchandise.

And as noted by staff at page 2-23 of the pre-hearing report "Among these factors in which the U.S. product was considered to be inferior were two of the factors rated very important by all 45 purchasers, availability and product consistency." Thus, the record is consistent as to the reasons why purchasers would choose subject imports over the domestic product before they considered price.

Finally, with regard to impact, from the analysis that I have presented the record is clear that subject imports didn't cause adverse volume effects or adverse price effects to the domestic industry. It then comes as no surprise that there is no observable causal link.
between subject imports and the condition of the domestic
industry. While the specific numbers are presented in our
confidential pre-hearing briefs, the public pre-hearing
reports notes the domestic industry's operating income
decreased from 2014 to 2015 and improved from 2015 to 2016;
thus, as shown in this slide, as subject import volume and
market share increased from 14 to 15, domestic industry
profitability declined substantially. But when subject
import volume and market share increased again from 2015 to
2016, industry profitability improved, also substantially.

These relationships hold in domestic producers'
results, both from the merchant market and in the total
market. Therefore, there is no causal link between the
subject import volume and market share and the condition of
the domestic industry. And Petitioners attribute this to
survivor bias, which I can't speak to here based on
confidential information, but we can get into our
post-hearing brief.

Given the fact pattern that's on the record for
the period of investigation, Petitioners have attempted to
bolster their injury and causation case based on events
occurring before the POI. And while this can sometimes set
a helpful context, the degree to which Petitioners have
cited to long past occurrences as proof of injury by reason
of subject imports is unusual and speaks to the weakness of
their case on the record. In essence, they've claimed the industry was already injured at the start of the POI and that this was caused by subject imports. At the same time, they have not argued specifically for an extension of the POI where evidence would be gathered by the Commission and analyzed to test these claims.

Respondents expect that the Commission will not depart from its analysis of the record before it for the relevant POI and we contend that there is ample evidence for the Commission to make a negative determination on that basis. Thank you.

MR. GRIMSON: That concludes our panel, Commissioners. We are ready for your questions.

CHAIRMAN SCHMIDTLEIN: Alright, thank you very much. I'd like to thank the witnesses on this panel as well for being here today to help us understand the issues in the case. We begin this afternoon with Commissioner Williamson for the Commissioners' questions.

COMMISSIONER WILLIAMSON: Thank you Madame Chairman. I do want to express my appreciation to all the witnesses for coming today.

There has been a torrent of comments about the domestic industry's quality and ability to produce. I understand that in your post-conference brief -- you did supply documentation, but I invite you to supply additional
documentation. We had testimony this morning about
rejection rates from some of the domestic producers. I
don't know whether you have similar documentation showing
the rates the products you're getting are being rejected.
I'll also be interested to know because the domestic
producers this morning did talk about some of their
state-of-the-art plants and whether you see any difference
in the product coming out of those plants compared to the
products that are maybe coming from older plants and is
there any correlation? What's the evidence that this is the
problem? And so that's -- I guess that most of that would
probably have to be done post-hearing.

MR. GRIMSON: I think the rejection rate
question will only be a problem in figuring out how to limit
the amount of material we can provide on rejections, but the
fact of will not be a problem to provide, but I think the
companies would like to do that in post-hearing.

In terms of the state-of-the-art facilities, I
will I guess just open it up to our folks who have been in
facilities, both in the U.S. and China if they could comment
on the differences. I've heard a lot of analogies to the
time of the steam engine versus Acela and such.

MR. CASEY: So all of the ultra thin foil or
really all of the convertor foil that we get for flexible
packaging comes out of one facility in the U.S. That is the
St. Louis mill of JW Aluminum and they have not invested in any new assets in that mill for I don't know how many years. We have had our quality manager has done audits of mills in China as well as JW mill in St. Louis just this past year and what his observations are is when you go into the mills in China it's brand new assets, computer controlled. When you're looking at the gauge variation, it's computer controlled so that the machine automatically adjusts as it sees variation engauge.

When you go into the JW mill, they do not have that type of gauge control. It's all manual with an operator monitoring. And when they see something out, they go and make an adjustment and then go back and look and see if it made the right correction and they're going back and forth to make those types of adjustments and so there is a significant difference in the capabilities of the mill.

COMMISSIONER WILLIAMSON: Of course, they'll have an opportunity to comment post-hearing on that, but any documents -- that's one mill. By the way, where in St. Louis is that mill located since I grew up in St. Louis.

MR. CASEY: I'll leave that up to them to tell you. It's been years since I've been there.

COMMISSIONER WILLIAMSON: Okay, fine. I was just curious. But again, post-hearing it would be useful to --
MR. CASEY: You commented that that is only one mill, but that is the only mill that supplies into our industry.

COMMISSIONER WILLIAMSON: Okay. And Petitioners can comment post-hearing on that. Thank you.

MS. MOWRY: I think if you look at -- I think it's Exhibit 8. I can't remember the exact number of our post-conference brief. There is a confidential affidavit that also speaks directly to personal knowledge of the machinery in that mill as well.

COMMISSIONER WILLIAMSON: Okay.

MS. MOWRY: I'll get the exact number for you post-hearing.

COMMISSIONER WILLIAMSON: Okay, thank you. I'll take a look at that.

MS. DODRILL: I can speak a little bit to the level of rejections that we see domestically versus what we see from China. We have had one rejection on Chinese imports. That was a small rejection in 2014. We routinely have rejections of material that we receive from domestic producer. In addition to the actual rejections that we get, we fight through a tremendous amount of material because we're single-sourced or our customers are single-sourced if we don't supply them they don't have material. So we do our very best to work through what we've received and get as
much out as we can. It is a challenge.

MR. DOUGAN: Commissioner, the data from Ms. Dodrill is presented at Exhibit 18 to the FPA's post-conference brief.

COMMISSIONER WILLIAMSON: Okay, thank you. As I said, whatever you could put together post-hearing would be helpful. You can reference these submissions, of course.

So for the various purchasers have you increased your purchases from the domestic industry since the petitions were filed and have you made complaints or returns since these petitions were filed? Ms. Dodrill, I noticed you said you just got something contemporaneously I guess today.

MS. DODRILL: Yes. So purchases have remained basically constant. We have a contract that only allows a certain amount or I guess ensures a certain amount of purchases. And my understanding is they are at capacity and it would be difficult to supply more; as for rejections, yes.

MR. MICHALKIEWICZ: I would reiterate what she just said. We have a contract with JW Aluminum that limits us the specific quantity and yes, we have had rejects with JW Aluminum recently.

MR. SQUATRITO: We buy very little domestically and we haven't increased largely because we can't get what
we want domestically, so we've continued to buy offshore.

COMMISSIONER WILLIAMSON: Okay. Just one last question on this, I mean we're a high tech society. I mean this is supposed to be our competitive advantage. Why is it that when domestic mills -- and some of them have talked about doing new mills -- why isn't that -- they can't match the Chinese in terms of quality? This may be getting beyond our inquiry, but I'm curious about that.

MR. CASEY: I can't speak to why they didn't reinvest even 10 or 20 years ago when their equipment was already old, but the reason they can't match the quality is because they haven't reinvested in new equipment.

COMMISSIONER WILLIAMSON: But they have said they have done some reinvestment.

MR. CASEY: Not in the equipment that's producing for our industry.

COMMISSIONER WILLIAMSON: Okay. Anybody else on that?

MR. NELSON: I'll just maybe expand on what Steve was saying. When he says our industry, we're talking really about the thin and ultra thin foil gauges. And I think some of the conversation from earlier today were investments in newer mills maybe in some of the heavier gauges perhaps, but certainly in the ultra thin and thin gauges we have experienced or seen the effects of any new
equipment in that industry.

    COMMISSIONER WILLIAMSON: Okay.

    MR. FRENCH: I'd like to add to that as well. I think one of the things that we can't ignore is the progression within the industry for thin and ultra thin. It's significantly wider now. Processes in our factories are wider than they used to be. We've invested in wider equipment and that investment hasn't occurred in the domestic foil side of it to keep pace with advantages created by that.

    MR. MICHALKIEWICZ: I would like to also comment on the speculation, and I would call it speculation, on the investment in the foil industry in the U.S. We brought up that Granges was investing $110 million in the industry. I've contacted Granges and they've told me straight out that that investment is for automotive. It is not for light-gauged foil or foil at all.

    Ta Chen, while there's some speculation that there will be foil in their investment, they have not announced anything about any foil investment in the U.S. The Alpha aluminum assets that they're talking about restarting those assets are very old. They were shutdown because they were inefficient. So it would take significant investment as our speaker from Oracle had mentioned earlier that choose not to make those investments.
So as far as even future investment in foil in the U.S., it's very unlikely.

MR. CASEY: I'd like to expand on the comment that was made about how our industry has continued to reinvest. Our equipment is not only wider, but faster. And as I said in my earlier discussion, our customers are demanding that we go thinner and thinner, both for sustainability as well as cost reasons. And so as we go thinner, run faster, and run wider the quality requirements that we have continue to get more stringent.

COMMISSIONER WILLIAMSON: Okay.

MS. WALTERS: In the household foil market there's been no new investment in capacity. Again, this is a market that is very low margin. And also in the container stock, we require wide widths as well and some U.S. producers can't service the widths that we require because of the size in their mills.

COMMISSIONER WILLIAMSON: Is the household foil sort of a mature industry at this point?

MS. WALTERS: Yes, we would describe it as a mature industry, very low growth. I mean almost every consumer has a box in their kitchen draw already.

COMMISSIONER WILLIAMSON: And have for decades.

MS. WALTERS: Yes, exactly.

COMMISSIONER WILLIAMSON: Okay. My time has
expired. Thank you.

CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you. Mr. Grimson, many purchasers have stated that they suffered supply disruptions with U.S. producers over the POI, as you have highlighted. Given that there are multiple U.S. suppliers and given that the presence of excess capacity in the domestic industry is it the case that purchasers experiencing supply disruptions at one U.S. producer might be able to shift supply to a different U.S. producer? In other words, couldn't it be the case that there are domestic supply disruptions, but also available domestic supply elsewhere in the industry?

MR. GRIMSON: Yes, speaking for the Flexible Packaging industry panel that I'm here for the answer is, no, there's nowhere else to go in the domestic market.

Jump in and correct me if I'm wrong, but you have one player with a mill commissioned I was told in 1937 in Louisville, I think that was the number that I heard, and they don't like producing below triple odd three. And up until a few years ago, if you want it below triple odd three it would redirect it to their China sourcing regime. So you know there is nowhere else for these folks to go. Either it's here or it's imports and here has caused a lot of problems because as these folks have improved their lines
and modernized to run larger substrates to coat on the foil they are exceeding the width that JW can put out, so they're just printing on air, essentially. It's wasteful.

**MS. MOWRY:** I'd like to invite our panelists to talk at this time about the qualification process because it goes exactly to your question of could they've switched from one domestic producer to another and the same question is that domestic producer to imports. And I think it's really important that they each take some time now and talk about what is involved in qualifying a new supplier.

**COMMISSIONER BROADBENT:** Okay, that's fine.

**MS. DODRILL:** And I'll start. So with most of our customers we have a quality agreement in place that requires us to notify them if we are going to make a change from one supplier to another. It doesn't matter if it's domestically or anywhere in the world. If we're going to make a change, we need to notify them. That process of making a change in a supplier is pretty involved. It begins with assessing the supplier's quality system, making sure it is appropriate, making sure that the product we're going to buy is going to meet all of the regulatory requirements that are out there.

Then we begin by sampling the material, tests for its performance. We will run it on our equipment and make sure that it processes well. If that goes well, we
will work on developing a specification. Then we will go to
sort of a qualification process where we will run up
finished material. We will assess it against all the
properties that it has to meet, make sure we can show
functional equivalence or not. We then send it to a
sterilizer. We're going to ETO sterilize it. We'll gamma
sterilize it. If it's something that can be steamed
sterilized or autoclaved we'll do that or if it's dry heat
sterilization we will do that.

Then we do accelerated aging studies, real time
aging studies to see if we see any change over time and that
we can still show functional equivalence. That data gets
presented to our customer and then they're going to start
their qualification process. They're going to do an
operational qualification and a process qualification on
their equipment. It all has to be documented. They will do
their own aging studies, both accelerated and real time.
They'll do distribution testing. It is an extensive
process. It's expensive. It is required by the FDA. We
don't just get to say we, you know, are confident it'll be
the same. We have to prove that it's the same. So changes
aren't easy.

-- takes two years as a normal time period. We
have an application right now that we should be making that
change and we're in year 12.
MR. CASEY: This is Steve Casey from Bemis. And I think you did a very nice job of explaining the qualification process. As I said earlier for us, we have both food and medical. The food qualifications are quicker, but when I say quicker, it's still nine months to a year typically. And then for our medical applications, it would be very similar, a two-year process.

I think you raise an interesting question, though. The petitioners have stated that this -- all these foil mills are equivalent, they can all produce the same products, they can flip a switch and produce whatever products they want. If you look at the respondents here in the room, we are all continuing to import foil from China and pay the duties, because there is not domestic foil and not domestic capacity available to meet our needs. If it was so easy to just to flip a switch and be able to supply our needs, it would have been done already.

MR. NELSON: This is Brian Nelson with Sonoco and I can't say much more than what's already been said on the subject, other than we produce packaging for powdered infant formula. And it's considered a pharmaceutical. And we have some of the similar requirements.

We also manufacture food packaging. So the food packaging, as Steve indicated, was perhaps a little bit less in that 6 to 12 months qualification, multiple iterations.
But with powdered infant formula as a pharmaceutical, it has regulations around the globe that we ship to, that we have to manage to, that requires multiple qualification runs and could take up to a year and a half to two years.

COMMISSIONER BROADBENT: Okay.

MR. SQAUTRITO: This is Jim Sqautrito for Oracle Packaging. Similar story, we probably have a broader product range overall. It's not all in the traditional flexible packaging space. Some of the things that we make, we can qualify relatively quickly.

But in general, as some of the other participants have stated, we've all moved to wider, faster machines. And we still need something that's wide and thin and high quality.

So even if a new mill were to come on, a new capacity run, it doesn't mean it can make that product that we need. So we have looked for alternate sources, but the qualification process is significant in all of our businesses.

COMMISSIONER BROADBENT: Okay. Let's see, I had a general question for respondents for the post-hearing brief. Please look at the market share of the domestic product and subject imports in each of the five product thickness categories and explain the trends of that market share data. For purposes of this question, I'm more
interested in what drove trends in the market share as opposed to the absolute volume of shipments in these various market segments.

MR. DOUGAN: We'll do so.

COMMISSIONER BROADBENT: Yeah, that'd be great.

And Mr. -- is Mr. Marshak here? He's -- yeah. Thank you.

MR. MARSHAK: Yes, in our post-hearing, absolutely.

COMMISSIONER BROADBENT: Perfect. Thank you very much.

I had a question, has the rising use of aluminum in the automotive sector affected the aluminum foil market either directly or indirectly?

MR. GARCIA: Rogelio Garcia, Valeo. Yes, there is a lot of capacity now that's indicated what they call body panels. I'm sure you've heard that some of the Ford pickup trucks, the doors are now made of aluminum. That's a lot of material, it takes up a lot of capacity.

COMMISSIONER BROADBENT: Okay. And then this is also for post-hearing, please respond to a concern that petitioners have raised with respect to whether an individual company's reported pricing data should be included in subject import pricing data as detailed in brackets on page 33 to 34 of their pre-hearing brief.

For the FPA respondents, you point to production
differences between Chinese and U.S. industries starting on page 26 of your pre-hearing brief. Are you asserting that the industry's lack of investment in itself is the result of poor management or are we looking at an industry that has experienced decades of underinvestment due to increasing competitive pressure from highly subsidized foreign entities?

MR. GRIMSON: So obviously, we can't put ourselves into the heads of the folks that have made these decisions over the last 10, 20, 30, 40, or 50 years. But they have not kept pace with their customer's investment. That's clear and you had just heard that from the Bemis folks.

And that's despite the fact that they at least in the packaging market segment, we see demand growing. So if they were able to put out the quality that they say, then they would have no problem selling the volume that they could produce right now today.

The problem is that the quality is just substandard. And it -- on top of the price that you pay to a JW, for example, you pay an additional multiplier down the road in your production because of things like you saw on the screen in terms of the inefficiency, the breaks, the inability to produce to the width that you can all your other coating materials.
So I would say I don't know if they are just bad decision makers, but I for one was wondering this morning why they would close down their newest mill. That was what they talked about this morning. We had a state-of-the-art mill that we had to close down. So what's left running, the old ones?

So I don't really know to answer that we're the ones to answer that, but certainly, the folks here would say that they would very much like better product coming out of these producers and can't get it.

COMMISSIONER BROADBENT: Thank you.

CHAIRMAN SCHMIDTLEIN: Okay, so I'd like to get a better understanding if what each of the purchasers that are appearing here today are importing, the types of aluminum foil. And so it might be just easy to sort of go down the line and start with Ms. Dodrill from Rollprint Packaging.

MS. DODRILL: Uh-huh.

CHAIRMAN SCHMIDTLEIN: So are you importing ultra thin and thin or is it something else?

MS. DODRILL: We import .0003, .00035, 1 mil. and a little bit of 2 mil.

CHAIRMAN SCHMIDTLEIN: And so would that be characterized in our staff report, we break it down into what's called ultra thin, thin, standard.
MS. DODRILL: I believe that covers the whole range.

CHAIRMAN SCHMIDTLEIN: So you're importing ultra thin and what's called standard?

MS. DODRILL: Uh-huh.

CHAIRMAN SCHMIDTLEIN: Okay.

MS. DODRILL: And heavy, I believe.

CHAIRMAN SCHMIDTLEIN: And heavy?

MS. DODRILL: Uh-huh.

CHAIRMAN SCHMIDTLEIN: And all of those gauges used in the medical field?

MS. DODRILL: Correct.

CHAIRMAN SCHMIDTLEIN: Okay. And do you have a -- I mean, I -- I think you filed -- Roll brand filed a questionnaire. So I don't know --

MS. DODRILL: Yes, we did.

CHAIRMAN SCHMIDTLEIN: -- did you break it down in the questionnaire in terms of --

MS. DODRILL: Did you ask us to?

CHAIRMAN SCHMIDTLEIN: I don't know if we did or not. We can check and see, but if we didn't, would you mind breaking that down in a post --

MS. DODRILL: I believe yeah, we did do it.

CHAIRMAN SCHMIDTLEIN: -- hearing question. I'm trying to put it into context what we're talking about here.
MS. DODRILL: Okay.

CHAIRMAN SCHMIDTLEIN: Okay. And then just going down the line, Mr. -- or Mr. Casey from Bemis?

MR. CASEY: Yeah.

CHAIRMAN SCHMIDTLEIN: What do you all import?

MR. CASEY: So we -- the vast majority of the ultra thin we use, we import -- we -- if we look at the thin requirements, there's probably a mix of imports and domestic. And if we go to the standard, it would be all domestic. So the thinner we go, generally, we want imports, because of quality. As we get thicker, the quality we can -- it's easier for them to make and also because it's thicker, we don't see the effects of poor quality as much.

CHAIRMAN SCHMIDTLEIN: Okay. So the vast majority of your imports are ultra thin and thin?

MR. CASEY: Yes.

CHAIRMAN SCHMIDTLEIN: For Bemis? Okay. Oh, I'm sorry, if you could also put that in the post-hearing as well, that would be helpful.

Okay, now there's someone sitting -- the -- and I do want to mispronounce your name, but from Barrier. Is this -- are you a purchaser as well? Gary? I'm sorry --

MR. MICHALKIEWICZ: Oh.

CHAIRMAN SCHMIDTLEIN: -- I don't want to mispronounce your name. if you can say it for the record?
MR. MICHALKIEWICZ: It's easy. It's Michalkiewicz.

CHAIRMAN SCHMIDTLEIN: Okay. That's what I said.

MR. MICHALKIEWICZ: And I'm with Bemis.

CHAIRMAN SCHMIDTLEIN: Oh, you're with Bemis.

MR. MICHALKIEWICZ: Steve answered that question already.

CHAIRMAN SCHMIDTLEIN: Okay, so why -- okay.

Maybe on our -- we've just got a little chart here that has Barrier, but maybe that's a --

MR. MICHALKIEWICZ: Oh, that's my title, global category manager, Barrier products.

CHAIRMAN SCHMIDTLEIN: I see, okay.

MR. MICHALKIEWICZ: For Bemis.

CHAIRMAN SCHMIDTLEIN: But you're with Bemis?

MR. MICHALKIEWICZ: I'm with Bemis.

CHAIRMAN SCHMIDTLEIN: Okay, all right. Good, I'm glad we cleared that up. Okay, and then Trinidad, starting on the back row, are you importing standard basically?

MS. WALTERS: Yes. This is Donna Walters from Trinidad. We import for the most part the standard gauge, because we're importing household foil. And remember, there's only one roller in the United States that sells
externally to the household foil market. And they've recently cut back our orders. So we import the standard gauge of household foil. And then for the containers, the aluminum containers that we form, that would be in the heavy duty category.

CHAIRMAN SCHMIDTLEIN: And do you import that as well?

MS. WALTERS: The majority of that is purchased from U.S. suppliers, but we do import some.

CHAIRMAN SCHMIDTLEIN: Some, okay.

MS. WALTERS: Yes.

CHAIRMAN SCHMIDTLEIN: And I guess you direct import as well? So you --

MS. WALTERS: Correct.

CHAIRMAN SCHMIDTLEIN: -- buy from importers, but you also directly import? Is that right? Because it looks like you filed a purchaser questionnaire and an importer questionnaire or no?

MS. WALTERS: No, we did file a purchaser, yes.

Well, wait.

MS. FOX: They import from -- they import and then they also purchase from U.S. supplier.

CHAIRMAN SCHMIDTLEIN: Okay, but are you directly importing it yourself or do you go through an importer?
MS. WALTERS: For the most part, we directly import it ourselves.


MS. WALTERS: Yes.

CHAIRMAN SCHMIDTLEIN: And why do you do that?

MS. WALTERS: Because mostly because of volume that we do. And we like to form direct relationships with our suppliers. I mean, we've been buying from these suppliers for 15 or 20 years. So we have very good relationships with -- and we don't need somebody in the middle.

CHAIRMAN SCHMIDTLEIN: Okay. And so have you been directly importing for all of that time or was there a point in time when you switched from buying from importers?

MS. WALTERS: I've only been there a short period. I'll let Linda answer that.

CHAIRMAN SCHMIDTLEIN: Oh, okay.

MS. WALMSLEY: I'm Linda Walmsley with Trinidad Benham. We entered this segment in 1977 and we began with domestic. And we began -- and then we imported. And we've been importing the majority of our requirements, because of availability.

CHAIRMAN SCHMIDTLEIN: So my question is really going to how you import, if you -- when did you make the switch from buying from an importer to directly importing
the product yourself whereas you're acting as the importer of record?

MS. WALMSLEY: Relationships that were formed with importers.

CHAIRMAN SCHMIDTLEIN: Can you give me a time frame for that, like when you switched to --

MS. WALMSLEY: Sure.

CHAIRMAN SCHMIDTLEIN: -- over and started doing that?

MS. WALMSLEY: I'm trying to think. I think that's for post-hearing.

MS. WALTERS: We can put that in the post-hearing.

CHAIRMAN SCHMIDTLEIN: Okay.

MS. FOX: I don't think -- .

MS. WALTERS: It's been --

MS. FOX: -- over 10 years so it's been --

MS. WALTERS: -- pre -- before --

MS. FOX: Sorry, this is Lynn Fischer Fox. It's -- Donna's been with the company for 10 years and I think you've been direct importing --

MS. WALTERS: Uh-huh.

MS. FOX: -- for the entire time she's been there. But to get back further than that, we would -- to give you an accurate answer, we'd want to put it the
post-hearing.

CHAIRMAN SCHMIDTLEIN: Okay, okay, that's fine. All right, going further down the row, Mr. Nelson from Sonoco?

MR. NELSON: Yes.

CHAIRMAN SCHMIDTLEIN: Yes. Okay.

MR. NELSON: This is Brian Nelson of Sonoco.

CHAIRMAN SCHMIDTLEIN: Right.

MR. NELSON: And we -- primarily what we import from the subject countries would be ultra thin foil below that .0003 gauge.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. NELSON: Now from some non-subject countries, we've been importing probably for 10 plus years. Many years ago, we looked to diversify our supply base away from the domestic. We were buying almost all domestic a number of years ago. And so we have some imports of some heavier gauge foils from non-subject countries as well.

CHAIRMAN SCHMIDTLEIN: I see. But for subject, it's ultra thin?

MR. NELSON: It's almost all ultra thin. I wouldn't say there might not be a few thin --

CHAIRMAN SCHMIDTLEIN: Okay.

MR. NELSON: -- specifications that fall in the just slightly above the ultra thin.
CHAIRMAN SCHMIDTLEIN: Okay. Thank you.

MR. NELSON: Sure.

CHAIRMAN SCHMIDTLEIN: All right. And then next to you, we have Oracle and LLFLEX. First, can you tell me what the difference is between Oracle and LLFLEX? Are they two different companies?

MR. SQUATRITO: Well, they're two different legal entities that we acquired to form Oracle Packaging. So I think we filed under each of the legal entities.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SQUATRITO: But it all rolls up to Oracle Packaging.

CHAIRMAN SCHMIDTLEIN: Okay. And it doesn't look like you submitted a purchaser questionnaire?

MR. SQUATRITO: No, we import. I mean, we import 95, 98 percent of the foils we use across all ranges. Most of it's in the thin and ultra thin.

CHAIRMAN SCHMIDTLEIN: For subject product?

MR. SQUATRITO: For subject and --

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SQUATRITO: -- but we also do some heavy as well.

CHAIRMAN SCHMIDTLEIN: But you are using that. Are you -- you're producing -- I mean, it looked like from the slides, are you -- you're not just an importer, right?
You're -- you are a converter or processor of this?

MR. SQUATRITO: Yes.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SQUATRITO: But I would -- yeah, yes.

CHAIRMAN SCHMIDTLEIN: So you're directly importing, that's what you're saying?

MR. SQUATRITO: Yes, we're directly importing.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SQUATRITO: Correct, yeah.

CHAIRMAN SCHMIDTLEIN: Okay, okay. Okay, great.

Okay, and then I think -- well, on the next row behind, I assume Valeo, Manakin, and then we have another -- number of the, you know, couple of -- well, three it looks like, four Chinese? I guess one's an association. Are you all importers?

MR. GARCIA: Rogelio Garcia for Valeo. We import directly 100 percent fin stock. Gauges range from 50 microns to 100 microns.

CHAIRMAN SCHMIDTLEIN: Okay. And are you processing those or --

MR. GARCIA: Yes.

CHAIRMAN SCHMIDTLEIN: -- or produce -- okay.

So you --

MR. GARCIA: We process them in our facility in Greensburg, Indiana.
CHAIRMAN SCHMIDTLEIN: Okay, but you're -- so you're also directly importing?

MR. GARCIA: Yes.

CHAIRMAN SCHMIDTLEIN: But it's fin stock?

MR. GARCIA: Fin stock, 100 percent.

CHAIRMAN SCHMIDTLEIN: 100 percent, okay. Okay, Manakin?

MR. LUTTERBEIN: Todd Lutterbein with Manakin. We're subcontract manufacturers and importers. We do not convert here in the country.

CHAIRMAN SCHMIDTLEIN: You don't. So you're an importer? Okay. And what do you --

MR. LUTTERBEIN: Correct.

CHAIRMAN SCHMIDTLEIN: -- what do you primarily import? What gauge?

MR. LUTTERBEIN: All gauges.

CHAIRMAN SCHMIDTLEIN: All?

MR. LUTTERBEIN: Heavily, very heavily into ultra thin, but we cover the whole range.

CHAIRMAN SCHMIDTLEIN: Okay, so for -- and you did submit a importer questionnaire. If you could indicate, and I don't know if you have, if you have, then you don't need to redo it, but if you could indicate in the post-hearing. I'd like to see the breakdown of what you're importing, at least for 2016? You can focus on the last
full year of the POI, that would be helpful.

Okay. And then Mr. Gallagher from Commodity Foil?

MR. GALLAGHER: Hello. Sean Gallagher, Commodity Foil.

CHAIRMAN SCHMIDTLEIN: Way back there, yeah.

MR. GALLAGHER: I'm way back here, yes. Cheap seats.

CHAIRMAN SCHMIDTLEIN: Yeah. There's -- they're all good though, right?

MR. GALLAGHER: Ultra thin, we probably import 25 percent. Thin gauge, probably 50 percent. Standard, probably another 20 percent of that. And then oh, here's JW, probably 5 percent domestic.

CHAIRMAN SCHMIDTLEIN: To buy -- buying you mean?

MR. GALLAGHER: Yes, uh-huh.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. GALLAGHER: We buy it -- we also do some processing. We make big rolls into smaller roles, but not like Donna does, not that small, but different sizes and things like that. So not only do we sell to people, maybe like Bemis or to Sonoco or, you know, when they run short on metal, to help supply their supply chain.

CHAIRMAN SCHMIDTLEIN: Okay.
MR. GALLAGHER: But we also process. So we're on both sides.

CHAIRMAN SCHMIDTLEIN: And you're in Richmond, right? You are the Richmond, Virginia?

MR. GALLAGHER: Richmond, Virginia.

CHAIRMAN SCHMIDTLEIN: Okay, right. Local, okay.

MR. GALLAGHER: Yes, ma'am.

CHAIRMAN SCHMIDTLEIN: All right, and then the last here I think is ProAmpac.

MR. SCHABOW: Yes, Paul Schabow for ProAmpac.

We 100 percent ultra thin is imported. A majority of thin is imported. And a small portion of the standard is imported. Most of the standard we purchase domestically with JW.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SCHABOW: We are an importer of record now. At one time, JW was our importer of record for a lot of our --

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SCHABOW: And it's our strategy to get direct relationships with our suppliers. And that's why we prefer to be the importer of record.

CHAIRMAN SCHMIDTLEIN: And is there -- do you go by a different name? Does the -- is ProAmpac?
MR. SCHABOW: Well, we're --

CHAIRMAN SCHMIDTLEIN: Or?

MR. SCHABOW: Yeah, ProAmpac was created through a number of acquisitions. The first being Prolamina and Ampac. That's created ProAmpac.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. SCHABOW: So we have many different entities that we import under.

CHAIRMAN SCHMIDTLEIN: And did you submit a --

MR. SCHABOW: We submitted both a purchaser --

CHAIRMAN SCHMIDTLEIN: -- questionnaire? You did?

MR. SCHABOW: -- as well as an importer.

CHAIRMAN SCHMIDTLEIN: So what name would the -- okay, I see the importer. I guess I don't see the purchaser, but we'll check into that.

Okay, all right, I appreciate you taking me through this. This was a bit tedious, but it's very helpful for me to understand the context for all the witnesses. So my time is up. So we'll come back to the questions.

Vice Chairman Johanson?

VICE CHAIRMAN JOHANSON: Thank you, Chair -- thank you, Chairman Schmidtlein and thanks to all the witnesses and their counsel for appearing here today.

And my first question will probably best be
answered by Ms. Keane, but any of the other witness or
counsel are of course welcome to discuss it as well. On
page 33 of the Flexible Packaging Association's brief, it is
argued that purchasers responded that they're -- that there
are reasons to think of imports from China as superior in
some attributes. But I would just point out that the
numbers there seem to show that about half of responding
purchasers made to the judgment.

I would ask whether that is a strong indication
of the asserted superior quality of the subject imports?

MR. GRIMSON: So I'm looking at the -- at that
part of our brief just to first make sure there's nothing
confidential on the page, because Ms. Keane not have seen
that.

VICE CHAIRMAN JOHANSON: Okay.

MR. GRIMSON: Yeah, that's this part here.

VICE CHAIRMAN JOHANSON: Uh-huh.

MG: Getting up to speed. I think that, I mean,
we were talking yesterday during the prep day with the other
respondent's counsel that we can't remember coming in here
in a Chinese case arguing that the domestic product is bad.
So we're in a bit of an unusual position here.

Even those figures that are quoted in our brief
and then also in the staff report are, I think, out of the
norm when comparing domestic quality to Chinese quality in
almost every case that you see. And you have also heard the
testimony of all these folks around on the table here today
backing up that very point, that they can't get the quality.
The quality is inferior, all the domestic product. And I'm
speaking specifically to the ultra thin segment right now.

VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr.
Grimson, I appreciate it. And sorry, Ms. Keane, for posing
a question to you that you don't have access to the material
for.

I now have a question for Trinidad. If you are
arguing that the U.S. producers have abandoned the household
foil industry, and this is at page 25 of your brief, can you
present any evidence that shows that this abandonment was
for reasons unrelated to subject imports? In other words,
if not due to imports, why would this be the case? Why
would the domestic industry leave this segment of the
market?

MS. FOX: Well, I think if you take a look --
this is Lynn Fischer Fox from Arnold & Porter, if you take a
look at the confidential slides that we show, you can see
kind of -- I mean, Trinidad is the biggest importer of
household foil. And you can kind of see where their imports
have been coming from over from long before the POI.

And it was -- there's only one supplier of
household foil that Trinidad buys from now. So they really
have a very limited access to a domestic supply. And as  
Donna just pointed out, even that supplier often cuts back  
the supplies available. They can't get more from that  
supplier.

So if they did abandon it, it was many, many  
years ago when Chinese imports to Trinidad weren't a factor,  
when there were no import from China to Trinidad.

MS. WALTERS: This is Donna Walters. I'd just  
like to add one point. At the time that Novelis told us  
that they were closing their household foil operations, we  
were buying from them. So it wasn't like we had stopped  
buying from them. But again, when they told us they were  
closing them and told us this was our last chance to buy  
Novelis household foil, we had to go to the other U.S.  
supplier, who we now do business with in very small volume.

VICE CHAIRMAN JOHANSON: Okay, thanks. I  
appreciate your response, Ms. Walters. And this is a follow  
up that might be redundant, and I think I know what the  
answer is, but I'm going to ask it anyway. Has Trinidad  
contacted domestic producers to supply the aluminum foil you  
need? And if so, were they able to offer to you?

MS. WALTERS: Really, I mean, household foil is  
a very low margin product. And so again, there's only one  
roller, other -- I mean, Reynolds does it for themselves,  
but there's only one roller active in the market that will
make it and sell it to external customers and so we do
business with them.

VICE CHAIRMAN JOHANSON: Okay. Thanks for your
response.

Ms. Dodrill, this question's for you and it
comes out of your testimony earlier today. I believe that
you stated that U.S. produced thin foil -- U.S. producers of
thin foil have not qualified for use in medical devices?

MS. DODRILL: On specific applications.

VICE CHAIRMAN JOHANSON: Okay. Do you have any
sources that would show this such as --

MS. DODRILL: And this is when we've been trying
to qualify a product. We've evaluated the U.S. source and
the Chinese source.

VICE CHAIRMAN JOHANSON: Right.

MS. DODRILL: Chinese has worked.

VICE CHAIRMAN JOHANSON: And it works -- do you
have to go -- I don't know the process here. Do you go
through FDA?

MS. DODRILL: So what we were looking at is
performance. Try to take care with our information, but I
think it has to do with maybe some ductility differences.
When the aluminum foil sees stresses, what we are seeing is
that the domestic foil fails much more quickly than the
Chinese foil, allowing the Chinese foil to work in
applications that are going to see a lot of stress. So
that's -- those applications we use the Chinese foil and we
cannot -- we haven't been able to also qualify the domestic
foil.

VICE CHAIRMAN JOHANSON: Okay. Is this an
internal qualification or is this -- does FDA evaluate this?

MS. DODRILL: This would be with us and with our
customers.

VICE CHAIRMAN JOHANSON: Okay. Do you have any
sources which would back all of this up and --

MS. DODRILL: We can review the data, sure.

VICE CHAIRMAN JOHANSON: Yeah, if you could do
that in the post-hearing --

MS. DODRILL: To give you some numbers that'll show you what the differences are.

VICE CHAIRMAN JOHANSON: That would be helpful,
any original documentation would be particularly helpful.

MS. DODRILL: Very good.

VICE CHAIRMAN JOHANSON: And it would, of
course, be proprietary, I assume. Okay. On page -- pages
22 and 49 to 50 of the petitioner's brief, it is argued that
the various new investments in the domestic industry are
directly related to the filing of this petition and that the
analysis were not made until after Commerce imposed
provisional relief. And you also heard that this morning
with the petition witnesses. Do you have a response to this?

MR. MICHALKIEWICZ: If you're -- I had spoken earlier about what I would call speculation on the new investments, particularly Granges' investment. When they announced that investment, I contacted them and spoke to them directly about that investment. And the response I received from Granges was it was not for foil. It was for automotive and they were not investing in any foil or light gauge foil assets in that announced investment.

I also talked about the Ta Chen investment. Were also engaged with Ta Chen and asked them directly about what their investment meant for light gauge foil production in the U.S. And I received a similar response that there is some consideration, but right now, there is nothing specific planned for light gauge foil production in the U.S. Not saying it couldn't happen, but again at this point, you know, it's purely speculation that there will be any investment in light gauge foil from either of them.

And I talked about the -- you know, the bringing back the assets from Alpha. Alpha assets are old. They would need significant investment. As was mentioned by the previous owner, Oracle, they didn't want to make that investment and that's one of the reasons why they sold those assets in the first place.
And even -- I would even challenge JW's talk about $255 million in investments and I would ask how much of that really is right now is -- it would be in light gauge foil. You know, most of the investment that we've heard even the Novelis investment that was admitted, it was for automotive. That's where most of the investment here in the United States is headed is in automotive sheet, because that's where -- that's the hot market.

VICE CHAIRMAN JOHANSON: Thank you.

MR. GARCIA: This is Rogelio Garcia from Valeo. I can confirm the situation with Granges. They're one of our global suppliers. They purchased the Noranda facility in Tennessee for automotive purposes. What they've told us is they expect that facility to be qualified and ready to produce for the automotive market until 2019, late 2019. So there's still some time before that capacity is even in the market.

MR. GRIMSON: Commissioner Johanson, I would just -- I'm not sure if that was exactly the point of your question. I think the Commission gets into perilous waters when you have an industry that files a petition, then announces investments, then comes here and says the fact that we announced this investment -- announced investments because we filed the petition is proof that we were injured before we made the announcement and the petition. I think
that, you know, there -- they have to be judged on our POI and what happened during that time period.

MR. CASEY: The other thing I would add is in our conversations with Granges, they indicated to us that they were planning to announce that investment well before the investigation.

VICE CHAIRMAN JOHANSON: Okay, thanks all of you. And I have just two quick follow up questions for Mr. Michalkiewicz and Mr. Garcia. You all mentioned that there's -- from what you understand this investment will be for automotive purposes, would that include thin?

MR. MICHALKIEWICZ: -- I'm going to let the fin stock people answer that question, because I don't know that --

VICE CHAIRMAN JOHANSON: You don't know?

MM: -- specifically.

VICE CHAIRMAN JOHANSON: Okay.

MR. GARCIA: Yes, it will include fin stock.

VICE CHAIRMAN JOHANSON: Okay.

MG: As well as other version sheets we use.

VICE CHAIRMAN JOHANSON: Okay, thanks to both of you. My time has expired.

COMMISSIONER WILLIAMSON: Okay. Thank you.

This is a question for Trinidad. How should the Commission analyze small reels when considering whether to expand the
domestic-like product to include them? And think about the
six factor test and --

MS. FOX: I mean, we provided some detail in our
brief and we're happy to provide more in a post hearing, but
I mean, just briefly, I think, you know, it seems like the
petitioners want to have it both ways. This morning, I
think I heard that the gentleman from Reynolds say we have
to import to be competitive with other spoolers that import
because we're losing market share to other spoolers, I think
alluding to Trinidad, who are importing Chinese jumbo rolls.

And this kind of illustrates the dilemma that
the Commission faces with this case. For a big chunk of or
big segment of the industry, domestic foil in jumbo rolls
doesn't compete with Chinese foil. And jumbo rolls at all
only competes head to head in the small reels. And I don't
know how you evaluate the statements that you heard this
morning about losing market share to other spoolers unless
you can look at the small -- at the small reels. So that's,
I mean, I think that's kind of the setup for how do you do
that analysis?

And then I think the sort of wire rod analogy of
semi finished products are, you know, intermediate product
doesn't really hold true. The foil in the jumbo roll and
the foil that you have in your kitchen that Trinidad sells,
it's exactly the same foil. It's not slit. It's not
treated. It's not re-rolled. It's not made thinner. It's exactly the same thing. It's just in a smaller quantity and it's in a box with a name on it. Is -- there's no difference. That's -- we're -- you know, that applies to the small reels. We're not talking about stuff that turns into apple sauce packages and et cetera. Thank you.

COMMISSIONER WILLIAMSON: So you sort of say it's the same -- I guess they pointed out they were different end users. I mean, the large roll as opposed to small reels, which go to the ultimate consumer. Is there any validity on that?

MS. FOX: Well, yeah, that has to do with the size, but the foil, there is no difference in the foil. The large reel is the same width as the small reel. It is the same foil. There has been no change. There's been no change to the foil.

COMMISSIONER WILLIAMSON: Okay, other than it being slit?

MS. FOX: Other than it being in a smaller quantity. It's not slit, it's just made smaller. It is a -- it's the same width. There's no slitting or other treatment that goes on. I mean, I would argue that again they're trying to have it both ways in a couple different situations. With regard to the ultra thin, I think, other folks can speak more to what additional processing goes into
making ultra thin foil that can be used by the converters. And in that case, they're telling you to pay no attention to the additional processing. And in the case of small reels, they're making an enormous deal out of the additional processing that's required to make a reel smaller.

COMMISSIONER WILLIAMSON: Okay. Now what would be -- if we were to go their smaller reels, what would be the result? I mean, would you -- I guess because you be arguing that we should make that a separate like product, the smaller reels or --

MS. FOX: No, we're not arguing --

COMMISSIONER WILLIAMSON: -- just expand the scope?

MS. FOX: We're not arguing for a separate like product. We're arguing that for you to do a full evaluation on the impact of the domestic industry in this case, you need to include data for smaller reels to have a real sense of what's going on. And like I said, that, you know, that was illustrated by the comments by the Reynolds gentleman this morning when he was alluding to the lost market share and the competition that he's suffering from other U.S. spoolers who purchase Chinese subject merchandise in the jumbo rolls. How can you evaluate that competition? How can you validate what he's saying without seeing evidence of that -- of what's going on in that small reel?
COMMISSIONER WILLIAMSON: Okay.

MS. FOX: In that small reel market?

COMMISSIONER WILLIAMSON: Okay, thank you.

Post-hearing, maybe you could tell us what difference that would make in terms of our results?

MS. FOX: I mean, I think you have your staff after the -- in the staff report, you do have data on operations on small reels that you can take a look at. And I think it's interesting, but that's about all I can say here.

COMMISSIONER WILLIAMSON: Okay, that's why I said post-hearing, thank you. Good.

For Valeo, does your definition of fin stock match that used by the Aluminum Association and if not, why not?

MR. GARCIA: Rogelio Garcia for Valeo. Yes, it does. We actually refer to as the definition from the Aluminum Association. Coil sheet or foil suitable and intended for the manufacturer things for heat exchanger applications.

COMMISSIONER WILLIAMSON: Okay. Thank you.

Okay, so we don't need to get this question about manganese content and all that, because it's -- okay, okay. For FPA, you argue that the domestic industry is unable to produce products in certain widths. And so I was
just wondering, how large is the market for those larger widths? I mean, what percentage of the market is --

MR. SCHABOW: It's Paul Schabow of ProAmpac.

COMMISSIONER WILLIAMSON: Yeah.

MR. SCHABOW: I couldn't give you a definition of the market, but I could say that a majority of our spending is above 65 inches.

COMMISSIONER WILLIAMSON: A majority of your?

MR. SCHABOW: Our purchases.

COMMISSIONER WILLIAMSON: Okay.

MR. SCHABOW: Our imported foil is above 65 inches. Our largest roll is probably close to 74 inches wide.

COMMISSIONER WILLIAMSON: Okay, are you typical or atypical in terms of that need?

MR. SCHABOW: Um --

COMMISSIONER WILLIAMSON: Or --

MR. SCHABOW: -- I would say that we've talked about investments. We may have been ahead of the curve, but we know that our competition is making investments to get just as wide as we are. It's basically a costing. The more we can throughput at a wider width, the better we are. And I think a lot of people are making investments in the same equipment that we have to compete with us.

COMMISSIONER WILLIAMSON: Yeah.
MR. SCHABOW: So if we can go wider, and you can get foil offshore at those wide widths.

COMMISSIONER WILLIAMSON: Okay, I don't know if Paul, sure, you might want to give an indication of what percentage the actual demand is at -- has been on the POI or is going to be in the near future?

MR. SCHABOW: Okay. We'll do that.

COMMISSIONER WILLIAMSON: You see why I'm asking that question --

MR. SCHABOW: Yeah.

COMMISSIONER WILLIAMSON: -- just to --

MR. SCHABOW: Understood.

COMMISSIONER WILLIAMSON: -- see how significant that is.

Also, for FPA, you argue that the domestic industry doesn't make product with certain alloys. How large is the market for these products, the products that are not made with the alloys that the domestic industry doesn't make? Does anyone have? If not, if there's something --

MR. LUTTERBEIN: This is Todd Lutterbein.

COMMISSIONER WILLIAMSON: Oh, good advice off --

MR. LUTTERBEIN: Manakin. I testified in the preliminary hearing, but I've been industry a long time, manufacturing engineer, a long time employee of Reynolds
Metals and Alcoa. I was a member of Reynolds Global Corporate Foil Committee. They're a foil costing and one of their process experts on that panel.

So to answer your question, in this market, there's not a big difference between alloys and price. 8079 has much better mechanical properties for some applications. The 1235 has got different or different attributes, which are better for different applications.

COMMISSIONER WILLIAMSON: Now are those numbers refer to aluminum with a certain alloys in it?

MR. LUTTERBEIN: Yes.

COMMISSIONER WILLIAMSON: Okay, good.

MR. LUTTERBEIN: Yeah, and I think you asked is there a difference in pricing and margin?

COMMISSIONER WILLIAMSON: Actually, I was really asking how important -- the question was a condition that FPA is making that they -- or their imports contain certain alloys that the domestic -- aluminum with certain alloys that the domestic industry doesn't provide? And we said the products with those alloys are not something the domestic industry produces. And so I was just trying to figure out how significant is that -- shall we say that segment or does that -- those products?

MR. LUTTERBEIN: Well, the U.S. market hasn't made 8079 alloy since the early 1970s. But anyway, the
alloys available in Europe and as the current converting
operators in this country have been able to purchase it out
of Europe and China, their awareness to the specifications
and its possibilities has increased. And as is the widths,
they're available overseas, are not available. The
domestic suppliers or converters initially have been very
reticent to buy overseas. They're more comfortable buying
at home, but as they realize these foreign suppliers, the
Europeans and the Chinese are reliable, they're willing and
have been willing to invest in wider lines that the U.S.
manufacturers are capable of producing.

COMMISSIONER WILLIAMSON: Okay, you're talking
about -- I'm talking about now the product with the
different alloys in it.

MR. LUTTERBEIN: Well, when --

COMMISSIONER WILLIAMSON: What I'm trying to do
is ask --

MR. LUTTERBEIN: -- they're available, the not
too distant past, and now it is. So it's growing as more
and more converters are aware of it. So to ask or to answer
the exact percentage, I couldn't tell you, but I'd say it's
so -- I don't know, our sales maybe 30, 40 percent are 8079
alloy versus 1235.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. CASEY: This is Casey from Bemis. And to
speak to the alloy question, so historically, you know, we
-- our business grew up in the U.S. And 1235, 1100, 1145
were common alloys.

As we started to go thinner and we started
moving offshore because of quality, we were able to find
those alloys in China. As we do use some 8079, which isn't
readily available in the U.S., but what we've really
struggled with is since the duties have come into place, and
we start looking at what are our alternatives because we
can't buy it in the U.S., where else can we go? As we start
looking beyond the U.S. and China, we can't find 1235, 1100,
and 1146. So we are really struggling to find capacity
outside of the U.S. and China to meet our needs.

COMMISSIONER WILLIAMSON: And your needs are for
those alloys?

MR. CASEY: For those -- the --

COMMISSIONER WILLIAMSON: The products with
those alloys?

MR. CASEY: -- specific -- yes.

COMMISSIONER WILLIAMSON: Okay. And I was just
trying to get an idea of how large a segment of that market
are -- I take it it's a growing segment, but I'm just trying
to get some proportion here?

MR. CASEY: So the 8079 that's not readily
available in the U.S. --
COMMISSIONER WILLIAMSON: Yes.

MR. CASEY: -- is relatively small for us. What I'm saying is the alloys we do use, which are available in the U.S. and China, as we start to look for where else can we buy foil, if we can't get it in the U.S., and we're not going to be able to buy it from China, we struggle once we get outside of those two areas to buy the 1235, 1100, and 1145 that we do use.

COMMISSIONER WILLIAMSON: Okay. Okay, thank you. My time has expired. Thank you for those answers.

COMMISSIONER BROADBENT: Let's see, this would be for Mr. Cannistra. This morning we heard the beginnings of petitioner's argument that the Commission should find threat of injury on any separate like product consisting of fin stock. They suggested that if the Commission were to vote affirmative on all aluminum foil other than fin stock, then there would be a funneling effect as the Chinese industry diverted substantial exports to fin stock. How would you respond to that argument?

STATEMENT OF DANIEL CANISTRA

MR. CANNISTRA: Thank you, and thank you for the opportunity to I hope clarify fin stock. And if I could begin by answering that question and why funneling is not at all possible.

There are three basic categories of aluminum
that we're talking about here. We've got aluminum foil, and these are specifications sent out by the Aluminum Association. So let's just use that as a framework for a moment.

We then have sheet thicker than foil within the parameters, the thickness parameters of the common alloy sheet. But then there's a third category. It's called fin stock. And so when you say fin stock to the industry, they think in terms of the third category.

Now with respect to thickness, there are some fin stock that sits in the foil range and there are some fin stock that sits in the sheet range. But when you speak about fin stock collectively, you're getting answers. And I think part of the confusion's being caused by the fact that the industry responds to questions about fin stock as fin stock is known in the industry, sheet and plate all the way up. That's all -- its own set of parameters.

And to come back just for a moment to the magnesium content, that is the fin stock that generally sits in the foil space. It's not talking about fin stock collectively, because fin stock expands all of the way well into the sheet category. What we're talking about with the magnesium content of fin stock again is just that small segment.

But more generally, what makes fin stock fin
stock and why is funneling not possible? It's not just
grades that make fin stock fin stock. And it's not just
tempers that make fin stock fin stock. It is the defined
mechanical properties set out by the Aluminum Association
itself that make fin stock fin stock. It's a combination of
those three things.

You need to have the grade, the right grade, the
right chemistry, the right tempering, and the right
mechanical properties. And you need to be able to certify
as to each one of those.

And that's why Mr. Garcia put on the screen of
the certificate that's provided with every shipment of fin
stock, here's the mechanical properties that this material
meets. It has a certain tensile strength. It meets a
certain elongation standard. It meets a certain thickness
tolerance. These are the things that make it fin stock.
They're not incidental to aluminum and they don't come with
any other types of aluminum. You need each of those three
in order to make it.

And that's why I think the funneling is just
nonsensical. Why would you spend all the money to make a
product that meets the mechanical standards for fin stock
and then sell it as a common alloy? If that could be done,
it would have been done a long time ago and Valeo would
gladly have purchased that material if such a material could
actually be produced.

And if I could make just one more point. This is a -- not a new question in the aluminum industry. This is basically the exact same question that came up in aluminum extrusions as well with heat sink. It's exactly the same question and it's really fundamentally mechanically the same type of material as well.

And it's just a question of certificates. And the way the Commission resolved it and identified the separate like product for heat sink as well, and I'm not quite sure how this was missed in this morning's presentation, because we raised heat sink because it's virtually identical in what's doing heat syncs in aluminum extrusions is the same thing as fin stock and foil. We raised this in a brief. This is how the separate like product was clearly defined in aluminum extrusions.

Finished heat sinks are fabricated heat sinks sold to electronic manufacturers and designed and production of which are organized around meeting certain specified thermal performance requirements which have been fully, albeit not necessarily individually tested, to comply with such requirements.

That was heat sinks for aluminum extrusions.

Those are exactly the same elements that are relevant in fin stock in this case. And that's why funneling is -- it's
impossible unless the exporters are suddenly going to make material in accordance with the fin stock specifications. Hopefully, that answers your question.

COMMISSIONER BROADBENT: This is for the Chinese respondents, Ms. Mo? Thank you. Petitioners assert on pages 22 to 23 of their pre-hearing brief that China has driven global overcapacity of aluminum foil and that Chinese industry continues to grow despite the presence of substantial excess capacity in China. Do you agree that this has occurred? And if not, can you explain more about what you think is happening in China with respect to demand for aluminum foil and capacity growth?

MS. MO: Okay, and thank you for your question. And I think China has already made a effort to make the supply reform action and we have to do so many things to action the material. And the development of China aluminum industry, I think it is focused and based on meeting the domestic demand. And the consumption of the China aluminum always goes faster than the output that goes right. And at the same time, that China has already paid more attention to promoting the aluminum application. We have to do so many things to meet them.

So the capacity that China has already done manufacturers, just as the morning meeting, China has do the actions to give more days of the blue sky. So we have shut
down so many capacities. Also, shut down so many output.

Thank you.

COMMISSIONER BROADBENT: But my sense is there's still a lot of excess capacity in China?

MR. XU: This is Raymond Xu with Dingsheng Aluminum. I would like to explain that the excessive capacity actually is not so-called excessive. All these capacities in general in China build based upon the demand. A large portion of this demand coming from China domestic market.

Just give you example of Dingsheng's capacity, we build the capacity, but all of those capacities are used. They have no idle capacities for under the market. And most of our capacity used in China domestic market and I would think over 70 percent, we can give exact number later on, but I think over 70 percent of our foil capacity goes to China domestic.

And all of those China domestic volume and applications cover from the flexible packaging market, household foil market, and also the container market, something like Trinidad Benham is doing in the U.S., but we are supplying China domestic market.

In terms of household foil and the container foil market, if you take a airline in China, go domestic flight from any city between two cities, if between the --
within the meal time, airline will give you a full meal. And that meal, either the rice with chicken or beef with rice is all packed in a small container. And on top of that container is a piece of foil to cover. And so the airline will -- can cook them in the oven. So the number -- the usage, the volume over there is huge.

MR. MARSHAK: This is Ned Marshak. I think we talked before that the U.S. industry is a mature industry for foil. The China industry developing world industry is a growth market for foil, as countries urbanize and people use aluminum foil and in light of different applications, and new applications, tremendous growth in China and around the world. The Chinese capacity was built to service China and China exports to, you know, hundreds of countries around the world that a lot of developing countries where there's going to be tremendous growth.

COMMISSIONER BROADBENT: Right, Mr. Marshak, I guess China's the largest global exporter. How much of China's global exports grown over the period of investigation?

MR. MARSHAK: We -- I believe we have that data in our brief. I just don't have on the top of my head. We'll definitely put it in our post-hearing brief also.

COMMISSIONER BROADBENT: Okay, thank you.

CHAIRMAN SCHMIDTLEIN: All right, so I'd like to
understand one of the graphs in the presentation, it's at page 48, this was the one with the big purple circle and the yellow sliver of it. Can you tell me what the purple -- is this U.S. shipments of all other foil, but not based on the pricing data?

MR. DOUGAN: No, this is based on -- and hang on. I believe -- okay, so the -- this is based on correct. So this is the total -- so the circle represents all of U.S. shipments of all different thicknesses. And --

CHAIRMAN SCHMIDTLEIN: Based on shipment data and --

MR. DOUGAN: Based on shipment data.

CHAIRMAN SCHMIDTLEIN: -- 3A?

MR. DOUGAN: That is correct.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. DOUGAN: And so the ultra thin and thin is the small sliver of the shipment data. It's a relatively small percentage of total U.S. shipments and so when --

CHAIRMAN SCHMIDTLEIN: So this is the U.S., not -- and then you're just showing the type of U.S. shipments where subject imports undersold them?

MR. DOUGAN: That is correct.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. DOUGAN: That's correct.

CHAIRMAN SCHMIDTLEIN: So this is not meant to
represent the proportion of subject imports? It's just the
type. You're picking that back as the --

MR. DOUGAN: That's right. So if the --

CHAIRMAN SCHMIDTLEIN: Okay.

MR. DOUGAN: -- and the intent there, and you
probably understand this already, but the intent there was
to say, okay, from an instances perspective, it's a mix of
under and overselling. From volume, most of the volume in
the pricing data is underselling. And we're not arguing
that, but that volume as much as it may seem within that
universe of pricing data, is -- I mean, almost entirely
concentrated in products that the U.S. industry produces
very little of.

CHAIRMAN SCHMIDTLEIN: Okay. And it's just so I
understand the argument, and when you look at Table 3A,
which is the source for part of that chart, it shows you the
U.S. shipments in thin and ultra thin where the underselling
is according to the pricing data, most of the underselling.
There is other -- a little bit other underselling in other
sizes, but -- and in both of those gauges, U.S. shipments
dropped quite a bit over the POI, right? So they started
with producing much more relatively speaking than what they
ended up with.

And so is it the respondent's argument, though,
that all of those, that entire decrease in thin and ultra
thin is all due to quality?

MR. DOUGAN: Well, I think yeah, I mean, the --
I have to be careful about the answer is yes and the
specific reasons behind that yes, I think, I have to be
careful about talking about in public because it involves
the management decisions of particular companies and their
ability to manufacture this product at any kind of quality
or efficiency.

And I just really -- so there was -- there were
exits from this segment of the market that weren't related
to being undersold, but rather management decisions having
to do with other factors.

CHAIRMAN SCHMIDTLEIN: Yes, okay. And I guess
if you've already expanded on that in your briefs, you can
either point to that in the post-hearing, or if you want to
further --

MR. DOUGAN: Yeah, I will address the --

CHAIRMAN SCHMIDTLEIN: -- elaborate on that in
the --

MR. DOUGAN: Sure, I want to be very careful
about what I say here. So the answer is yes, but we'll
handle it more in confidential --

CHAIRMAN SCHMIDTLEIN: Okay.

MR. DOUGAN: -- parties.

CHAIRMAN SCHMIDTLEIN: Okay, and so -- and then
you anticipated obviously one of the questions, which is you know why a product that is supposedly inferior is being sold at a higher price, right? Typically in a market that's functioning according to normal market dynamics, you would see the higher quality product, especially one that's reclaiming as being pulled into the market, because the U.S. can't supply it, would command a higher price that you wouldn't see consistent underselling, right?

And so your all's response to that is basically, well, they make it cheaper and there's this Midwest premium, which of course ignores market dynamics, although you then address market dynamics. You acknowledge that market dynamics do play a role in this, but that it's only with regard to competition among the Chinese producers that's keeping prices below U.S. prices, right?

So are we supposed to -- we're just supposed to ignore in terms of how these products are being priced the quality issues, that all of these sales are being lost to quality, even though the U.S. is still making sales of, you know, in the millions of pounds over the three years at higher prices?

MR. DOUGAN: I'll start and I think Jeff will want to continue. I mean, I think the -- part of the reason is, and the purchasers can perhaps to this to the degree that they're willing to do so in public, not all of what is
-- clearly someone is still buying the domestic merchandise, right?

COMMISSIONER BROADBENT: Right, right.

MR. DOUGAN: And they're buying it at a higher price when other options are available. Some of that may have to do with they have a contract, they have an existing supply relationship. They are qualified to make a particular thing that they haven't yet qualified an alternative supplier for. So there is a reason for them to continue purchasing even at a higher price.

But there's also situations in which if it's not available, and it is -- sometimes it has to do with quality. Sometimes it has to do with availability. You heard Mr. Squatrito say that, look, I need to run my mill at this certain width. And the U.S. producers don't make that. And so even if the prices were the same, I wouldn't be buying from them. Even if the U.S. price was lower, I wouldn't be buying from them because I can't get it.

And I think what's helpful and maybe what some of the comparisons in the pricing data glaze over is that some of those differentiations are masked.

For example, if you look at the pricing product definitions, product 1 and 2 which are really where all the underselling is, the widths range -- so it's not just thickness that's important, right? It's the width range.
And the width range here is from between 30 and 70 inches. Now for some of the purchasers, there's a big difference between being able to buy a foil at 70 inches and being able to buy it at 30 inches. But what's being reported here kind of all falls into the same category, but you know, maybe there isn't really competition between the products if you need a 70 and you can only get a 45 or a 50 or whatever. I don't know what the right numbers, but if you can't get what you need, are you comparing the prices here of two different products that may not actually compete?

And so the idea if you can get a higher quality product at the width that you need it, and it happens to be sold at a lower price per pound, that's going to look like underselling when the domestic equivalent as reported in this pricing product is of a narrower width.

And you're not actually making that purchase --

CHAIRMAN SCHMIDTLEIN: I guess you're trying to say that the product descriptions are so broad that there's a price differential within the product description of this -- of these particular products?

MR. DOUGAN: I'm saying there could be. That could be part of what's going on.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. DOUGAN: In addition to the other factors we
discussed, but it's a representation of why a higher quality product might be priced lower when you compare them. I mean, is -- there is no price comparison at the wide width ultra thin between domestic and import, because there's no domestic ultra thin at the wide width. So you don't have that price comparison. But what you have in those data are the imports of the wide width ultra thin versus the domestic narrower width ultra thin. And that's being perceived as underselling, when it's not.

MR. GRIMSON: I just want to add one simple point. The domestic product is higher priced than the Chinese yet it's still selling -- why? Why is it still selling -- because they have to buy it. They do not have anywhere else to turn for this and I think you're hearing that from one after another person here. They will take --

CHAIRMAN SCHMIDTLEIN: But they have to buy domestic?

MR. GRIMSON: They have to buy domestic and the price is higher.

CHAIRMAN SCHMIDTLEIN: And why is that? Why do they have to buy domestic?

MR. GRIMSON: Well, Rollprint for example has only qualified certain alloys and domestic sources to serve medical device production and to change suppliers it's going to take two years.
That was one reason why. Another reason why is that there might just not be sufficient quantity in other countries in the world which is what Bemis talked about here today to meet the needs of the alloy that they want.

So I guess I'll just take a much more simple answer to Mr. Dougan's detailed one -- the reason why you buy lower quality for a higher price is because you have to.

MR. MICHALKIEWICZ: Gary Michalkiewicz with Bemis.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. MICHALKIEWICZ: I think I can simplify this a little bit more for you.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. MICHALKIEWICZ: We do buy domestic product and we buy domestic products -- one of the reasons why is it has a shorter lead time. We have smaller requirements that where we're not buying full containers, they're not repetitive needs where we can stand the longer lead times so there are -- there's a fairly significant amount of our volume that we've sourced domestically, you know, and I don't know that we're always paying a higher price for it either, but -- that we source domestically so that we can service our customers.

So are we going to pay a little bit more for that? Yes we would be willing to pay for that because, you
know, because we get the service. We also make a conscious
decision that domestic volume is very important to Bemis so
we make a conscious decision to support the domestic
business and we're not subsidizing it by any means or
anything, but we make a conscious decision to continue to
source from them to make sure that they are, you know, able
to continue to supply us.

We also run a lot of that smaller business that
we buy from them -- smaller run business is run on equipment
that runs slower, it doesn't require -- it doesn't quite
have the requirements that the wider web and other products
that we buy in ultra-thin may have so we may have -- we just
may have less quality issues with that because we can run it
on different equipment that isn't as demanding.

MR. FRENCH: Tim French from ProAmpac. We also
source domestically and have for a long time. We buy from
J.W. We have every intention of continuing to source what
we're buying from J.W. domestically and there are a couple
of reasons.

One -- lead times as were mentioned,
qualification is another to. But we're also buying products
that fit their capabilities. We're buying the heavier gauge
products for us, not the ultra-thin that's being referred to
here.

So we're buying products that GW likes to run and
so it fits our market and that's why we have every intention to continue to buy those products from domestic supply.

MR. NELSON: I'm sorry --

CHAIRMAN SCHMIDTLEIN: Go ahead, Mr. Nelson.

MR. NELSON: Yes, thank you, Brian Nelson with Sunoco. Very similar to what some of the other conversation has been but in my opening testimony I did state that you know, Sunoco does value supplier -- diversity in our supply base.

And so it wasn't until probably five years ago when we started buying off-shore. We bought 100% of our material was coming from domestic suppliers. And as some domestic suppliers disappeared, we continued to work with JW Aluminum and plan to continue to work with JW Aluminum just because we do value having that diverse supply base and there are certain specifications that JW can supply to us and we're willing to work through some of the issues that we have to just because of the value of having that domestic supplier for the reasons that Gary just spoke about.

CHAIRMAN SCHMIDTLEIN: Okay, already, thank you my time is up. Vice Chairman Johanson?

VICE CHAIRMAN JOHANSON: Thank you Chairman Schmidtlein. When we read that the Chinese industry has newer and better production equipment such as on -- such as discussed at pages 26 to 28 of the Flexible Packaging
Association's brief -- is it relative to our analysis that Commerce may have found countervailable subsidies?

Would it be fair to hold it against the domestic industry that they did not have access to the same subsidies to purchase the latest equipment that advantages the Chinese industry in this respect?

MR. GRIMSON: I'll take the first crack at that and I'll be happy to provide more in the post-hearing but I would invite the Commission to look at the actual subsidy programs that Commerce found here and you will not find a single one of them that confer to benefit on building an aluminum factory.

You're going to find Commerce making an adverse inference on certain things that have nothing to do with importing machinery, that have nothing to do with their plant. No grants, this is not a situation like paper or lumber where you have cash infusions happening so I would just say to be cautious of assuming that the aluminum industry is propped up by massive government grants in China because so far at least Commerce just hasn't found it.

VICE CHAIRMAN JOHANSON: Thank you Mr. Grimson. And following up to that question, do any of the witnesses have any insight on whether products within this sector are among the strategic industries that the China government has sought to nurture?
MR. MARSHAK: This is Ned Marshak, we'll address that in our post-hearing brief.

VICE CHAIRMAN JOHANSON: Okay, thank you Mr. Marshak, I look forward to reading that. Now I'd like to get back to the issue of the Midwest premium -- this is a topic which I discussed this morning with the Petitioner witnesses.

How should the Commission look at the factor of the Midwest premium in its decision?

MR. GRIMSON: Yeah, I'll lead off and I think that there's a lot of people that will want to talk about this. This is an artificiality imposed on the U.S. market and not on the rest of the world.

These -- this pricing data that was referred to this morning gathered by Platz -- I mean it's not right to think about that like random links in lumber unless you imagine Goldman Sachs and J.P. Morgan buying up half the lumber supply at any one moment and holding it in warehouses and cartooning it around the city to generate shipments that feed into that data.

So weird things happen in the Midwest premium that don't happen in other regional indices so with that I'll invite our witnesses to talk about why that matters to them.

MR. MICHALKIEWICZ: Gary Michalkiewicz with Bemis
Company. I can just maybe comment a little bit more about what drives the premium and I think that's important to understand.

It was described as a means of covering the costs of transportation and storage and I think that was the original purpose of the premium. Well what's happened with the premium is it is now being driven almost strictly by speculation. There's probably a base amount of that that still is in there to cover the cost of care and storage.

But it relatively is now a profit center for investors. They go out and buy metal, they hold the metal -- and in fact, if you look at the LME, most of the purchases from the LME are not by consumers but by speculators.

Speculators buy the metal, the hold it and they can hold it for as long as they want with the low interest rates that have been around in the U.S. for the last number of years. Storage is very cheap, you can actually -- ingot is stored, you can store it outside in a field it doesn't need to be in a building or anything so it's very cheap to store so they can hang on to it for long periods of time. They drive the premium. They basically make offers to people and say well I'll sell you this aluminum if you're going to pay me, LME plus this price and that's what drives the premium.
So the premiums -- right now the premium is almost 13 cents so it's a significant number. So that's what really drives this premium. It isn't really production costs. And to compare as was made this morning, the comparison to compare freight costs from China to here is a premium. There are freight costs here and that would mean I guess that the U.S. suppliers have two premiums.

They have the Midwest premium and their own freight costs would be another premium so I don't think that was a fair analogy either.

MR. CASEY: Just expanding a little bit more on what Gary was talking about. This is Steve Casey from Bemis. If you look back at the premium and what's happened over the last three years it's been as low as 7 cents and as high as 24 cents.

It hit 24 cents in 2015 and the spike in the premium that high -- Gary referred to speculators being able to hold metal -- there was actually metal being held by investors and at the time there were rules around how long the metal could be held in the LME warehouses.

They would actually take it out of a warehouse, drive it around the block and return it. So they were holding the metal to drive the price up and that's what drove the premium to such high levels.

MR. DOUGAN: This is Jim Dougan. I think there's
a couple of ways that it can inform the Commission's analysis. One is the fact that because as the last few speakers have said, the premium is not driven by the supply and demand dynamics of the people who actually use aluminum to make things, therefore there's a volatility associated with it that adds that element of uncertainty for purchasers.

Now we understand it's a pass-through for the producers but for purchasers there's an element of volatility to it, whether it's high or low or whatever that is absent from aluminum source elsewhere.

The other is, you know, part of the question is well why is -- it's a contributor, one factor, in how can a product that is higher quality sell at a lower price if it's sourced from outside the U.S.? And that is one of the factors that contribute to a differential with aluminum sourced from elsewhere.

But those are two of the reasons that, you know, we're not -- Petitioners set up sort of a straw man this morning as if we were trying to use this as an alternative cause of injury and this explains why the domestic producers are you know, maybe not doing well.

We're not arguing that. We're not arguing that but we are saying it's a condition of competition but is unique to domestically sourced aluminum that would explain
at least some of the things that you're seeing on the
record.

MS. WALTERS: This is Donna Walters from Trinidad
Benham. They're talking about when they say the survey
that's done really for spot purchases. But in the past year
there has been set up a futures exchange for trading this
Midwest Premium so back to Gary's point -- there's just
more and more speculative money in this market.

I mean if there was a future's exchange there's a
trader out there willing to trade it.

VICE CHAIRMAN JOHANSON: There's a future's
exchange for everything now it seems.

MS. WALTERS: Um-hmm.

MR. CASEY: And this is Steve Casey from Bemis.
The volatility is really a concern for us and in volatility
in really any of our materials as you look at how we pass
through to our customers -- there's a leg in our ability to
pass through price changes to our customers.

So the more volatility there is -- whether it's
in the LME itself, in the Midwest premium, or in other
materials we buy that creates a significant drain on our
company so we'd prefer it to buying things that are more
stable and avoid the volatility if we can.

VICE CHAIRMAN JOHANSON: Mr. Dougan, getting back
to your comments. Would you state that the Midwest premium
leads to underselling? I mean it's a factor -- is it a
factor or not?

    MS. FOX:  Jeff do you want me to -- okay, I think
it you -- Miss Walters alluded to this how metal is priced.
When she buys a jumbo roll whether she buys it from Russia
or China or a U.S. producer, her price that she pays and
that she has negotiated in the contract is for China, for
example, is LME plus a fabrication fee.

    If she buys it from a U.S. producer it's LME plus
Midwest premium plus a fabrication fee. The fabrication fee
is kind of what she negotiates and the rest can fluctuate on
a daily basis throughout the year and so she's got some risk
if that Midwest premium gets volatile or gets kind of crazy
throughout the year that can affect how her pricing goes.

    But also if there's a high Midwest premium like
when it was in 2015 when it was very high, that's going to
drive a wedge between -- even if the fabrication price and
the LME price is the same it's going to drive a wedge
between exactly the same product whether it's sourced from
China or from the U.S. or from Russia for that matter, it's
going to drive the same wedge with regard to Russia or
Brazil or Armenia.

    MR. DOUGAN:  Commissioner if I can just answer
the question. I'm glad that we got that answer first but to
the degree -- does it cause underselling? Does it cause a
purchase decision? Does it cause someone to buy from somewhere else because there's a lower price available? That's not really the question that we're attempting to answer although the volatility does, I'm sure, contribute to purchase decisions as you've heard from Mr. Casey. But if the answer is -- if the question is will you say the China stuff is of higher quality so why does it cost less than the domestic stuff this is at least part of the reason for that.

VICE CHAIRMAN JOHANSON: Okay, thanks for your responses my time is about to expire.

COMMISSIONER WILLIAMSON: Good, thank you just two other questions. This is for the Chinese Respondents. You argued that any analysis should be by market segment, but the Commission must consider the industry as a whole. How could we reconcile any differences across segments if these are not considered as separate like products or separate industries?

MR. MOSHAK: This is Ned Marshak and I assume the other attorneys are going to want to have their two cents in this also. It's just the normal Commission analysis the first thing you do is there a separate like product? Assuming there's no separate like product then you're going to look at the industry as a whole.

But when you look at the industry as a whole one
of the factors you always look for, you know, is there attenuation of competition within that industry? And here, assuming there aren't separate like products, when you look at the industry you're going to look at just distinctly different segments within the industry -- different supply and demand conditions between the ultra-thin if fin stock is part of the industry between the fin stock, the standard, with the household foil is totally different.

You can't just lump in everything together because you lose what's really going on and I'll let others go.

COMMISSIONER WILLIAMSON: But if you have domestic product in all of those different segments then the question about attenuation becomes not so clear. I mean there is competition in all of the different segments. Can you make that attenuation argument?

MR. MARSHAK: We believe we can and the competition is just totally different. When you look at, you know, the degree of competition in the ultra-thin compared to what's going on in the heavy, it's just night and day.

And the standard, you know, is totally, totally a different animal from the other two. In this industry they're so distinct within the segments. If you lumped everything together you lose what's going on in the industry
-- you lose the whole analysis.

COMMISSIONER WILLIAMSON: There was an argument that maybe there was more competition at the beginning of the period than the end in those different segments.

MR. DOUGAN: Commissioner Williams, if we can talk for one minute.

COMMISSIONER WILLIAMSON: Sure.

MR. DOUGAN: A perfect example is the standard segment right or the standard thickness because -- and, if this is even, well this goes to attenuation, it also goes to causation. Why are we here -- because there was an increase in imports right?

Well where did most of that increase in imports come from? At least the majority if not a vast majority of it -- where did it come from? It came in standard thicknesses. Why? Who's responsible for it? Why did they purchase it?

Well you've heard that from witnesses and it wasn't coming at the expense of domestic producers. But the mere presence of domestic volume in that thickness as you saw in one of my charts, doesn't meant that there's necessarily competition, especially when that domestic volume isn't available to the merchant market.

So there can be domestic volume and import volume in the same thickness and there can still be attenuated
competition. It doesn't mean there's direct competition if
that domestic volume is not available to the merchant
market. So that's just one example, but it's actually a
very important example because it's what drove all of the
increase in imports you're seeing.

COMMISSIONER WILLIAMSON: Well not all of it and
there is still the other segments.

MR. DOUGAN: The majority of the increase in
imports.

COMMISSIONER WILLIAMSON: Yes, I understand yes.
Okay, anything else on that, sure?

MS. FOX: I think I'll just -- I don't want to
belabor this because I think that Jim just gave a great
answer but I think you still need to examine each of the
segments to look at the conditions of competition to those
segments individually and if you -- you can't just lump them
all, that's what we mean by attenuation.

We're not asking you to make a separate like
product -- well, I'm not asking for a separate like product
or if you decide not to do that you still need to look at
the different factors of competition ever happening in those
different segments.

And if you look at each segment individually and
find what's happening here is the causation in the standard
segment is nothing to do with imports -- okay if there's
even injury.

Then you have to look at the other one and say
what's the causation there and you need to bring all that
together. You can't just say there's an extra supply on
hand and therefore there's injury.

COMMISSIONER WILLIAMSON: Fair enough.

MS. FOX: We're finding that.

COMMISSIONER WILLIAMSON: Okay. Anything else on
that -- otherwise just the last question is there evidence
of price suppression in the interim 2017 period? I just
want to ask the Chinese?

MR. DOUGAN: Yeah, well for one I think what I
can say publicly is that prices went up and they went up
along with what I understand the raw materials and premiums
were so that was -- were imports preventing price increases
that otherwise would have occurred to a significant degree
-- it doesn't seem so.

And the -- and I want to be careful because it's
confidential but the cost to sales ratio doesn't seem
dramatically different than it was in 2016 so I would argue
no and I'll just stop there before I get into anything
confidential.

COMMISSIONER WILLIAMSON: Okay if you want to add
anything post-hearing that's fine too.

MR. DOUGAN: I'd be happy to.
COMMISSIONER WILLIAMSON: Good, I'd like to thank everyone for their answers.

CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yes, okay for users of heavy and extra heavy gauge foil -- I think we are seeing a lot of competition between subject imports and the heavy and the extra heavy gauge aluminum foil competing directly with the domestic production, can you disagree with me on that?

MS. FOX: I think that there's a lot of different products within that range.

COMMISSIONER BROADBENT: Right.

MS. FOX: Without providing too many details that I'll let Donna speak to it but I think within the extra heavy -- the Trinidad purchases, there are constraints where the U.S. supplier that they're buying from can't provide certain products that they need and it's not because of price it's because of other decisions that that U.S. supplier made not to provide the product that Trinidad need which is part of the reasons why they shipped it to imports for some of that extra -- or extra heavy, extra heavy gauge foil.

MR. DOUGAN: And if I can -- sorry to interrupt if I can just add to that too. Again, to be careful in public, but look at the underselling data with regard to the thicker products and you know, there may be competition but
there certainly doesn't seem to be injury by reason of.

CHAIRMAN BROADBENT: Okay Miss Walters, what
gauge of aluminum foil do you use for container stock? Is
this a different gauge from what we have defined in our
questionnaire as standard gauge foil which is 10 to 25
micron?

MS. WALTERS: Yes, from my memory. Household
foil is really -- we buy from triple 039 up to double 01
which was the same maximum that I heard Reynolds talk about
this morning.

And our minimum on container stock would be
double 024, maybe double 022 -- it depends up to double 06,
so that's our range for container stock.

COMMISSIONER BROADBENT: Okay as a factual matter
have your subject imports from China enabled Trinidad to
price your downstream products lower than Reynold's prices
for those products?

MS. WALTERS: In general the biggest impact on
our price would be the LME market which has risen
considerably so I can't say that -- again we've gone to
China and to other regions, other non-subject imports
because the product wasn't available here in the U.S.

So we still buy 70-75% of our product from the
United States for container stock.

MR. DOUGAN: If I can -- I can't speak to their
price competition but I think one of the things to note is that when it comes to what's being sold in that market -- remember again that they are producing private label for you know, other vendors as opposed to someone whose brand name is one of the strongest brand names in the country if not the world.

So in terms of a pricing differential, you might almost naturally expect there to be one given the investment made in that brand and how it's a household name. And the other thing is take a look at the operations on small reels and see if that seems like there's, you know, injury or intense competition in that segment.

COMMISSIONER BROADBENT: Okay thank you, I have no further questions. I appreciate the panel coming today.

CHAIRMAN SCHMIDTLEIN: Alright I have no further questions at this time, Vice Chairman Johanson?

VICE CHAIRMAN JOHANSON: Thanks Chairman Schmidtlein. Getting back to the whole Midwest premium issue I have just one more question for you and this is something that was alluded to by the Petitioners this morning.

Are there any regional premiums for primary aluminum in China that are similar to the Midwest premium in the United States and if so would this premium be included in the price of aluminum foil from China that is in the U.S.
market?

MR. GARCIA: Rogelio Garcia, Valeo. There are premiums in China, we're not being asked to pay for them. We price the metal strictly based on the LME, the London Metal Exchange.

VICE CHAIRMAN JOHANSON: Thank you Mr. Garcia.

MS. FOX: We might be able to try to provide -- like we'll go look at our contracts and maybe provide more in the post-hearing with regard -- I'm sorry this is Lynn Fischer Fox with Arnold and Porter.

We can have Trinidad look at its contracts and I don't think there's a premium but we can confirm that for you.

MS. WALTERS: I'm sorry this is Donna Walters again. Most of our purchasers are as the fin stock guy said, just LME based, so yeah there is no premium on top of the LME other than the application fee.

VICE CHAIRMAN JOHANSON: Okay thank you.

MR. MICHALKIEWICZ: This is Gary Michalkiewicz of the Bemis Company. If you recall the testimony this morning talked about other regional premiums that were out there -- there's a European premium, there's a Japanese premium, there's a -- I think there might be an east Asian premium, there's a Brazilian premium and they spoke about the Chinese premium as their cost to ship material from China to the
So at this point I'm not aware of any Chinese premium and like the others have said, what we pay for aluminum from China, the aluminum portion is LME.

VICE CHAIRMAN JOHANSON: Okay thanks for your responses.

MR. XU: And this is Raymond Xu with Dingsheng Aluminum. We sell for all the exports they are based upon the LME. There's no premium in China but for China domestic matter there is a Shanghai Index which people buy the metal from the warehouse in China and then they sell it domestically. It's a metal price but it's not a premium.

VICE CHAIRMAN JOHANSON: Okay thank you for your responses on that and that ends my questions on the premiums which I find a little confusing obviously.

MS. FOX: We'll just give you the Midwest in the fact finding.

VICE CHAIRMAN JOHANSON: No, I'll do without that but this is very helpful, I appreciate it and I look forward to reading any more that you all have to contribute on this matter.

And I have just one final question -- it's kind of more of a 30,000 foot question. But how has the rising use of aluminum in the automotive sector affected the aluminum foil market either directly or indirectly?
This comes in part because I visited the Ford F-150 plant in Detroit about two years ago and I know they're now using a lot of aluminum in auto body manufacturing. I'm just wondering if this impacts you all in any way?

MR. GARCIA: This is Rogelio Garcia from Valeo. We are in the automotive industry and I can attest that we feel that impact. The availability of capacity becomes a more and more important factor.

Roll aluminum is a global commodity and you see that even -- we're going to have to look for new and newer markets to secure that capacity. And we are within that industry and we have seen the availability of such capacity is limited for our kind of products because it's dedicated to the newer, thicker gauge body panel as they call it.

VICE CHAIRMAN JOHANSON: Thank you Mr. Garcia.

MR. CASEY: This is Steve Casey from Bemis. In terms of availability of converter foil that we would buy we don't see any impact on the availability of the foil because they are distinctly different operations that supply our industry versus that industry.

You know, it could have an overall impact on the price of aluminum if it drives up overall demand but that would drive the LME price. But in terms of supply and impact on the foil we buy there's really not an impact.
VICE CHAIRMAN JOHANSON: Okay thanks Mr. Casey.

Yes, Miss Walters?

MS. WALTERS: Yes this is Donna Walters from Trinidad Benham again. We only have one U.S. manufacturer of household foil that will sell to us and just recently both in January and in February we've been put on allocation because they would rather service other markets than household foil.

In my testimony I said no one is talking about we're going to make household foil and make a lot of money on it -- that's just not a market that they're interested in. They're going to go for higher value markets.

VICE CHAIRMAN JOHANSON: Okay, thanks. And Mr. Garcia all those cans which won't be exported now to China that might benefit you all right -- if China's reducing the importation of scrap?

MR. GARCIA: Could you repeat the question please?

VICE CHAIRMAN JOHANSON: Okay this is kind of an ancillary question but from what I understand China is, is prohibiting large imports of scrap into China such as cans which we used to export to China. Now apparently there's nothing people in the United States have excess scrap -- wouldn't that benefit you all?

MR. GARCIA: Well, from our perspective I think
in our supply base Novelis is the only one that uses
recycled can stock for making some of our products. The
rest of our supply base they use just prime aluminum.

VICE CHAIRMAN JOHANSON: Okay, okay that's it for
my questions. I appreciate you all being here today, thanks
for coming in.

CHAIRMAN SCHMIDTLEIN: Commissioner Williamson?

Oh, okay. That concludes the Commissioner's questions. Do
staff have any questions? Oh I'm sorry -- you have another
one.

COMMISSIONER BROADBENT: If anyone could point
out what we should be gleaning from this display of --

CHAIRMAN SCHMIDTLEIN: Oh does somebody want to
discuss the display or was that just for our snack
enjoyment?

MS. KEANE: I wouldn't snack on them, this is
Alison Keane from FPA. I think some of them might be
expired but the treats we gave you were not, I can assure
you. That really is just to show you the breadth of the
different types of products that are packaged and the
different types of package that use aluminum.

And in some cases if you look at for example the
pouch in the back you see a little bit of what you would
consider the aluminum on the outside -- that's probably 5 to
7 different layers and the aluminum is just one.
So there's a lot of technology and complex engineering that goes into packaging and we wanted to show that here. It's not a simple decision to make. They work with the producers of the food products and the packagers and they make sure that they can get a package that's going to preserve the food or preserve the sterility of a medical device or pharmaceutical.

And as we've attested here today it's not an easy thing and it takes a lot of time when you want to substitute something out because these are very, very detailed decisions to make before that package is made in the food processor or the medical device or pharmaceutical company then puts their product in it and sells it to us.

CHAIRMAN SCHMIDTLEIN: Okay, thank you very much.

MS. KEANE: Thank you.

CHAIRMAN SCHMIDTLEIN: Okay, alright. I think that concludes our questions at this point. Do staff have any questions for this panel?

MS. HAINES: Elizabeth Haines, staff has no questions.

CHAIRMAN SCHMIDTLEIN: Alright thank you. Do Petitioners have any questions for this panel?

MR. ROSENTHAL: Yes we do.

CHAIRMAN SCHMIDTLEIN: Okay.

MR. ROSENTHAL: This first question is for one of
the representatives from Trinidad. Novelis recently offered to restart its idled household foil rolling equipment at Terre Haute, Indiana and offered you volumes from that shipment -- from that facility.

But you turned them down because their price was above your current importer's price, is that correct?

MS. WALTERS: This is Donna Walters from Trinidad Benham. I will say that that idea was thrown out to us but certainly I don't believe that was a firm offer at that point in time.

I mean everybody is awaiting the outcome of this case before they make any investment or expansion decisions. So I wouldn't say it was a firm offer and I wouldn't say we firmly denied it.

MR. ROSENTHAL: Would you consider a firm offer?

MS. WALTERS: Of course.

MR. ROSENTHAL: Thank you. The next question is for the representative from Valeo who expressed concern over losing full capacity to other more profitable products such as auto body sheet. Isn't it true that Novelis has offered reputedly to supply you and to this point you have not accepted any offer from Novelis?

MR. GARCIA: Actually Novelis was our largest supplier for all of our aluminum, whether it's thin-stock or abrasion sheet. And I believe it was in the year 2015 they
told us they could not offer the capacity anymore because it was dedicated for other segments of the automotive market. That forced us to basically re-evaluate a lot of our products and at that point although it was more intended for the bracing sheet that was just tied up with it. So in 2016 -- at the end of 2016 we basically exited Novelis. We did approach them after this investigation started but I don't believe we got past the non-disclosure agreement stage so that didn't go very far.

MR. ROSENTHAL: No further questions.

MS. WALTERS: Sorry this is Donna Walters from Trinidad Benham. I wanted to add one other point that I just thought of. We've already contractually committed for all of our supply for 2018. Again, most of us sign annual contracts for fab prices and for fab volumes so again really I don't have any additional purchases until I'd look forward into 2019 so I couldn't act on anything right now anyway. And that's sourced from non-subject imports now that we're out of China.

CHAIRMAN SCHMIDTLEIN: Okay thank you very much. I'd like to thank this panel for your time today and your testimony and I will dismiss you at this time. While we are transitioning to closing statements, we're just going to take a five-minute break.
(Brief recess is taken.)

MS. BELLAMY: Will the room come to order, please.

CHAIRMAN SCHMIDTLEIN: Alright. Thank you. As we prepare for closing statements, Petitioners have eight minutes from direct, less one minute for questions, plus five for closing, for a total of twelve.

Respondents have no time left from direct, plus five for closing, for a total of five.

So we will begin with Petitioners' counsel.

Thank you.


Mr. Rosenthal, you have 12 minutes.

CLOSING STATEMENTS OF PAUL ROSENTHAL

MR. ROSENTHAL: Thank you. I want to start by just trying to clarify some of the confusing issues that were discussed earlier. And I will not talk about the Midwest Premium, or even the Southwest Premium, which you may be more familiar with, Commissioner Johanson.

First on the question of fin stock, I think of the reasons why there is some confusion is that the trade and financial data reported in the C Table deals with certain fin stock, and those account for half of the total fin stock that's produced by the domestic industry.

So if you go back to your prehearing report at...
Table 3-9, page 3-15, you'll see that these data show that the certain fin stock is merely a subset of all the fin stock produced in the U.S. So the C Table is confusing in that respect because it doesn't cover everything.

As we describe in our prehearing brief, certain fin stock varies only by a matter of degree from other fin stock, and it's part of a continuum. All the data collected by the Commission are for fin stock within one percent or more of manganese, and this distinction really provides no clear dividing line within the fin stock category or within the overall fall category.

And one more bit of clarification. The Respondents rely on the analysis by product thicknesses, but they fail to acknowledge that the data in the report only account for roughly half of the total imports of foil from China. That's very important.

Some of the major importers who reported in the preliminary stage of this proceeding did not report in this final phase. So please take a look at page 4-10 of the staff report.

Commissioner Johanson asked a very telling question, which is: Is there any other reason why the industry would cease producing the product other than the imports? And the Respondents really had no good reason. And in fact if you go back to the Respondents' brief--and we
talked about this, Ms. Landa did—if you act like a
reasonable investor, a reasonable producer, you're going to
put your money where you can make a profit. And you're
going to get out of those lines of business where you can't
make a profit.

   Well that is exactly what has happened here. The
industry has shrunk. You saw that map. They have shrunk.
They have gotten out of the product lines that have been
most under attack by the Chinese, and have invested in
things like automobile products where they can make a
greater profit.

   And by the way, contrary to what was said by
Respondents, Novelis didn't stop producing their household
foil many, many years ago. They got out of that business in
2014. And as you heard from my question, they are ready to
get back in the business if they will have a willing
customer willing to pay a reasonable price.

   And contrary again to what was said about lack of
investment in this industry, or 40 or 50-year-old equipment?
That's not true. In many instances, the industry has
invested much more recently. The Terre Haute facility we
just talked about earlier that produced household foil and
lighter gauge specifications, that was completed in 2002.
And the reason why they got out of that business was
because of the inability to earn a reasonable rate of return
on that investment.

   And by the way, all this discussion about JW and failure to invest in their St. Louis facility, JW has put into their investment--their facilities just in the last six years almost $40 million in its foil plants. That's not "lack of investment."

   You heard the witnesses say that they would have liked to have invested more, and they're prepared to invest more, but it's not like they haven't invested at all and tried to stay modern, et cetera.

   And by the way, they are producing and selling very competitive, very high-quality product with very, very low reject rates, which we'll talk about some more in a minute. There's some confusion, or I'd say misstatements about the announcement concerning Granges and their announced investment. They are not investing in other things other than foil. In fact, their Tennessee operation will meet the, quote, "growing demand for light-gauge foil, automotive heat exchange" for materials, et cetera, et cetera, exactly the kinds of products we're talking about today.

   In fact, the light-gauge foil is the first investment or product that they mention. All this talk about quality and availability reminds me of the movie "Annie Hall" and the line that Woody Allen ascribed to these
two women having dinner at a Catskill Mountains Resort. And one of them says: You know, the food here is not very good. And the other one says: Yeah, and the portions are so small.

Well that's exactly how the Respondents approach the availability and quality of the product that they're talking about today. One the one hand they say we're buying this product, and on the other hand they say well it's not good quality. And by the way, we want some more.

If you take a look--and we will supply some more information--there is so much that we can supply and have supplied in the record on this quality question--you will see that the reject rate and the other issues raised by the Respondents are let's just say overstated.

Is the U.S. industry perfect? No. Neither is the Chinese. And you will see time and again the reason for the decision by purchasers not purchasing from the U.S. producer has nothing to do with quality; it has to do with price.

As I said, we will supply more in our posthearing brief.

The Trinidad witnesses say that imports of Jumbos from China don't injure Reynolds because there's no competition for them, but that's not really true. As you heard, Reynolds produces private-label products that compete directly with the products manufactured by Trinidad. There
are some claims about JW is not willing--unwillingness to produce thinner product. That's not true, either. They can and do produce thinner product.

The question is: Can they produce that thinner product at a price that matches the Chinese price? And time and again they are told by their purchasers, or would-be customers, that no, no, no, don't even bother because your price is not going to meet the price we can get from the Chinese. By the way, I noticed the testimony of Oracle today. If nothing else, I view Oracle as the poster child for the injury that's occurred to this industry. They were once a domestic producer--at least their predecessor entity was.

They ceased domestic production and they became, as far as I can tell--and I can be subject to rebuttal on this one--as far as I can tell they got out of the business of producing in the United States, and they became total importers.

Now you don't see their injury data in your profitability analysis, but that loss of production, the loss to production workers in this industry, is injury. But you do not see that in the database. That is just one of the subtitles of the survivor bias that we talked about before.

Commissioner Williamson asked earlier about why
we rely in our emphasis on the history leading up to this particular investigation. And we're not asking, as Mr. Dugan suggested or pointed out, to expand the period of investigation. That's not what we're doing here.

We're asking you to understand how the industry began the Period of Investigation in a state of injury, and how that has continued throughout the Period of Investigation. We ask you to understand why there is less supply of certain of the products and not as much as there were at the beginning of the period even a few years ago.

There is a quote that I remember, and I had to use at a funeral of a former staff member of my firm, and the quote says: We all die in media rez, the Latin term for in the middle of the story, of many stories. Well every investigation really has a period of investigation, but it is often in the middle of the story. And we wanted to tell you the beginning of the story. We are hoping that as the Commission makes an affirmative determination that this won't be the end of the story of the foil industry in the United States.

The question is--and you have heard a number of people say this: Is this industry going to be around to invest and have enough certainty to be able to make long-term investments? Are you going to get customers who are willing to say we will buy from you if you have this
product to offer.

That is really what is at stake in this case right now. And if you don't believe there's current and persistent injury, you must believe that there is the threat of injury.

Ms. Brock made a statement earlier in her statement that was unbelievable. It is really worth dwelling on for a second. In the last seven years, the Chinese aluminum industry has produced as much tons of aluminum as the entire--in the entire history of the U.S. industry over the last 124 years.

That is incredible. And not all of that is foil, to be sure, but you saw the data about the excess capacity in China. Despite claims to the contrary, the Chinese are not reducing their capacity in foil; they're growing that capacity in foil. And where is it going to go?

The U.S. has been the number one market. Europe has been closed off. India is closed off. There is only one place for it to go, and that is the United States.

So we urge you, based on this record, to make an affirmative determination in this case. We think without doubt that there is present material injury, and that has been the case for a long, long time. But if you don't agree with us on that, we urge you to make an affirmative determination of threat.
Thank you.

CHAIRMAN SCHMIDTLEIN: Thank you.

MS. BELLAMY: Closing remarks on behalf of Respondents, Jeffrey S. Grimson of Mowry & Grimson. You have five minutes, Mr. Grimson.

CLOSING STATEMENT OF JEFFREY S. GRIMSON

MR. GRIMSON: Thank you very much, Commissioners and staff, and Mr. Rosenthal, for so honorably presenting your side of the case today.

From our panel you heard purchasers of aluminum foil and the packaging industry, household foil industry, and the domestic industry producing heavier components such as fin stock. What you did not hear was a single purchaser testifying for the Petitioners. And that is not entirely unprecedented in trade cases, as Mr. Rosenthal pointed out.

But here you have something more going on in the questionnaire data. You received a large volume of purchaser data. You asked for those because it's important because they are the ones who can tell you why they bought, and from where.

You don't ask for them only for answers that support the Petitioner's side of the case, which I think is what Mr. Rosenthal would like. Those questionnaires fell almost entirely in support of points that we made today, as were shown in Mr. Dugan's charts earlier.
Those purchasers and our witnesses today testified that markets generally divide into three segments: the converter, household, and heavy gauge. And, that there is little appreciable overlap across those segments; and that there's unique market dynamics in each one, which is why you should look at them separately rather than as a whole.

The converter segment principally consumes ultra-thin foil, and that domestic industry has not been significant in that segment for long before the POI, decades even. And as stated in our brief, ultra-thin foil and the converter segment should be treated as a separate like product for purposes of your analysis.

We showed in our brief how the domestic foil is barely present in this segment, and declines in volume were explained in confidential questionnaire responses. And we would urge you to look particularly at one of those, which we will point out posthearing. You heard today from the witnesses that the quality of foil is real. Life and death consequences. And again, I know Mr. Rosenthal would like you not to listen to the purchasers, but I for one as a recipient of a rebuilt left shoulder would ask you to believe Mrs. Dodrill when she says that they need the foil to make medical components that are safe and perform, because they're made of modern technology.
The folks testified that ultra-thin is scarce to begin with, and what is available is not in all the widths that our folks want. If you set up your packaging facility and invest in millions of dollars to roll 78-inch foil through there with 78-inch packaging material on top of it, and up to seven layers and you can't get bigger than 62-inch foil, you're printing on air. That's a big waste.

Every purchase they make from JW costs them inefficiency down the road. The prehearing report's underselling that is apparent in the converter market is not evidence that Chinese imports are causing injury. Petitioners criticized us in their prehearing brief for having no explanation for underselling, and I think we covered it today fairly well in terms of the Midwest premium and the efficiencies of having modern technology.

And by "modern," I think I'm speaking of the color television age here for some of these factories.

Household segment has two principal players, both of whom were here today. Reynolds argues that there's injury downstream, but you shouldn't look at it because you shouldn't be analyzing the 25-pound role or less segment. And that's just wrong.

Trinidad Benham's witness testified their volume change, which is very important, was on one of the slides we highlighted was not due to subject imports. And industrial
foils and fin stock, that should clearly should be treated
as a separate like product. And the transaction documents
you heard today really confirm it.

So in closing I would say this is not a case that
you should look at in the simplistic view of a single slide
showing volume up. Volume up, bad. There's a lot more
going on underneath the data, which we hope that you will
look at. You've gathered the data we asked you to. We
thank you for it. And now is the time to use it, and we
hope you see it the same way we do. And especially Mr.
Dugan's Purple Packman Slide is a very important thing to
keep in mind when looking at everything else in this case as
the real indicia that you would normally look at.
Underselling or lost sales are tiny, tiny, tiny here and
they're not in the places where the biggest domestic volume
exists.

So for that reason on behalf of the five other
law firms and all our clients here, we thank you for your
time and ask you to make a negative final injury
determination.

Thank you.

CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Grimson.

Alright, posthearing briefs, statements responsive to
questions, and requests of the Commission, and corrections
to the transcript must be filed by February 15th, 2018.
Closing of the record and final release of data to parties will be March 9th, 2018. And final comments are due March 13th.

Again, thank you to all the witnesses who testified here today. And with that, this hearing is adjourned.

(Whereupon, at 4:58 p.m., Thursday, February 8, 2018, the hearing in the above-entitled matter was adjourned.)
CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Aluminum Foil from China

INVESTIGATION NOS.: 701-TA-570 and 731-TA-1346

HEARING DATE: 2-8-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 2-8-18

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.

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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.

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Court Reporter