UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	**Investigation Nos.:**
COMMON ALLOY ALUMINUM SHEET	)	**701-TA-591 and 731-TA-1399**
FROM CHINA	)	**(FINAL)**

REVISED AND CORRECTED

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COMMON ALLOY ALUMINUM	)	701-TA-591 and 731-TA-1399
SHEET FROM CHINA	)	(Final)

Tuesday, October 30, 2018
Main Hearing Room (Room 101)
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at 9:32 a.m., before the Commissioners of the United States International Trade Commission, the Honorable David S. Johanson, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DAVID S. JOHANSON, CHAIRMAN
IRVING A. WILLIAMSON, COMMISSIONER
MEREDITH M. BROADBENT, COMMISSIONER
RHONDA K. SCHMIDTLEIN, COMMISSIONER
JASON E. KEARNS, COMMISSIONER

APPEARANCES (Continued)

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EMILY KIM, ACCOUNTANT/AUDITOR

DAVID GOLDFINE, ATTORNEY/ADVISOR

DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

APPEARANCES:

Opening Remarks:

Petitioner (John Hermann, Kelley Drye & Warren LLP)

Respondents (Jeff Grimson, Mowry & Grimson, PLLC)

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

Kelley Drye & Warren LLP

Washington, DC

on behalf of

Aluminum Association Common Alloy Aluminum Sheet Trade Enforcement Working Group (collectively "the Domestic Industry")

Michael Keown, Executive Vice President, Aleris Corporation, and President, Aleris North America

Christopher Clegg, Executive Vice President, General Counsel, and Secretary, Aleris Corporation

Patrick Boittiaux, Vice President of Sales, North America, Arconic, Inc.

Lloyd ("Buddy") Stemple, Chief Executive Officer, Constellium Rolled Products Ravenswood LLC

Paul-Henri Chevalier, President, Jupiter Aluminum Corporation

In Support of the Imposition of Antidumping and Countervailing Duty Orders (continued):

Lee McCarter, Chief Executive Officer, JW Aluminum Company

Chester Roush, Chief Strategy Officer, JW Aluminum Company

Davide Ricci, Director of Sales and Marketing, Novelis Corporation

John Zanelli, Senior Manager, Novelis Corporation

Heidi Brock, President and Chief Executive Officer, The Aluminum Association

Roxanne Brown, Legislative Director, USW

Brad Hudgens, Economist, Georgetown Economic Services

John M. Herrmann, Paul C. Rosenthal, Grace W. Kim, Joshua R. Morey - Of Counsel

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

Mowry & Grimson, PLLC

Washington, DC

on behalf of

National Marine Manufacturers Association

The Recreational Vehicle Industry Association

The National Association of Trailer Manufacturers

C.E. Smith Company, Inc.

A.A. Metals, Inc.
Manakin Industries, LLC

Nicole Vasilaros, Senior Vice President, Government and Legal Affairs, National Marine Manufacturers Association

Michael Ochs, Director, Government Affairs, Recreational Vehicle Industry Association

William Yeargin, President and Chief Financial Officer, Correct Craft, Inc.

Susan Wheeler, Purchasing Manager, SeaArk Boats

Jack Cheng, Founder, President and Chief Financial Officer, AA Metals, Inc.

Mike Parker, National Sales Director, AA Metals, Inc.

Kit Tam, Inbound Logistics Manager, AA Metals, Inc.

Cara Groden, Senior Economist, Economic Consulting Services, LLC

Marlena Luhr, Staff Economist, Economic Consulting Services, LLC

Jeffrey S. Grimson, Bryan P. Cenko, James C. Beaty - Of Counsel

Perkins Coie LLP
Washington, DC
on behalf of
China Nonferrous Metals Industry Association ("CNIA")
(collectively "Chinese Respondents")

Mo Xinda, Director of the Light Metals Department, CNIA
Michael P. House, Shuaiqi Yuan - Of Counsel

Trade Law Defense PLLC
Alexandria, VA
on behalf of
Metal Exchange Corporation ("MEC")
Frank Morgan - Of Counsel

Rebuttal/Closing Remarks:
Petitioner (Paul C. Rosenthal, Kelley Drye & Warren LLP)
Respondents (Michael P. House, Perkins Coie LLP)

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P R O C E E D I N G S

9:32 a.m.

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

CHAIRMAN JOHANSON: 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-591 and 731-TA-1399 involving Common Alloy Aluminum Sheet 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 common alloy aluminum sheet 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 parties are aware of time allocations. Any questions regarding the 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 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. Finally, before we begin I would like to welcome Mr. Robert Sargent of the International Law Institute and Members of the All China Lawyers Association here observing this hearing today. Welcome to all of you.

Mr. Secretary, are there any preliminary matters?

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

CHAIRMAN JOHANSON: Very well, let us begin with opening remarks.

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

OPENING STATEMENT OF JOHN HERRMANN

MR. HERRMANN: Good morning, Chairman Johanson and Members of the Commission and Staff. I am John Herrmann of Kelley, Drye and Warren, Counsel to the Aluminum Association, Common Alloy Aluminum Sheet Trade Enforcement Working Group and its individual members.

These Investigations mark the first ever cases before the Commission involving aluminum sheet and provide an important opportunity for urgently needed relief for domestic producers from the large and increasing volumes of low-priced, unfairly traded imports of common alloy sheet from China.

Subject Imports have injured the Domestic Producers and the thousands of workers supported by the industry for many years. Beyond simply the three-year period that is the focus of the Commission's analysis and the injury continues today.

As you will hear this morning, low-priced imports from China were a significant factor in Arconics decision in 2009, to cease production of common alloy sheet at its mill in Texarkana, TX a facility with 300 million pounds of capacity. In addition, Novelis has lost 100 million pounds of annual common alloy sheet production to imports from China over the last decade and Aleris was forced to shutter its mill in Decatur, AL in February of 2015; also due to unfair imports from China.

Further, Subject Imports are responsible for decisions by Domestic Producers to reduce their production of common alloy sheet at facilities that continue to operate today. Over the past decade the volume of common alloy sheet imports from China has surged massively, increasing by

731 percent. The same trend continued during the Period of Investigation with Subject Import volumes increasing by nearly 32 percent and capturing significant market share at the direct expense of Domestic Producers.

Despite a healthy increase of 8.4 percent in apparent U.S. Consumption over the POI, reflecting market conditions that should have allowed producers to increase their sales volumes and prices, the Domestic Industry's capacity, production and domestic shipment volume all declined.

The increased market penetration by Chinese Imports has been accomplished on the basis of a single factor -- price, which purchasers made clear is the key factor in securing a sale. Imports from China have comprehensively and significantly undercut Domestic Producer prices, forcing U.S. Producers to reduce price in order to retain business.

Particularly striking are statements by numerous purchasers acknowledging China's aggressive pricing in the market as well as efforts by Domestic Producers to retain sales volumes by lowering their prices including through foreign fighter programs. The impact of smaller volumes of common alloy sheet sales at lower prices on the Domestic Producers' financial condition has been predictable.

The Domestic Industry, already vulnerable from injury caused by low-priced Chinese Imports in the years preceding the POI suffered significant declines in its net sales volume, gross profits, operating income, net income and in the ratios of operating and net income to sales.

The Domestic Industry's anemic financial condition is not sustainable and is not adequate to support the significant investments necessary to maintain and strengthen competitiveness in a capital-intensive industry. Respondents' assertions that the Domestic Industry is strong, healthy and performing well are baseless.

Equally baseless are Respondents assertions that recent investments by certain Domestic Producers in equipment to produce automotive body sheet reflect the decision to abandon production of common alloy sheet.

Two points are important here. First, auto body sheet or heat-treated sheet is a 6000-series alloy product that falls outside the scope of these investigations. Second, these investments are fully consistent with Domestic Producers efforts to identify products or niches in the market where they are insulated from the crushing financial effect of large volumes of low priced imports from china resulting from the massive overcapacity that continues to expand.

Domestic Producers are prepared to make significant investments in their common alloy sheet operations but those investments will only be made if Domestic Producers believe they can earn a return on them. Absent import relief, unfairly traded imports will continue to injure Domestic Producers and the thousands of workers supported by the industry.

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

MR. BISHOP: Thank you, Mr. Herrmann. Opening remarks on behalf of Respondents will be given by Jeffrey Grimson of Mowry and Grimson. Mr. Grimson, you have five minutes.

OPENING STATEMENT OF JEFFREY GRIMSON

MR. GRIMSON: Thank you very much and good morning, Commissioners and Staff. I normally start these opening statements with the words "this case should never have been filed" but I can't do that this morning because this case wasn't filed. There was no Petition.

Instead, the Trump administration decided to launch this attack on its own for the benefit of a small handful of corporations, most of them foreign-owned and to the detriment of exponentially more Americans including small business owners you will hear from today.

Frankly, they're mystified why their own government unilaterally launched a trade war against them but they understand that the Commission is an independent body and they are counting on you for a fair decision. You'll hear from some of those Americans today. They're not from giant companies. You'll hear from an Arkansas boat builder that employs 153 people. They've always preferred domestic aluminum sheet but are facing 2019 with no committed volumes. The folks from this morning are cutting them off. You will also hear from one of the country's largest distributors of aluminum sheet who is finding it impossible to find sheet in the widths and specifications he wants.

The Boat Builders and RV Manufacturers Trade Associations are also here to give a broad perspective on their industries which together account for over 1.3 million American jobs and close to 100 billion dollars in American economic activity. That's billion with a "b".

Some of our exhibits are too large for the hearing room today and they are parked out front. We have a beautiful Airstream RV and a 20-foot pontoon boat and trailer, all of which are made in America and all of which consume considerable amounts of aluminum sheet that is getting more scarce by the week, as the Domestic Industry refocuses its output on sheet for automotive use.

This is a case where demand has outpaced domestic supply because of the industry's shift to supplying the aerospace and automotive industries and add on top of that the 232 and we find a market that is seriously underserved by Domestic Producers. That may explain why they themselves ask for exemptions from 232 for imports.

You'll hear economic testimony regarding the lack of any correlation between Subject Imports and the condition of the Domestic Industry. Prices are set by reference to the strange Midwest Premium that doesn't apply to foreign aluminum sheet.

Whether Chinese prices are going up or down has zero impact on domestic sheet prices. U.S. Producers performed better in the 1st half of 2017 when imports were high than in the second half of 2017 when imports' market share declined. That was a time when there was a planned outage at one of the domestic mills. There is just not a causal link here.

From the other side, I expect we're going to get a history lesson which we heard a preview of already, of events that occurred long before the Period of Investigation and the Domestic Industry's brief spends a lot of time talking about decades old events, almost identical to the brief in the foil case but there in your decision you focused on the Commission's Period of Investigation as you should do here.

We are confident in the end you're going to see why this group did not file a Petition. It's because they have no case. Their data is flawed by the unjustifiable removal of a huge amount of Domestic Production sold as can stock that must be included in the Domestic Industry data for the final phase whether or not it's added in, Chinese Imports are too small to influence the market.

Like airplanes and uncoated ground wood paper, this case falls into an oddball category from the get-go by the fact that it self-initiated. This industry did not ask for relief. The data shows why this group did not file for import relief. They don't need it and they don't deserve it. They can't make enough sheet to supply the market and they've admitted as much.

Considering the full facts of this case in the final phase and on behalf of the 1.3 million Americans represented by our clients, we ask that you reach a negative decision and we look forward to explaining more about why that's the appropriate decision during our Panel later today. Thank you very much.

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

MR. HERMANN: Good morning. Again for the record I'm John Hermann of Kelley, Drye and Warren. Our first witness this morning with Heidi Brock, the president and CEO of the Aluminum Association.

STATEMENT OF HEIDI BROCK

MS. BROCK: Good morning Chairman Johanson, members of the Commission and staff. My name is Heidi Brock, and I am the president and CEO of the Aluminum Association. I appreciate the opportunity to appear before you today to address a matter of great concern to our members.

The Aluminum Association represents close to 700,000 men and women who work directly and indirectly in the aluminum industry across 170 plants and 35 states nationwide, representing roughly 70 percent of American production of all forms of aluminum, from primary aluminum producers, producers of semi-fabricated products, aluminum recyclers and industry suppliers.

The Aluminum Association is the voice of the plants and people employed in the North American aluminum industry. This is just the second unfair trade case in which the Aluminum Association has been involved on behalf of its members in its 86 year history. The other case involved aluminum foil from China, on which the Commission reached a unanimous affirmative determination in early March.

Our industry has not been a frequent user of the unfair trade laws. However, there has been a rapid increase in massive over-capacity in China over the past decade. To put China's over-capacity in perspective, when you consider that China has produced more aluminum in the last seven years than the entire U.S. industry has produced in its 125 year history, the need for trade relief for domestic producers of common alloy aluminum sheet is urgent and long overdue.

Common alloy aluminum sheet is an important product for our members. In 2017, the domestic industry's common alloy aluminum sheet production totaled 2.64 billion pounds out of total flat-rolled aluminum production of approximately 9.46 billion pounds. Meaning that common alloy sheet accounts for nearly 30 percent of total production of flat-rolled aluminum products.

The Aluminum Association believes that the best means for addressing the significant market distortions caused by China's massive and uneconomic excess capacity is the negotiation of a government to government agreement. Absent such an agreement, however, the Association and its members will pursue relief under the U.S. unfair trade laws.

The narrow and targeted relief available under those laws allows a focus on specific unfairly traded imports that are causing harm to domestic producers. The problem in the U.S. market today are the result of surging volumes of unfairly traded imports from China caused by its massive over-capacity. We believe the best means for addressing these imports is the anti-dumping and countervailing duty laws.

Indeed, our Association has requested that common alloy sheet be excluded from the imposition of any additional duties pursuant to Section 301. Our Association has also made clear its support for the removal of Section 232 duties on aluminum and aluminum products imported into the United States from all market economy countries. Our view is that the 232 process should focus on the problem which is China.

I would like to respond briefly to the Chinese respondents' argument that common alloy sheet and can stock are a single like product based in part on an excerpt from the Association's website. The Association treats common alloy sheet and can stock very differently. We gather and report statistics on can stock separately from common alloy sheet, and we have a separate committee structure for each product.

In short, the Association supports a finding that common alloy sheet and can stock are distinct products, and should not be a single like product. Finally, other witnesses today will provide details regarding the impact of Chinese common alloy sheet 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.

STATEMENT OF MICHAEL KEOWN

MR. KEOWN: Good morning. My name is Mike Keown and I am the Executive Vice President of Aleris Corporation and president of Aleris North America. During my 20 years with Aleris, I've held positions in finance, metal procurement, supply chain and general management in our company's North American, European and Asian operations.

Accompanying me today is my colleague Chris Clegg, who serves as the Executive Vice President, General Counsel and Secretary of Aleris Corporation. Aleris is the largest producer of common alloy sheet in the United States. As the president of Aleris North America, I am responsible for overseeing all nine of Aleris' facilities engaged in the production of common alloy sheet in the U.S.

Chinese imports began to enter the U.S. market in large volumes in 2007, and have grown rapidly since that time. These imports have increasingly taken market share from Aleris and other domestic producers across the full range of common alloy sheet products. In particular, Chinese imports have focused on the key 3003 and 5052 alloys that account for a substantial share of common alloy consumption in the U.S. market.

The combination of product characteristics and high demand make these products vitally important to running a mill at an efficient level of capacity utilization. As recently as 2016, a substantial majority of the Aleris production of common alloy sheet produced in our Lewisport, Kentucky mill consisted of products manufactured from 3003 and 5052 alloys. As low-priced imports from China have captured a significant volume of those sales in the U.S., our company and other domestic producers have been increasingly forced to compete for niche products used in applications that account for smaller portions of the U.S. market.

This movement to smaller volume niche products is not a sustainable strategy for ensuring the long-term health of Aleris' operations. As evidence of this, Aleris had to shut down its Decatur, Alabama mill in February of 2015. I would like to briefly address a few of the claims respondents have made in their pre-hearing briefs.

Respondents have argued that the domestic industry is no longer interested in producing common alloy sheet and is instead focused on more lucrative products for the automotive industry. Respondents also claim Aleris' planned outage of our Lewisport, Kentucky hot mill is responsible for declines in the domestic industry's shipments in 2017. These contentions are wrong.

First, like a number of other domestic producers, Aleris has made recent capital investments to increase our capability to produce auto body sheet, a product outside the scope of this case. The expansion of our automotive capabilities at Lewisport, Kentucky facility were not pursued as an alternative to the production of common alloy sheet. Aleris pursued these investments because market conditions for common alloy sheet had become so depressed that we needed to diversify our operations in order to improve our company's unacceptably low earnings.

As has been for decades, the production of common alloy sheet will continue to be a key product for our company as long as we can earn reasonable returns. As I stated a moment ago, Aleris operates nine facilities in the United States that are involved in the production of common alloy sheet. The assets associated with these facilities will continue to be central to our company's operations, and the ability of our company to earn a reasonable rate of return.

In fact, we made the investments in our Lewisport hot mill in order to allow our company to continue to produce large volumes of common alloy sheet in the future, as we do today, and we have for decades. Second, the outage of the Lewisport hot mill for just two months in the second half of 2017 is not responsible for the decline in domestic industry shipments.

Aleris' shipments of common alloy sheet from our Lewisport hot mill outage during the second half of 2017 were just 8,000 short tons less than our shipments during the same period in 2016. With U.S. producers having shipped nearly 1.2 million short tons of common alloy sheet in 2017, this difference amounts to just .7 percent of U.S. industry shipments. By operating the Lewisport hot mill at full capacity during the first half of 2017, we were able to pre-produce and stockpile intermediate materials that could be finished in Lewisport, with the facility's other assets remaining in operation during the hot mill outage to meet our customers' needs.

Respondent's reference to our March 19th, 2018 press release incorrectly equates theoretical lost production capacity with actual commercial shipments. The mills where our companies manufacture common alloy sheet are large capital-intensive facilities. Our company must operate these mills at a high level of capacity utilization in order to maximize efficiency.

The decline in our capacity utilization rate over the last three years is of significant concern, because it means that the fixed costs associated with running our mills must be spread across a smaller volume of products. In order to maximize the efficiency of our operations, we need to produce significant volumes of common alloy sheet, regardless of growth in demand for auto body sheet.

Aleris can and does compete toe to toe against foreign and domestic producers of common alloy sheet, but the competition must be on fair terms. The increasing volumes of low-priced Chinese imports that have surged into the United States in recent years are not competing fairly. Chinese producers have been subsidized by their government and are selling common alloy sheet in the United States at unfairly low prices, sometimes at a fraction of the price at which we are able to offer common alloy sheet.

Since the Department of Commerce imposed provisional measures in April, we are seeing preliminary improvements in our common alloy operations. We attribute these improvements directly to the impact of this case. We fear, however, that if unfair trade orders are not issued, the progress that has been made in recent months will be lost.

Respondents have argued that without the presence of Chinese imports in the market, there will be supply shortages. These concerns are wrong. In addition to the domestic industry's current unused capacity, my colleagues will describe a number of sources of supply for common alloy sheet that are currently available and/or soon will be, including new and restarted domestic capacity to produce common alloy sheet and fairly priced imports from countries other than China.

If unfairly traded imports from China are permitted to continue to flood the U.S. market at the low prices we have seen in recent years, our company will continue to lose sales, U.S. market share and jobs to Chinese imports. Unless relief is granted to our industry, Aleris and the other domestic producers of common alloy sheet will continue to suffer injury from Chinese imports that have harmed our operations and our employees. Thank you.

STATEMENT OF LLOYD STEMPLE

MR. STEMPLE: Good morning. My name is Buddy Stemple, and I'm the Chief Executive Officer of Constellium Rolled Products in Ravenswood, West Virginia. I have been the CEO of Constellium Ravenswood for more than four years, and I have nearly 40 years' experience in the aluminum industry.

I was one of the many industry officials to testify before the Commission in September 2016, as part of the Section 332 investigation that examined competitive conditions affecting the U.S. aluminum industry. In my testimony, I warned of the significant negative effect on U.S. producers resulting from China's massive over-capacity to produce semi-fabricated aluminum products, particularly with respect to the high volume products such as common alloy sheet.

I'm here today to address the devastating impact that low-priced imports of common alloy sheet from China have had on the domestic industry. Constellium produces common alloy sheet at our mill in Ravenswood, West Virginia. Like other companies testifying today, between 2015 and 2017 our company lost sales and revenue as a result of large and increasing volumes of low-priced imports of common alloy sheet from China.

As Mr. Keown just testified, imports from China began increasing after the global financial crisis and were focused on the 3003 and 5052 alloys, common alloy products with specifications that are more easily met and that are produced in large volumes. This forced Constellium and other domestic producers into small niche common alloy sheet products, where we could still earn a reasonable return.

At Constellium, our capability to produce common alloy coils in widths greater than 72 inches provides us an opportunity to supply significant volumes of product to manufacturers of truck trailers and pleasure boats. As with common alloy sheet for other applications, however, Chinese imports have made significant inroads with domestic purchasers in these wide width coils as well.

The imposition of provisional duties on the

Chinese imports in April have helped our company begin to recapture sales lost to Chinese imports. We are very concerned, however, that these short-term improvements could quickly disappear unless the Commission reaches an affirmative determination.

If orders are not imposed, I have no doubt that these shipments will be redirected to the U.S. market, resulting in significant downward pressure on domestic prices. Indeed, because a significant majority of our company's sales of common alloy sheet are made pursuant to annual contracts, recent improvements in pricing so far have been of limited benefit to our company. The publication of unfair trade orders, however, will help ensure that recent improvement in prices that have been urgently needed by our company do not disappear after only a few months.

The issuance of unfair trade orders will also create the certainty needed for our company to pursue significant investments in our operations, knowing there is a good likelihood we will be able to earn returns necessary to pay off these investments.

Our company is already moving forward on two investment projects totaling approximately $30 million to increase our capacity. If these cases are successful, Constellium will evaluate additional investments to strengthen our company's competitiveness and ability to supply common alloy sheet to our customers.

Finally, as Constellium is one of only two companies at today's hearing that manufactures aluminum can sheet, I would like to address the important distinction between these two products. First, aluminum can sheet is a thin-gauge product that has a single use, the manufacture of aluminum beverage cans. In contrast, common alloy sheet is generally a thicker product and is used in a wide range of industrial applications.

Second, can sheet is not interchangeable with a common alloy sheet. Canned sheet is a highly engineered product that is manufactured on specialized rolling mills that impart a uniform surface quality, and that is necessary for the high speed manufacture of beverage cans. Third, while common alloy sheet is sold to both distributors and end users for a variety of applications, aluminum can sheet is sold directly to a very small number of end users that consume the product to manufacture only beverage cans.

Fourth, Constellium produces all of its aluminum can sheet at our mill in Muscle Shoals, Alabama, a completely separate facility from our mill in Ravenswood, West Virginia, where we manufacture common alloy sheet. Moreover, common alloy sheet can be produced on a mill used to produce can stock, but it is not possible to produce can stock on a mill configured for common alloy sheet.

Further, can sheet is subject to slitting and the application of a specialized forming lubricant while common alloy sheet is not. Fifth, customers and producers perceive common alloy sheet and can sheet to be separate products. A manufacturer of beverage cans will not purchase common alloy sheet for its operations.

Similarly, a distributor or OEM that uses common alloy sheet will not purchase can sheet, when a product with more basic physical characteristics and properties will meet its needs. On behalf of Constellium and the more 1,200 employees at our Ravenswood facility, we urge the Commission to reach an affirmative determination. Thank you.

STATEMENT OF PATRICK BOITTIAUX

MR. BOITTIAUX: Good morning. My name is Patrick Boittiaux. I'm the Vice President of Sales North America for Arconic’s industrial and commercial transportation segments, which include common alloy sheet. I have been employed by Arconic, Inc., which was formerly known as Alcoa, Inc. since 2012.

During that time, I have held positions involving sales in Europe and throughout Asia, and now in North America. Arconic produces common alloy sheet in the U.S. facilities of Davenport, Iowa, Lancaster, Pennsylvania and San Antonio, Texas. Arconic's operations have been negatively affected by low-priced imports from China for close to a decade.

Arconic first experienced the disruptive effects of Chinese imports in 2009. At that time, increased volumes of low-priced imports of common alloy sheet from China undercut pricing in the U.S. market. With the low prevailing pricing in the market and no immediate prospect for improvement, coupled with the aftermath of the global financial crisis, Arconic was forced to close its mill in Texarkana, Texas.

That decision resulted in the loss of 250 well-paying manufacturing jobs and the elimination of the facility's domestic capacity, approximately 300 million pounds per year of common alloy sheet. While Arconic reopened the cast house portion of the Texarkana facility in 2015 to meet demand in other markets, the remainder of the facility was not restarted at that time due to the continued poor conditions of the common alloy market.

Regrettably, the growing market share of the unfairly traded imports from China has continued to hurt our common alloy business during the three-year period that is the focus of these investigations. Since 2015, our industry has seen a continued increase of the imports of common alloy sheet from China.

The low prices offered by Chinese imports are attractive to our customers, because price is critical in their purchasing decisions. Our customers frequently use offers for lower-priced Chinese imports that they commonly refer to as the Chinese price to drive down our prices. Faced with the Chinese price, we have been forced to either lower our price to levels that are not sustainable or lose the business, because the price points identified by our customers were unacceptably low.

Because common alloy sheet is typically sold on the basis of annual or long-term contracts, the pricing pressure created by large amounts of Chinese imports has a long term effect on our common alloy business. Further, such contracts do not always insulate us from the pricing pressures created by low-priced Chinese imports. If our customers receive a better offer for Chinese imports, they can and have purchased Chinese products.

The continuing threat of being replaced by a Chinese producer has eroded our ability to price our products at levels that will allow us to make a reasonable profit. After the initiation of this case and the imposition of preliminary duties in early 2018, we finally began to see some welcome and much needed improvements.

As a result of these preliminary improvements in August, Arconic announced a $14 million investment in our Texarkana facility, to restart the previously idled equipment used for finishing rolled aluminum sheet. The equipment is expected to be operational by January 2019, and should create an additional 35 jobs.

Further, our company decided in early October to sell the Texarkana mill. We expect that additional equipment will be restarted by the new owner, creating many more jobs in the community. We remain strongly committed to producing common alloy sheet in our other facilities. Following the imposition of provisional duties after the Commerce Department's preliminary determinations in April and June 2018, inquiries for new business went up almost immediately.

As a result of provisional duties, we have been able to increase our 2018 production and shipments, and have made investments in our San Antonio works and Tennessee operations. We are evaluating additional investments to meet demand for common alloy products. We have even received inquiries from purchasers that previously purchased Chinese imports and the qualification process for some of those purchasers are underway.

Many of the inquiries, however, are from purchasers who are still sourcing from China, apparently making contingency plans for domestic supply while they wait to see how this case turns out. Without an affirmative decision in this case, these new inquiries will not turn into orders, and the new orders that we have received are likely to go right back to low-priced Chinese imports.

Pricing in our market will once again spiral downwards. We urge the Commission not to let this happen and reach an affirmative determination. Thank you.

STATEMENT OF DAVIDE RICCI

MR. RICCI: Good morning. My name is Davide Ricci, and I--

MR. BISHOP: Pull your microphone a little bit closer for me, please.

MR. RICCI: Good morning. My name is Davide Ricci and I am a Director of Sales and Marketing with Novelis Corporation. My responsibilities include sales and marketing of common alloy sheet to distributors and OEMs in North America.

I have been employed in the aluminum industry for more than 15 years. I am joined today by my colleague John Zanelli, a senior manager with Novelis Corporation. Mr. Zanelli has more than 35 years of experience in the industry.

Novelis Corporation, which is headquartered in Atlanta, Georgia, is a part of Novelis, Inc., one of the world's leading producer of flat-roll aluminum products. Novelis Corporation produces all of our common alloy sheet in the United States at our facility in Oswego, New York.

Over a decade preceding the Commerce Department's initiation of this case, Novelis was forced to reduce its annual common alloy sheet production by close to 100 million pounds due to imports from China.

Since 2015, our common alloy sheet volumes have continued to decline significantly, as we have lost sales to low-priced Chinese imports. During that time, our sales people regularly faced offers from Chinese products at prices that were lower than our cost of production.

This led to substantial declines in our sales to distributors that purchase large volumes of common alloy sheet and the sales we were able to retain were at significantly reduced prices.

Low-priced imports from China have had a devastating impact on our business. Three specific examples stand out.

First, several of our long-term customers which previously purchased millions of pounds of common alloy sheet from us every year ceased their purchases from our company. The customers indicated that their preference was to continue purchasing common alloy sheet from Novelis, but that they could no longer do so because the prices offered by our company were making them uncompetitive relative to other distributors that purchased common alloy sheet from China. These were loyal, long-standing customers whose business we lost directly as a result of low-priced imports from China.

Second, in seeking to maximize capacity utilization our company had in place for a number of years a foreign fighter program to match the prices offered by Chinese producers of common alloy sheet. This policy initially had its intended effects by helping maintain our production volumes. In 2016, however, the prices for Chinese imports of common alloy sheet had become so low that we were forced to stop matching them, and our customers simply stopped asking us to quote them.

Third, Novelis invested about $8 million on a tension level and finishing line in our Oswego facility for use in producing common alloy sheets. That line, which several members of the Commission staff had an opportunity to see in September, is now being used at only 30 percent of its capacity.

This investment is a prime example of why our company is reluctant to make any further investments in our common alloy sheet operations until there is a sustained change in market conditions.   Pricing for common alloy sheet in the U.S. market for spot sales has improved since provisional duties were applied in April, but absent an affirmative determination by the Commission these initial improvements will quickly disappear as low-priced Chinese imports will quickly surge back into the market.

In order to get the preview of the market conditions that are likely to prevail if unfair trade orders are not issued, one need look no further than the Canadian market. Like Mr. Stemple, we have also seen large volumes of extremely low-priced Chinese common alloy products in the Canadian market. In particular, we have seen Chinese products being sold in Canada at fabrication prices as low as 28 to 35 cents per pound, reflecting prices that are less than half of the current price in the United States.

These prices are of particular concern to our company, as Novelis has an integrated production facility in Kingston, Ontario, that operates in tandem with our facility in Oswego in serving the North American market.

On behalf of all Novelis employees, thank you for the opportunity to testify this morning. Novelis is fortunate to have hard-working employees that are dedicated to producing high-quality common alloy aluminum sheet in the United States. However, unless unfair trade orders are issued, U.S. producers will continue to be injured by unfair imports from China. Thank you.

STATEMENT OF PAUL-HENRI CHEVALIER

MR. CHEVALIER: Good morning, Chairman Johanson and members of the Commission. I am Paul-Henri Chevalier and I'm the President of Jupiter Aluminum Corporation, the position I have held since 2010. I have worked in the aluminum industry for 15 years, with all of that time at Jupiter Aluminum.

Jupiter Aluminum is headquartered outside Chicago in Des Plaines, Illinois, and our company employs 400 people at 3 facilities in Indiana and West Virginia. We produced common alloy sheet at our fully integrated facility in Hammond, Indiana, where we are one of the largest employers.

Jupiter Aluminum sells common alloy sheet to a mix of OEMs and distributors for building and construction, transportation, and farming applications. Like Mr. Stemple, I testified at the Commission's Section 332 hearing on aluminum in September 2016. I too described the significant disruptions occurring in the U.S. market as a result of China's overcapacity in the aluminum sector.

This was not my first engagement with the government to express concerns about China. In 2003 I traveled to Washington to meet with officials at the Department of Commerce to express concerns about unfair trade practices in China that resulted in aluminum products being sold in the United States at very low prices.

At that time, China accounted for about 10 percent of global capacity to produce aluminum. Now it accounts for more than half of global capacity. Concurrent with the increase in aluminum production capacity, China's rolling capacity has similarly increased as it's sought to maximize value-added operations in China. In fact, China's excess capacity alone is now greater than the overall production capacity of the entire U.S. aluminum industry.

With these massive amounts of excess capacity, China has exported increasing volumes of low-priced common alloy sheet to the United States, particularly as its economy has slowed in recent years and demand for the metal within China has declined.

In order to compete with low-priced Chinese imports, Jupiter Aluminum has sought to add value to our products by painting them and supplying them to customers in a form that is ready to use for fabricating equipment.

For example, we try to differentiate our sales by offering a one-stop-shop solution for our customers with a full range of products needed for their operation. Despite these efforts to insulate our products from the effect of low-priced imports from China, our Chinese competitors have offered products with the same characteristics at a significantly lower price. In other words, the ability to make a sale comes down to one issue: Price.

Since 2015 the situation worsened with more American purchasers substituting larger volumes previously bought in the U.S. with cheaper Chinese common alloy sheets. The shift in the supply chain would not have happened without unfair pricing.

While domestic producers used to have the certainty of fixed-price contracts to supply common alloy sheet to a customer for a year or more, many purchasers are now buying lower priced Chinese imports pursuant to long-term contracts. U.S. producers are left to compete with smaller volumes on a spot basis and still confront low-priced imports from China. As a result, U.S. mills are forced to lower their prices in order to maintain volume.

In addition, I would like to echo the testimony of other witnesses regarding the recent extremely aggressive pricing by Chinese producers and exporters in the Canadian market.

Our company recently lost business in Canada to very aggressively priced Chinese product. Unless unfair trade orders are issued at the end of this investigation, I am extremely concerned that the low pricing we are seeing in Canada will return very quickly in the U.S. market.

Our industry cannot continue to compete against unfairly traded products that are subsidized by the Government of China, and that are a direct result of irrational capacity expansions in China.

As I testified during the Section 332 investigation, we need to establish a fair trade environment in which honest and reasonable competition prevails if we are to preserve the U.S. industry producing common alloy sheets.

On behalf of Jupiter Aluminum and our company's 400 employees, we urge the Commission to reach an affirmative determination. Thank you.

STATEMENT OF LEE MCCARTER

MR. McCARTER: Good morning. I am Lee McCarter, the CEO of JW Aluminum, an American-owned company. I've been an officer of the company since 2009.

Joining me this morning is Chester Roush, JW's Chief Strategy Officer, who joined the company in June 2009, and has 30 years of flat-rolled aluminum products experience.

Mr. Roush and I testified at the Commission's hearing in the investigations on aluminum foil from China earlier this year. The issuance of unfair trade orders on Chinese Aluminum Foil has resulted in many U.S. purchasers altering their supply arrangements and has created significant new opportunities for domestic producers to regain lost market share.

The successful outcome of the cases has also resulted in announcements by our company and other domestic producers of significant investments to bolster domestic supply of aluminum foil.

We are here again today to discuss the imports of a second flat-rolled aluminum product, common alloy sheet, that are also injuring our company. After Mr. Roush updates you on the negative effects that unfairly traded imports from China have had on our business, I will describe the significant investments that JW Aluminum is making in this industry. Chester?

STATEMENT OF CHESTER ROUSH

MR. ROUSH: Good morning. I am Chester Roush with JW Aluminum. Our company produces common alloy sheet at our facility in Goose Creek, South Carolina. Over the last decade, Chinese producers have expanded their exports and captured an increasingly large portion of the U.S. market for common alloy sheet in 36-inch, 48-inch, and 60-inch wide coils made from 3000 and 5000 series alloys.

As others have testified this morning, Chinese imports have forced U.S. producers to pursue the manufacture and sale of common alloy sheet for lower priced and lower volume applications. At JW Aluminum, the common alloy sheet products we manufacture are generally used in building construction applications such as gutters, down spouts, fascia, flashing, and soffits and, to a lesser extent, in transportation-related applications such as recreational and cargo vehicles.

Pricing for these products is generally lower than it is for other common alloy products. Unsurprisingly, we would welcome the opportunity to sell a wider array of common alloy sheet products, but we have not been able to pursue that business for at least the last three years due to the low prices in the market driven by Chinese imports.

This pricing problem has become particularly acute in the last few years. In addition to experiencing prolonged injury as a result of increased volumes of low-priced imports of common alloy sheet from China, we are concerned by China's massive capacity to produce common alloy sheet. That Chinese capacity has been brought online without any economic justification, given domestic demand in China and its slowing economy.

Lee and I witnessed China's overcapacity first-hand several years ago when we visited China and met with the executive management team of Jiangsu Dingsheng. Dingsheng is a significant, but by no means the largest producer of flat-rolled aluminum products in China.

During our visit, a Dingsheng executive proudly boasted to us about his goal of making Dingsheng the largest producer of aluminum sheet in the world, and his goal of installing equipment at Dingsheng's Inner Mongolia facility that would give his company the capacity to produce one billion pounds of aluminum sheet annually. To put that figure in perspective, Dingsheng's one billion pound capacity would give that single company at a single facility more capacity than the entire volume of North American production of common alloy sheet for building and construction applications.

Dingsheng's facility, which was under construction when we visited several years ago, is now up and running. Dingsheng's Inner Mongolia facility and others like it in China with substantial and growing capacity pose a very real threat for even further injury to the U.S. industry.

MR. McCARTER: Thank you, Chester. Despite the near decade-long onslaught of low-priced Chinese imports, recent developments have given JW Aluminum small rays of hope for a revitalized domestic aluminum industry.

In light of the favorable developments in the unfair trade cases on aluminum foil from China, as well as the Department of Commerce's affirmative preliminary determinations in the investigations on common alloy sheet, JW Aluminum has secured over $350 million in financing to modernize our facilities and increase production capacity.

Specifically, our company has begun a two-phase expansion project at our Goose Creek, South Carolina facility that will include the installation of new melting, casting and rolling operation. The new equipment will have the capability of producing 1,000, 3,000 and 5,000 common alloy sheet in widths greater than 75 inches, in an extremely efficient manner. We have committed approximately $200 million to Phase 1 of the project and expect completion a little more than a year from now.

The decision on whether we proceed with the second phase of the expansion is highly dependent on the outcome of this case. We are prepared to invest further in Phase 2 projects and other projects, bringing our total capital investment over a five-year period to $350 million, if we have the assurances that Chinese imports will be subject to the discipline of unfair trade orders.

Once both of these phases are complete, the new additions to the company, to our capital equipment, will support fifty new jobs and an additional 175 million pounds of production capacity.

I understand that the respondents have argued that a supply shortage of common alloy sheet in the United States is likely to result if the Commission reaches an affirmative determination and fair pricing returns. As JW Aluminum's announced expansion project demonstrates, that's simply not the case.

Indeed, other industry participants have also announced new investments in our industry that will bring significant additional capacity to produce Common Alloy Sheet online in the near term. Without an affirmative determination in this case, we have little hope of earning a positive return on a very substantial investment. If relief is not granted, there's no doubt our financial performance will deteriorate further and our ability to attract investment, our assets will disappear.

Commissioners, I can't help but comment on the boat and camper outside the facility this morning. You see, I've lived near or on the water my whole life. The point is, the very same Americans that have been put on the street due to the closures of plants due to low-priced aluminum are the same Americans to buy those campers and boats. Without those jobs at our aluminum facilities, who's gonna buy the boats and the campers? On behalf of JW Aluminum and our company's employees, we urge the Commission to return an affirmative determination in these investigations. Thank you.

STATEMENT OF ROXANNE BROWN

MS. BROWN: Good morning, Chairman Johanson and members of the Commission. My name is Roxanne Brown and I'm the Legislative Director for the United Steel Workers, or USW. The USW is the largest industrial union in North America with 1.2 million active and retired members. We are proud to represent men and women in nearly every manufacturing sector, including the aluminum industry.

Our union has been steadfast in our opposition to the practices of foreign companies and government that seek to gain an unfair advantage over domestic industries by violating U.S. and international trade rules. These unfair trading practices have had a devastating effect on American manufacturers, their workers and their communities. We've testified before the Commission on numerous occasions in recent years on behalf of U.S. workers and industries being injured by the effects of unfairly traded imports.

I'm here today on behalf of our members in the common alloy aluminum sheet industry who are just the latest victims of foreign industries that are suffering from these challenging conditions.

The USW represents nearly 3,700 workers employed at facilities where common alloy sheet is manufactured. This includes USW members employed at facilities operated by: Aleris Corporation in Lewisport, Kentucky, Ashville, Ohio, Buckhannon, West Virginia and Newport, Ohio. Arconic in Davenport, Iowa. Constellium in Ravenswood, West Virginia. And Jupiter Aluminum in Hammond, Indiana.

As you've heard this morning, increasing volumes of common alloy sheet from China have hurt our members for much longer than the Commission's three-year period of investigation. While the extent of the unfair competition from Chinese imports has been intense during the past three years, this only tells part of the story.

The persistent injury to the U.S. industry by imports of aluminum sheet from China, has been overwhelming, and we have no choice but to keep fighting against our Chinese competitors which continue to ship large volumes of dumped and subsidized product into the United States.

Over the past three years, those unfair imports from China have harmed the economic livelihoods of thousands of American workers and their families. As members of the industry have just testified, this industry has suffered production curtailment and layoffs that will undoubtedly continue if relief is not provided.

Our union and its members have worked closely with domestic producers to ensure the survival of the common alloy sheet industry. We will continue to work hard to save our members' jobs and to protect the benefits of our retirees. We take pride in our partnership with the domestic producers. Because when U.S. producers do well, our members do well. Unfortunately, when business suffers, our members and their families are the first to suffer the consequences through layoffs and reduced hours.

There's no question that American workers and the products that they manufacture can compete with imports from any country in the world, so long as competition is fair. On behalf of our U.S. members, retirees and their families all over the country, I urge the Commission to find that these unfair imports of common alloy aluminum sheet from

China are injuring the U.S. industry and its workers. Thank you.

STATEMENT OF JOHN HERRMANN

MR. HERMANN: Good morning. Again, for the record, I am John Herrmann and I will conclude our presentation this morning by addressing the key statutory issues the Commission must examine in reaching its decision.

First, the domestic like product. The like product should be defined co-extensively with the scope of this case and should consist of common alloy aluminum sheet. The basic nature of the product in the market warrants a single like product finding under the six factors traditionally analyzed by the Commission.

Respondents have argued that can stock should be included within the domestic like product. You have heard testimony on that issue from Mr. Stemple, as well as Ms. Brock. As shown in Slides 3 and 4, can stock should not be included in the single domestic like product based on an analysis of the six like product factors considered by the Commission.

Further, responses to the Commission's questionnaires support the conclusion that can stock is a separate like product. As shown on Slide 5, the Commission's record establishes that U.S. producers and purchasers indicated that common alloy sheet and can stock were never comparable in terms of the six like product factors.

We will address respondents' claims in our post-hearing brief and urge the Commission to continue to exclude can sheet from the domestic like product as it did preliminarily. I'd now like to focus on the three statutory factors of volume, price and impact that all support a finding of material injury by subject imports. Let's start with volume.

As you heard from many witnesses this morning, U.S. imports of low price common alloy sheet from China have been increasing in volume since the time of the global financial crisis in 2007. As reflected in the chart on Slide 6, in just the last ten years, imports of common alloy sheet from China have increased by 731%.

The growth in subject imports during the POI continues the trend of increasing import volumes over the past decade. As you see in Slide 7, the volume of subject imports from China has grown by nearly a third between 2015 and 2017. In 2017, the volume of imports from China was more than twice that from the second-largest source, Canada. Moreover, the volume of imports from China was almost six times that of Indonesia and Bahrain, the third and fourth largest sources, respectively.

The increased volumes of common alloy sheet imports from China far exceed the growth of apparent U.S. consumption between 2015 and 2017, as shown on Slide 9. While demand did increase by a healthy margin over the POI, the pace of the increase of imports from China was much faster.

The increase in subject imports was significant, not only on an absolute basis, but also as a share of the U.S. market. As shown in Slide 10, the market share held by subject imports increased significantly between 2015 and 2017.

In evaluating this chart, it's important to keep in mind that domestic producers lost substantial market share prior to the POI with Novelis having lost 100 million pounds in annual sales over the past decade, Arconic having idled its Texarkana mill in 2009, and Aleris having closed its Decatur, Alabama facility in February, 2015.

As imports from China penetrated the U.S. market, the domestic industry suffered a significant market share decline, as you see in Slide 11. Every pound of subject imports gained came at the U.S. industry's expense. Had domestic producers retained the market share lost to subject imports in 2017 alone, the industry's revenues would've been nearly $200 million greater than the figure reflected in the Commission's prehearing report.

As you just heard from the domestic industry witnesses, price is the critical factor that drives purchasing decisions in the U.S. market. As shown on Slide 12, the magnitude of underselling by the subject imports is staggering with respect to both the number of quarters in which underselling occurred, as well as the volume of subject imports that undersold a comparable U.S. product.

Slide 13 demonstrates how the two largest importers were able to increase their sales of imports from China during the period by substantially underselling U.S. producers. Particularly striking is the degree of underselling in 2017 when subject imports made substantial market share gains.

Slide 14 quotes a significant purchaser confirming how aggressively these two importers have priced products in the U.S. market in an effort to gain market share during this period. Again, this is the purchaser's characterization, not ours, of the destructive behavior of these two importers.

As shown in Slide 15, the vast majority of purchasers cited price as the top factor considered in their purchasing decisions. These purchasers also stated that they sought out the lowest priced product.

Further, as shown in Slide 16, the purchaser responses indicate that virtually all of the companies that reported purchasing imports from China, instead of the domestic product, stated that the Chinese product was lower priced. Domestic purchasers switched a significant volume of U.S. sales from the United States to Chinese producers due to price.

As you have heard our witnesses testify, customers have demanded that domestic producers sell common alloy sheet to them at the China price, and it forced them to either lower their prices or lose the business. The record indicates that the domestic industry has had to do both.

As indicated on Slide 17, purchasers report that U.S. producers have cut their prices by significant margins in an effort to compete with low-priced imports from China. Notably, two purchasers stated that U.S. producers were forced to implement Foreign Fighter programs during the period in an effort to meet low price offers for imports from China.

Slide 18 reproduces several narrative responses from those U.S. purchasers that confirm other data on the record, demonstrating that Chinese imports are underselling U.S. producers consistently, and by significant margins. You can see the extent to which the importance of price, as well as the low prices at which Chinese product has been offered, dominate the comments.

The impact of these increasing volumes of low-priced imports has been predictable. With the domestic industry experiencing declines in key trade variables over the POI, as indicated on Slide 19, the domestic industry's production, shipment volume and market share have all declined. These declines are strong evidence of material injury.

The substantial import volumes at prices that significantly undercut U.S. producers' prices had a devastating effect on the domestic industry's financial performance as well. As indicated on Slide 20, the domestic industry's net sales volume, operating income, net income and profit margins all declined over the POI. Again, these are all injurious trends.

Slide 21 shows that the domestic industry started off the POI in a vulnerable condition. During these last few years, the condition has gone from bad to worse. These earnings are unsustainable for any industry, much less a capital-intensive industry in which companies must make substantial investments to strengthen their competitiveness.

As indicated in Slide 22, as market share held by Chinese imports increased, domestic producers' net income margin declined. The causal nexus between subject imports and the injury that the U.S. industry has suffered is compelling.

Slide 23 shows that as subject imports continued to surge into the U.S. market, they replaced U.S. sales and captured market share at the direct expense of U.S. producers. Respondents argue that there is no causal nexus between subject imports and the second half 2017 decline in U.S. producers' profitability.

Although respondents argue that the subject imports declined between the first half of 2017 and the second half of 2017, their argument fails to recognize that the volume of subject imports in the second half of 2017 was greater than in any other half-year period prior to 2017, as shown in Slide 24.

Respondents also argue that there is no relationship between the market share growth in subject imports and the price underselling of subject imports. As shown in Slide 25, however, as the degree of underselling by subject imports increased from 2015 to 2017, the market share held by Chinese imports also grew. Thus, the Commission's record establishes that there is a strong causal nexus between the underselling by subject imports and their growth in the U.S. market.

Respondents also argue that nonsubject imports were the cause of the domestic industry's injury. As shown in Slide 26, however, subject imports from Canada, which were the second-largest import source, were relatively stable in volume and were priced significantly higher than imports from China.

While imports from China overwhelmingly undersold the domestic product, imports from Canada oversold the domestic product in virtually all instances during the period. Taken together, these facts conclusively demonstrate that the dumped and subsidized imports from China are a cause of material injury to the domestic industry.

The Commission's record also demonstrates that subject imports threaten the domestic industry with further injury. China's massive and increasing idle capacity could flood the U.S. market if allowed to do so. The growing disparity between China's aluminum sheet capacity and Chinese consumption has caused, and will continue to cause, China to export this product. Indeed, as shown in Slide 27, as of 2015, China's excess capacity to produce aluminum sheet was greater than the size of the entire U.S. common alloy aluminum sheet market.

As you've heard Mr. Roush testify, there's been a huge expansion in China's capacity to produce aluminum sheet in recent years. As shown in Slide 28, despite the existence of massive overcapacity, Chinese producers are continuing to add even more capacity that will only exacerbate this problem.

Despite the limited responses by Chinese producers in this investigation, with just twelve Chinese producers responding to the Commission's questionnaire, the record establishes that the domestic industry is threatened with material injury, as shown in Slide 29.

In conclusion, I leave you with a quote from the questionnaire response of one of the largest U.S. purchasers in Slide 30. "Absent a remedy in this case, United States with its large and open market, will continue to be the dumping ground for Chinese overcapacity, causing further injury to the already battered domestic industry."

That concludes our presentation. Before turning to 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 very much. We'll be happy to answer your questions.

CHAIRMAN JOHANSON: Thank you to Mr. Hermann and others for appearing here today. We will now begin Commissioners' questions with Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you Mr. Chairman. Excuse me. I'd like to thank all the witnesses for coming today presenting their testimony. It's very helpful to us. I'd like to begin. We'll question Ms. Brown, because we talked -- all of you talked about kind of the impact of plant closings and things like that on the domestic industry, and Ms. Brown mentioned that there are a number of facilities, you know, the union represents. But I haven't heard much about impact on workers. I know employment levels really haven't changed much. They clearly haven't grown as much as domestic demand. So I was wondering in what ways has the workers been affected by what's been going in in terms of Chinese contracts, about union contracts and things like that.

MS. BROWN: Thank you so much for that question, Commissioner Williamson. I greatly appreciate it. You know, I think I used the word "onslaught" in my testimony. The last several years has been very, very difficult for manufacturing workers overall in terms of impacts of over-capacity, and in this industry we've definitely seen it.

Jobs have been lost as facilities have had to lay folks off or curtail their hours. Oftentimes in these communities, these are the last, best remaining jobs. So when these jobs are gone, there is no corollary for those workers to look to in the community to find a $75,000 job with health care and retirement benefits. So the worker and their families and the community suffers, because the community loses the tax base.

So you know, it's been very challenging. A lot of the folks who have been laid off have not found similar employment and, you know, it's been a very, very difficult time for Steelworker members.

COMMISSIONER WILLIAMSON: Okay. Mr. Rosenthal.

MR. ROSENTHAL: This is Paul Rosenthal for the record. Two other things are worth mentioning here. One is that the history that Mr. Grimson doesn't want to talk about is very relevant to this case. You saw that surge that happened in the last ten years. A large part of it happened prior to this Period of Investigation, and that's when plants closed, companies went out of business and more jobs were lost than during the Period of Investigation.

What you saw happening in the Period of Investigation were still further job losses, but not as dramatic. What happened though and what continues to happen, as you heard Mr. Stemple talk about, companies such as his are now retreating into niches, where the Chinese are not competing as vigorously, and that is actually a sign of injury. Common alloy sheet is a commodity product that is needed to be produced at high levels of capacity utilization.

If you're not actually being able to do that and you're beginning to and need to produce niche products, you are making yourself less and less competitive by retreating to those niches. Even though it may keep your profitability up on a ratio basis, ultimately it costs your workers jobs.

The last point I would make here is that what you've seen in the last couple of years is a decision that has to be made every day about whether or not to invest in common alloy sheet. These workers' jobs are in jeopardy when you have profitability like you see in Slide 31. They are not getting the raises that they'd otherwise have if their industry was being robust, and the people who are depending on the pensions are at risk when the industry cannot fund them.

MR. HERRMANN: If I could Commissioner, just one additional point is -- that I think is important to keep in mind in your analysis is this was a time when there was a significant increase in apparent consumption, excuse me, for common alloy sheet in the United States, with apparent consumption growing 8.4 percent over the Period of Investigation.

Given that growth, we would expect to see similar growth in the work force and the number of employees at domestic producers. Instead, what happened was there was a decline in the number of hours worked, contrary to what you would expect to see given the growth in demand and the growth in the market.

COMMISSIONER WILLIAMSON: Okay, thank you for that. What about in terms of industry contracts? Have those been affected too?

MS. BROWN: So you know, yes. I think definitely as the industry hurts, they look to the workforce for concessions, right. That pretty much comes with the territory, and I would say over our union's history, we definitely recognize when an industry is suffering and our members are willing to make concessions at the bargaining table when appropriate. That has occurred in some instances here as well yes, and that means health care.

In some cases that could be retirement benefits, i.e. going from a defined benefit plan to a 401(k) plan and that is a significant concession when workers do make that concession because, I guess as most folks know, defined benefit pensions are -- is a set amount of money, deferred wages that workers or retirees will get when they retire versus a 401(k) that is subject to market conditions.

So yes, our members definitely are amenable to concessions when necessary, when an industry is struggling.

COMMISSIONER WILLIAMSON: Okay. Thank you for those answers. Mr. Rosenthal mentioned in the -- he had mentioned about being put into niche markets. I was wondering maybe post-hearing you could point to where in the staff report or what -- is there a way to kind of shall we say quantify or measure this? I mean since you have in your statements about it, but I was curious if any, someone could kind of make it more real.

MR. ROSENTHAL: Well, Paul Rosenthal for the record. I will try to find the staff report reference, but the -- one way you can tell that the industry is not being able to participate in the growth of the demand in this common alloy sheet is that it's losing market share. It's not increasing its production along -- at the same pace.

And why is that? Because the bulk of the increase in the market is in the basic commodity products, which are being taken essentially by the imports from China. By not being able to compete as well against the imports from China, you're seeing less production and less share of the market because they're concentrating more on the niche markets that don't have as much volume.

MR. KEOWN: Mike Keown with Aleris. I think as you think about for us, Aleris 3003 and our 5052 have been our -- the lion's share and the reason that mill is, was put into place 50 years ago. Over the last three to four years, we've really had to focus on what we call niche markets, what we would call direct bill of material with OEM type of contracts.

So they're much smaller in volume and nature. They're also much more specific. So the efficiency in which you can run a mill is mitigated drastically by going into those markets, where with 3003 and 5052 you can get on long casting campaigns, long run campaigns, and you can run a mill much more efficiently given just the inherent process in which it's done.

So we've seen and we've had to really focus on those small bill of materials with direct OEMs versus going heavily into what I would say the traditional distribution market segment.

COMMISSIONER WILLIAMSON: Okay. What would you -- how would you -- what is that traditional market?

MR. KEOWN: Traditional market of 3003 and 5052 go into I'll call it heavy distribution. So these are key players who kind of keep inventory levels. They process metal to a certain degree for very common and broad market ranges. So it can be across whether it's electrical, whether it's transportation, whether it's consumer durable markets and what have you versus a bill of material that is very specific in nature for one specific product, versus having broad ranges.

So we can produce in mass 3003 and 5052 for multiple markets and multiple industry applications, versus one alloy for one specific product application.

COMMISSIONER WILLIAMSON: Okay, thank you. Actually my time is about to expire, so thank you for those questions, answers to those questions.

CHAIRMAN JOHANSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you, Chairman

Johanson. I want to welcome the witnesses today. It helps us and we really appreciate having you here. This is a question for Ms. Brock. This is a rare instance in which the Commerce Department self-initiated an ADCVD case. Did the Aluminum Association or working group specifically coordinate with Commerce before they initiated?

MS. BROCK: Thank you Commissioner for your question. We at the Aluminum Association have certainly been monitoring our different markets, and this was a market that we were certainly monitoring. We did have conversations with the Commerce Department to explore whether a self-initiated case was something of interest.

And you know, I would hate to speak for the Commerce Department, but we were certainly very pleased in the Commerce Department's self-initiation of the case, because we thought it drew significant attention to the problem of Chinese overcapacity.

COMMISSIONER BROADBENT: Okay. But as far as I know, they didn't contribute any fact-finding or supporting information to this case; is that correct?

MS. BROCK: I'll let counsel kind of chime in here.

MR. HERRMANN: I can answer your question, Commissioner Broadbent. So we did on behalf of the Aluminum Association and its members provide information to the

Commerce Department. It's a matter of public record in the Commerce Department's electronic docket that we provided extensive information to assist the Commerce Department in its deliberations in the run-up to the decision by the agency to self-initiate the case.

COMMISSIONER BROADBENT: Okay, but they didn't contribute -- I mean they didn't -- there's nothing in our record other than what you all supplied to Commerce. I mean we can find that but --

MR. HERRMANN: So they, I guess -- this is John Herrmann again from Kelley Drye. They did conduct some thorough research and fact-gathering. Obviously, they didn't have access to any information from domestic producers in terms of their trade and financial information. We collected that and provided that to the Commerce Department.

But I don't think it would be fair to the Commerce Department to say that they didn't engage in any of their own fact-gathering or analysis in the run up to the decision.

COMMISSIONER BROADBENT: Right. I was just trying to see if they had supplied us with any of that information. I don't think so. I think they stopped after they initiated.

MR. HERRMANN: I'd have to go back and check. I can't, I can't recall, I'm sorry.

COMMISSIONER BROADBENT: That's okay. Ms. Brock, do domestic producers benefit from self-initiation compared to the normal petition filing? You indicated that you thought it called attention to the problem.

MS. BROCK: Yes. I think, I think there was at that point in time a very beneficial message of drawing attention to the unfair trade laws, as well as to the situation with China and unfairly subsidized Chinese over-capacity.

COMMISSIONER BROADBENT: And then I know there have been a lot of references to damage that's happened in the industry prior to the Period of Investigation. Why didn't you all file earlier?

MS. BROCK: You know, at the Aluminum Association again, this is the second case in its 86-year history, and so this is -- this is a relatively new area for us and a field that we really became focused on and engaged in in the last three years.

MR. ROSENTHAL: Commissioner Broadbent, may I add one thing that was relevant not only in this case but in Commerce Department consideration of self-initiation, and that is concerns about retaliation when companies and industries file their own petitions, and I can tell you that that was a factor in the decision to self-initiate this case.

It's not or it shouldn't be surprise to members of the Commission or anyone else who works in the world of trade law that sometimes foreign governments and or there are foreign companies with whom companies are doing business are unhappy when petitions are filed, and either the companies that have facilities in China or other countries face retaliation of one sort or another, or their exports to that country face retaliation of one sort or another, and that's a consideration that Commerce engaged in when deciding to self-initiate this case.

COMMISSIONER BROADBENT: Okay, yes. Yes, Mr. Herrmann.

MR. HERRMANN: Could I just add one additional point Commissioner, and that is while self-initiation gets a case started, beyond that it's obviously decided by the Commission on the merits as it is by the Commerce Department. We don't believe this case is any different than any other case that might come before you in terms of the need for a decision on the merits by the Commission.

It's just that this case was started and put in motion in a slightly different manner than cases that are filed or cases that are initiated through the filing of petition.

COMMISSIONER BROADBENT: Okay. Ms. Brock, on the like product issue, in terms of producer and customer perceptions, how do you respond to Respondents' contention that the Aluminum Association's own website indicates that producers consumers, can stock and in scope aluminum sheet to be part of the same like product? I know you mentioned that in your opening statement. I just wanted to clarify. I think their brief is page 17 and 18. I just wondered what the two perspectives were on that.

MS. BROCK: Yeah. So from the Aluminum Association perspective they are very different products, and I can tell you that I've been at the Aluminum Association as the President and CEO for the past seven years. We have never had a common committee between those two products. We have a separate can sheet or can producers committee at the Aluminum Association, and that is very -- it's a very different product. We also report on it separately in our statistical program.

So we treat them within the organization of the Aluminum Association very differently.

COMMISSIONER BROADBENT: Okay. Now what are they saying about your website, indicating that they're similar products.

MS. BROCK: I'll let counsel reference that.

MR. HERRMANN: Sure. John Herrmann with Kelley Drye again. The reference to the website is if I'm recalling correctly from what's characterized as an Aluminum 101 presentation that simply talks about all forms of aluminum sheet. So within that, it talks about automotive body sheet, which is outside the scope of this case. It talks about can sheet, which we believe is a separate like product, and it talks about what is essentially common alloy sheet.

So by talking about all of the different aluminum sheet products in very basic and overview setting, we think that that generalizes in a way that identifies only the most basic characteristics. And for the reasons Ms. Brock just identified, we think that the can sheet and common alloy sheet are very different products, and should lead to a separate like product finding here.

COMMISSIONER BROADBENT: Okay. Mr. Herrmann, just continuing on with that, in the aluminum foil investigations, the Commission declined to define fin stock as a separate domestic like product, despite majorities of purchasers considering certain fin stock to be not at all comparable to other types of aluminum foil with respect to physical characteristics and uses interchangeability, producer and customer perceptions and price.

And then in a different recent case involving PTFE resin, the Commission defined a single domestic like product despite majorities of producers, importers and purchasing stating that there were differences with respect to five of the six factors between three different types of resin.

In this case on aluminum sheet, is it your position that these types of producer and purchaser responses, as is shown in Table I-7 of our report, are dispositive of determining whether can stock should be included in the domestic like product?

MR. HERRMANN: So I'd like to have an opportunity to review the PTFE decision and comment on that in a post-hearing brief, if I could. I guess what I'd say with respect to the findings in the Commission staff report, I believe it was Slide 5 on our deck. I think the findings and the -- well, let me put it this way. The responses to the Commission's questionnaire both on behalf of purchasers and on behalf of U.S. producers give a very strong indication that can sheet and common alloy sheet are separate like products, and we'd encourage the Commission to rely on that information in making its determination here.

MR. ROSENTHAL: Commissioner Broadbent, I'd just add that I would not use the word "dispositive." That's one of these factors that you like at. But the perceptions are of the purchasers and the producers. But there are other factors that you need to look at as well, and we go through those factors and we'll do so once again in our post-hearing brief.

But as mentioned, sitting here are representatives of six or seven companies. Only two of them make can sheet.

COMMISSIONER BROADBENT: Right, understood that. Yeah, I just -- we just often, you know, recognize that different products within a grouping of similar products may have very different end uses, or may not be interchangeable but they're still part of a single domestic like product. So I'm just trying to get a handle on your arguments about can stock.

MR. ROSENTHAL: Absolutely, and we recognize that there are products that are part of a continuum. But many times there's a line-drawing exercise. At what point does the continuum stop or a product get off the continuum, be different enough to be treated as a separate like product, which is an analysis you go through in virtually every case.

We think that this product is less like the scope product than more like it, and there's an adequate justification looking at all six factors, not just one of them, for a separate like product determination.

COMMISSIONER BROADBENT: Okay, thank you very much.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much. Could you put Slide 31 back up that was up there? I just want to go back to the question that Commissioner Broadbent asked, which was why didn't the domestic industry bring this case earlier. Since this is -- the case is largely about causation, and we heard a lot of testimony this morning about relief being long overdue and that ADCVD was the most appropriate remedy.

And when I look at, you know, in particular the graph on the left, where you can see from, you know, there is an increase overall, but in particular when you get to 2013 and then up to 2014 and 2015, you know, it looks like it doubles from '13 to '14 to '15. And then we had our 332. I think you mentioned the hearing that was in the fall.

So can any of the companies talk about did you consider? I mean these are large companies, right, and can you talk about it? Did you consider bringing a case sooner, since it sounds like you all consider that the injury has been going on beyond the POI? If you did why -- can you talk about why you didn't bring the case? I mean to me this goes to the credibility of is it the subject imports that are causing the industry injury?

Because if I were an executive at a company, and I was watching Chinese imports devastate my industry, I think I would take some action. So I'm just curious what your thinking was at that time.

MR. McCARTER: Lee McCarter, JW Aluminum. I'll give you a couple of thoughts, okay, and I started at JW Aluminum in 2009 right at the, near the bottom of this onslaught. And I'll tell you, through 2010 through 2015 it was, I'll put it, hand-to-hand combat just trying to keep a company afloat. And we were busily shedding jobs, shedding costs, and these cases are very expensive to bring, okay? That's one point I'll say. So we were so inwardly focused on survival, trying to get your head up above the fray--

COMMISSIONER SCHMIDTLEIN: But you're not now inwardly focused on survival?

MR. McCARTER: But let me just carry on with the story, if I may? The second thing is, in joining the Aluminum Association we were working through the Association to try to work with the Chinese suppliers and come to a common approach to leveling the battlefield, if you will, the playing field, by getting, you know, rules in place, or a rules-based approach to solving our trade problem.

When it became very apparent there was no commonality that was going to be reached, we then took on the foil case first, which we completed earlier this year, and then also have lined up on this. Because as you see, the numbers on the right, right? Those aren't numbers that attract investment at all.

Living in that environment of no returns, to extremely low returns, is not a way to grow your industry. So what I would say to you, at least from JW's perspective, yep, we are still in hand-to-hand combat. We have been successful I believe at least with the, I call it the "green shoots," the early returns on the foil case of attracting some investment so we can now put ourselves in a better position to compete over the next 50 years and start to look out, than having to just survive.

Make no mistake, every day is a battle out there. These are long-term investments you have to make. You have to plan well in advance to bring them online, and it takes a significant effort to attract the capital. And we're placing a bet here today that this group is going to come up with an affirmative decision to support that investment plan that I spoke of in my testimony.

So we weren't sticking our head in the ground. We saw this, but we had to count on the first talking to people and trying to get them to help in leveling the playing field. And then we had to come together because it wasn't going to happen without the support of this group.

COMMISSIONER SCHMIDTLEIN: So when you say a rules-based resolution, can you be more specific about what you were talking about?

MR. McCARTER: What I mean by that is going over and meeting with folks in China, as Chester had indicated in his--or Mr. Roush had indicated in his testimony, and trying to understand where they were coming from. And then realizing that their focus was simply to just implement low-cost capacity, a billion pounds coming online, and looking at us as a dumping--you know, we tried. I'll be straight up. We tried to go over and find a way to have a common approach to even do business in North America, but could not reach any commonality. Trying to be a distributor. Trying to find ways to compete in the marketplace successfully, and we just couldn't come to find a way to do that.

So their approach was to decimate us.

MR. STEMPLE: Yeah, let me address that, Madam Commissioner. Buddy Stemple from Constellium, and I'll speak both for Constellium as well as I've been a member of the Board of Directors for the Aluminum Association for the last four years.

And, yes, if we're guilty of being a little slow off the mark, we are slow off the mark. There's a couple of reasons. In my view, the industry tried to deal with the issue of Chinese overcapacity and low prices individually first.

Secondly, it has been the position of the Aluminum Association that our preferred remedy would be a government-to-government negotiation. But as Mr. Roush said, we were never able to get to that point. And when this opportunity came along, it's in my view a tipping point at this industry for its future. And we chose to come down this path as a remedy.

MR. ROSENTHAL: Commissioner Schmidtlein, I want to be very careful in my answer without revealing client confidences, but I will tell you that my colleagues at my law firm were approached to consider a potential case as early as 2010-2011. And let's--well, obviously the case was not filed, involving flat-rolled aluminum products. And the basic reasons I can tell you were every company that was involved had a different business strategy. And some of them had different philosophies, if you will.

Some of them were, I would argue, very free-trade oriented. They didn't think that one should be a protectionist, or pursue protectionist remedies. And in fact, some said, you know, what? We don't think we can beat them so we're going to join them. So we're just going to be importers and give up our production.

If you actually go through the history of this industry, as much as we don't want to hear more about the history, look at the number of companies that were sold during that period, or changed hands. People said we're not going to be able to make it here. Why put up the money for an expensive dumping or countervailing duty case? We're not going to prevail, ultimately, because the Chinese are going to wipe us out, so why bother? Let's abandon ship, if you will.

This industry has changed hands. A lot of facilities have changed hands, and there have been a lot of management changes. At the time when this was considered, we had recommended bringing cases. And one company wanted to bring a case; another company did not want to and had a different business strategy.

It's only been in the last couple of years when I think that each of the companies concluded individually that their strategies weren't working. They were not going to be able to compete against the massive Chinese capacity that was being installed. And they said, you know what? There is this remedy that other industries have been using, maybe we should consider that.

And through the Aluminum Association they ultimately decided to do that. Yes, they should have done it earlier. There's no question in my mind they should have done it earlier. The question for the Commission ultimately is: Is it too late? And I would argue it's not too late.

COMMISSIONER SCHMIDTLEIN: Okay. So let me just--that's somewhat of a segue to another question I had, which was the request for exclusions from the 301 Tariffs. So in the Petition, Petitioners' brief, you describe that you've already requested exclusions from USTR and been granted exclusions for a certain subset, I take it, of HTS categories that are within the scope of this case.

And so given, as you said, you know, you don't know what the outcome of this case is going to be--it could come out negative; it could come out affirmative--why would you go ahead and ask for exclusions from tariffs on product coming from China? I understand your argument with regard to the 232s that you want a more targeted remedy and therefore that's why you've asked for some relief from 232s on this product, but the 301s only apply to China. China seems to be your problem. You don't know how this case is going to come out. So why did you go ask for exclusions? And they've already been granted, is what you say in the brief. Why would you take that chance, since you don't know how this case is going to come out?

MR. HERRMANN: If I could take a run at that one, Commissioner. So when the Association and its member companies made a decision to support the effort to obtain a remedy in this case, the view was that obtaining antidumping and countervailing duty remedy relief is the best opportunity for long-run sustainable stable relief that has a prospect of remaining in place for a period of time that will allow the domestic industry to make investments that several companies have talked about this morning, and to have an opportunity to recover from the injury that's been occurring over the Period of Investigation.

The view was that this remedy provides the best opportunity to do that; that Section 301 is of uncertain duration, of uncertain coverage; and the thought was that the industry should put forward--put itself in a posture to get itself the best possible opportunity to obtain relief through this process.

COMMISSIONER SCHMIDTLEIN: So what does that mean? How do you think the 301 tariffs are impacting this case? Is that why you asked for an exclusion? That there was the impact on the volume?

MR. ROSENTHAL: I will say that a concern--I'm not going to refer to any particular company's request for an exclusion here--but I would say a concern in general about the impact of the 301 process on this case went as follows:

And some of us, myself for example was involved in the Sunset Review on tin mill plate when the 232s were first being considered, and there's a lot of concentration--in fact, almost, but not exclusive--but a lot of concentration, will you need relief if the 232 tariffs go into effect? What does that mean for the need for relief going forward?

And, frankly, we anticipated if we were covered by the 301 tariffs, or the Respondents here would be saying, well, you don't need any dumping relief, you're all set. You don't need any further antidumping duties.

And so one way or the other we were going to have a colloquy, an exchange of do you need these? What does it do to your need for relief and the threat going forward?

Our view was, as Mr. Herrmann said, we need permanent, or at least more stable relief than the 301s. We were concerned that you'd say, well, you've got this relief and you don't need dumping relief. And that's pretty much a summary, and something we're going to hear from the Respondents if we didn't ask for an exclusion.

So the other thing is, any given day we weren't sure how long these would last. And these could be gone next month. There's a meeting with the President and Mr. Xi. They could have a deal, and the 301 tariffs are gone. And so we didn't want to put much weight in that, and we didn't want to have the distortions from any relief affect the analysis in this case.

CHAIRMAN SCHMIDTLEIN: Okay. Alright, thank you. My time is up.

CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: Yes. Thank you all again for testifying. We appreciate you coming into town.

I wanted to turn back to the can stock issue. What is your response to the Respondents' argument that can stock is within the range of gauges of in-scope sheet?

MR. STEMPLE: Buddy Stemple from Constellium again. The can stock market generally tends to be below 10,000ths of an inch or, depending on the product, around there, which is well below what you see in common alloy type of products.

When Mr. Keown talked earlier about the mass market for the distribution of these products, over the years the industry has determined what we would call "standards." So it's a standard width, and it's a standard thickness. So 48, 60, 72, 080 gauge, 100 gauge, 125 gauge. Much higher thicknesses of those products. And that's where the significant volume of the common alloy sheet market has traditionally been. Outside of OEMs, the distributors have been the mechanism to take those standards and distribute them to multiple industries and multiple end-use applications.

COMMISSIONER KEARNS: Okay. And of the thinner product, what besides can stock is that used for, typically?

MR. STEMPLE: If I understand your question correctly, what other products than can stocks are thinner material used for?

COMMISSIONER KEARNS: Correct. Yes.

MR. STEMPLE: It would be things like heat exchangers. Obviously the vast majority of foil applications are thinner than can sheet. And those products are produced on very different mills. Brazing sheet, as an example, some of those products could be in there as well, depending on the application or the individual specific component of the heat exchanger.

COMMISSIONER KEARNS: Okay. And what about the argument that this can be produced on the same equipment? I heard you in the opening indicate that common alloy sheet can be produced on can stock equipment but not the reverse. Can you explain that? And then also are there any other responses you have to the issue of common equipment?

MR. STEMPLE: Yeah, the real requirement for can sheet is that the products that the individual containers in the can-making plant are produced at very high rates of speed. So thousands of cans a minute. It requires an amazingly consistent product in terms of thickness, surface, shape, and flatness. And mills need to have the specific process controls in order to deliver that to them.

You can run common alloy on a can sheet mill, but not vice versa. And I think the other point from my experience in the industry--and I've had customers tell me this--is that can sheet is an amazing part of the can-making process. So we engineer the surface of the material for the can-making equipment. We have a forming lubricant that's on the sheet that allows the can to be drawn through the process, where that's totally different from any of the use of common alloy sheet.

COMMISSIONER KEARNS: And you say, again, that common alloy sheet can be produced on can stock equipment. Is that true for the whole range of thickness, and for all kinds of common alloy sheet? Or just for the similar thickness range, and that sort of thing?

MR. STEMPLE: It would vary on the capability of the mill. So if the mill had thickness capabilities beyond that, it could. But some of the heavier products, some of the mills might not be able to produce those heavier thicknesses.

COMMISSIONER KEARNS: Okay, thank you. One other question on this issue. So, you know, by statute we need to start with the scope of the investigation. And obviously can stock is outside of the scope. What other products besides can stock are outside of the scope? Because I'm trying to get a sense of, you know, it would be one thing if the only thing outside of scope here is can stock, and then it kind of looks like it's this weird outlier that you guys didn't include, but if there are other products we need to know that because we really aren't just making a decision about can stock. We're making a decision about whether to go beyond the scope. And if we go beyond the scope, what are we getting ourselves into?

MR. HERRMANN: This is John Herrmann from Kelley Drye, Commissioner Kearns. One other important product that is outside the scope is automotive body sheet, which I talked a little bit about in my opening remarks.

The Respondents in their brief make several points that would conflate auto body sheet as if it were a common alloy sheet, which it clearly is not. Auto body sheet is made from 6000 series alloys. It's subjected to a special heat treatment process. And for those reasons it's outside the scope of the case, probably most relevantly because it's a 6000 series product, where the scope only defines in-scope merchandise to include 1000, 3000, and 5000 series alloys.

COMMISSIONER KEARNS: And it's produced on the same equipment as the in-scope merchandise?

MR. HERRMANN: So it--well, why don't I let an industry panelist, or industry official answer that.

MR. KEOWN: Yeah, so this is Mike Keown. For us, we invested over $400 million several years ago to expand into the automotive market segment. We added a heat-treat capability, two lines at our Lewisport, Kentucky, mill. And also a specialized wide cold mill to produce the wider sheet.

On the equipment upstream, it's the same equipment that we've used for common alloy sheet. But as you get to the real stringent and highly engineered surface capability and requirements and the heat treating in order to have the proper formability, weldability, and also the lubeing for the corrosive side of things that's required by the auto OEMs, the downstream assets of that are completely different and is what a lot of us have invested into that market.

COMMISSIONER KEARNS: And that's a little bit different from can stock, right? Because on can stock it's the upstream equipment that is--can be shared, but only in one direction?

MR. KEOWN: Correct.

COMMISSIONER KEARNS: Yeah. Okay, thank you. So I wanted to ask about the argument about your move into niche products. I'm trying to get a better understanding of how that might be impacting our pricing and AUV analysis.

So I guess the first question would be: Is it right to assume that the niche products are higher priced generally? And can you say a few things about that?

MR. KEOWN: I'm sorry, AUV products?

COMMISSIONER KEARNS: Yeah, I'm sorry. Forget everything else I said before. Are your niche products--and I'd like you to maybe address some of your specific niche products--are they higher priced? Are there any niche products that aren't higher priced from your general run-of-the-mill products?

MR. KEOWN: Yeah, I think a lot of the building material, a lot of those OEMs want domestic production, but the size of that market size is much, much smaller. And so when you remove--when a mill is removed from what I would call the standard 3003 and 5052, there's only so much building material business to go around. A lot of it is, I won't say "just in time," but close to just-in-time production. It is very specific. It is custom-ordered, if you will, and a lot of times shorter lead times.

So we create small what we call depo programs and other things and work directly with those OEMs. The pricing is better than what I would call the common alloy 3003 and 5052 business.

Yeah, and because of the regional nature and the desire by those OEMS on those building materials, there's much less competition from China and other importers.

COMMISSIONER KEARNS: Okay. And I mean it's during our Period of Investigation that you all have been moving?

MR. KEOWN: Absolutely.

COMMISSIONER KEARNS: Okay, so then--and maybe this is a question more for counsel, but I would think then that we need to be a little bit careful when we see--when we look at the AUVs over the POI. Because if you were producing, you know, more commodity grade at the beginning of the POI, and more niche product at the end, the AUVs might be a little bit distorted.

MR. ROSENTHAL: Commissioner Kearns, that is possible. But we're still talking about relatively small volumes, and these are niche products compared to the rest of the volumes. So, yes, it's theoretically possible, but I'm suspecting it's not going to have that much of an impact given the relative size of the production of each.

COMMISSIONER KEARNS: Okay, thanks. That's helpful. My time is out.

CHAIRMAN JOHANSON: I would like to thank all of you, again, for appearing here today.

Many of the volume, and volume-related indicators of domestic industry performance have been relatively stable over the period for which data were collected in these investigations. Capacity, production capacity utilization, U.S. shipment quantities, employment, all of these indicators fluctuate but do not shift sharply.

What does this say regarding the impact of imports from China, which increased nearly one-third between 2015 to 2017, and which contracted noticeably in the first half of 2018?

MR. STEMPLE: Buddy Stemple, Constellium. I think what at least in our experience, and back to the previous question, what is really important to the economics is volume. We are extremely high fixed cost. Billions of dollars invested in the ground. And the trend, at least in our company, was to maintain volume at the sacrifice of the pricing. And I think you can see that in the profitability of the industry.

So in order to spread the fixed cost as much as possible, one of the easiest ways to do that is to sacrifice some price that is not a long-term sustainable strategy, however.

CHAIRMAN JOHANSON: Thanks, Mr. Stemple.

MR. KEOWN: Mike Keown. I agree with Buddy. Our view, when you look at high fixed costs, high capital intensive mills, getting in and out of markets is not easy to do. It ends up resulting in significant layoffs, and shutting down certain work centers across your plant.

That is (a) expensive, and (b) one that during the time was we had taken the strategy of we have to continue to fill our mill, if you will. And it came at the sacrifice of price across all nine of our facilities.

MR. McCARTER: Lee McCarter. I'd like to add just one other point. They're all right about the maintaining the volumes, but really what it's done is force us to make other choices. And I'll refer back to Ms. Brown's testimony. So our choice, when you're giving up price, is you reduce the benefits to our employees in terms of paying as much of health care. You force that back on employees. Or you ask employees to leave. Or it's deferring pay raises because you can't afford to give a pay raise because, given the operating margins you saw in the last chart, they haven't improved.

So prices are down, but you have to make other decisions within your infrastructure to try to stay alive, and that's why I referred to the "hand-to-hand combat" every day in trying to run a business.

CHAIRMAN JOHANSON: Thanks for your responses there. Does this relative stability in the industry, does this seem surprising in light of the import restraints arising from the 232 proceedings, and which are taking effect in 2018?

MR. ROSENTHAL: Commissioner--Chairman Johanson, I just want to ask a question. When you say "relative stability," are you talking about stability when it comes to the increases in volume? I just want to make sure we understand the question before answering that.

CHAIRMAN JOHANSON: I understand. I'm talking about industry performance being relatively stable, looking at capacity, production capacity utilization, U.S. shipment quantities, employment.

MR. ROSENTHAL: Okay, I'm sorry. Thank you for that clarification. I would argue that we are very stable at an abysmal level. And if you look at the profitability, none of the companies are happy being at that stable level.

As we were talking about this yesterday, I was suggesting that the rate of return I can get on my checking account is more attractive than they are getting in their business where they've invested billions of dollars.

I will defer now to Mr. McCarter again to-- because what I'm hearing from them, and what he just said, which says this is stable at a very bad level where they're fighting hand-to-hand combat every single day. Things have improved since the Prelim at the Commerce Department, but it's still not at a good place.

MR. HERMANN: Chairman Johanson, if I could--this is John Herrmann from Kelley Drye. I guess one additional point I would make is that the 232s have only really been in effect for several months. They barely touched the interim data in the second half of 2018. 232 duties went into place on March 23rd, so you've basically had three months of data collected when the 232 duties are in effect.

And I don't know, frankly, if that's enough data to draw too many conclusions about what the medium or long term impact of those duties has been.

MR. ROSENTHAL: One last point. And that is that a lot of these volumes are under long-term contract. So the 232 duties, even the provisional duties put in place by the Commerce Department in this particular case, have really not worked their way through to higher prices in a lot of these instances. So you're not seeing a big price improvement uniformly yet.

There has been some. There's no question about it. But it's not as pervasive as it might be, or the positive effects won't be seen for a little while longer throughout the industry.

MR. McCARTER: And like the conversations earlier on the 301, right, the 232s we can't plan a business, a long-term business on the 232s given the lack of longevity, or potential lack of longevity of those duties as well.

CHAIRMAN JOHANSON: Alright, thanks for your responses.

On a company-specific basis, Table 4-4 of the prehearing staff report indicates that the financial performance of companies varied. Some reported poor financial results at the operating level throughout most or all of the Period, whereas others reported what could generally be considered relatively strong financial results.

To what extent that U.S. producers' financial results are impacted by subject imports are some U.S. producers simply more vulnerable? And if so, why?

MR. HERRMANN: I guess let me offer a very general answer, Mr. Chairman, and we'll be happy to address that in more detail in our posthearing brief. But I think what you're seeing is some companies that may have moved into niche products more quickly than others.

Some companies may have been more dependent on a product mix that involved larger volumes of 3003 and 5052 alloy products. And I think that may be why you're seeing some different trends in terms of company financials.

I think much more than that we'd probably best address confidentially in our posthearing brief.

CHAIRMAN JOHANSON: Certainly. I understand, commissioner Herrmann. On page 14 of your brief you list some announcements of new investment in capacity increases.

What do these investments tell us about the condition of the domestic industry? Are you arguing that these investments represent a recent response to the prospect of future trade remedies? Or, alternatively, could these investments be viewed as indicating solid market fundamentals over the Period of Investigation?

And that latter point was made by the Chinese Respondents at page 42 of their brief.

MR. McCARTER: Lee McCarter, again, with JW. I can answer from our perspective. As I mentioned in the testimony, we've made a decision to invest $200 million in a facility refresh and expansion, and an opportunity to invest further subject to what comes out of these proceedings.

I was personally out raising the money in the first half of this year to try to attract that investment, okay? And I can tell you that my Board, my owners, we are very hopeful of the outcome of this particular case. I can tell you, without having the success on the foil side, it gave some hope to the sheet side. And so, yes, we're placing a bet that we're going to get a favorable response to this proceeding here. I can tell you if it doesn't come, the likelihood of that phase two investment and more jobs is a very, very long shot, a very long shot.

MR. STEMPLE: Yeah. Buddy Stemple. I'll speak to our investment program. I first put forth the investment program that we're about to launch in 2015, and it did not meet the financial hurdles due to the market economics. And we too are very hopeful in an affirmative outcome here that will allow us to continue on with those investments to stabilize the future of our plant.

MR. BOITTIANUX: Patrick Boittianux, Arconic. For us as well, the investments are the results of the Preliminary Determinations, and this allowed us to invest in San Antonio, for example, and in Tennessee.

MR. CLEGG: Hi. I'm Chris Clegg from Aleris. I think one thing that you might note about our industry is that a lot of the investments are made with debt, borrowed money. And debt investors are not necessarily short-term investors, and they're different from equity investors, and nobody is going to take a debt investment. And it's very clear I think if you look at those that have been publicly announced, the publicly announced investments that are based on significant, $100 million increments of debt, that there has to be an assurance that you've got a business plan that's supported by a long-term solution.

You can't convince debt investors to lend you money if you don't have a pathway, and you don't have a profitable solution. So I think for all of us in this industry that depend in a material way on financing our future through access to the future debt market, there has to be a long-term solution to maintain and to actually have investment in these kinds of product lines.

CHAIRMAN JOHANSON: Mr. Herrmann?

MR. HERRMANN: Yeah, and I'm sorry, Mr. Chairman, I see your time has expired. I just wanted to make one quick additional point, which is the point you made about the investments that the Respondents contend are signs of strength and stability of the domestic industry.

Virtually all of those have been made in auto body sheet, which is consistent with the witnesses' testimony this morning that the domestic industry has been looking for areas where Chinese imports are not directly confronting them.

The Commission in its 332 report specifically found that Chinese imports are largely absent from the auto body market for the moment. And I think you need to distinguish between investments that have been made in the past for auto body sheet expansions versus much more recent investments, limited investments generally, that have been made in common alloy sheet operations.

MR. ROSENTHAL: I know I'm extending your time, but I just can't help but think of the great line by the bank robber Willie Sutton when asked why he robbed banks, he said, "That's where the money is." Well, the investments in this industry and the debt investors are looking, where can you earn a reasonable return?

Well, it's in automotive. And largely because that's the sector that has not been adversely affected by imports from China.

CHAIRMAN JOHANSON: Alright, thank you all for your responses.

Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman. Since you asked the two questions I wanted to ask, that's helped.

But let me ask a little bit more. In terms of Mr. Rosenthal's comment about that's where the money is, does that mean--I won't say absent the Chinese competition, but if it's on a fair basis, is there also money in the common alloy sheet as opposed to the auto body and these sort of specialized functions? What's the forecast there? And what does that have to do with some of your investments now?

MR. ROSENTHAL: Up until recently, the answer was no. But you're seeing, as you heard, optimism in large part due to this case, and due to the sheet case. And I'll let the industry answer the rest of that question, but you need to understand some more about what their thinking is as a result of what they've been through.

COMMISSIONER WILLIAMSON: Okay, thank you. Because that sort of addresses the supply side, but I'm thinking about the demand side, too.

MR. McCARTER: Just let me be clear. At JW Aluminum we are not investing any of these dollars in automotive body sheet. We are sticking to our knitting in this common alloy sheet and the aluminum foil business, and not expanding into those niche markets.

So, yes, we are very sensitive to the outcome of this case and our ability to raise future investment dollars is going to be highly dependent upon it.

So I'm staying in common alloy, just to be clear.

COMMISSIONER WILLIAMSON: Okay. And I assume it makes some assumptions about the demand for common alloy going forward?

MR. McCARTER: Yes, we've made assumptions. We believe that demand is going to be solid. Going over the demand, I'm separating that from the supply equation--

COMMISSIONER WILLIAMSON: Yes.

MR. McCARTER: --but the demand we feel is going to be very good over the next years, aside from any macro downturn in the economy that may or may not occur at a point in time. But we look for a stable economic climate going forward.

COMMISSIONER WILLIAMSON: Okay.

MR. KEOWN: Mike Keown. So from our perspective we did invest heavily in automotive but, as stated also during my testimony, we've been a significant player and a large player in common alloy and we will continue to be.

With our expansion, one of the benefits and one of the reason for the expansion, as we upgrade our hot mill, we will actually be able to increase capacity at our facility to continue to support common alloy at Lewisport. Our other eight facilities have always been in common alloy. They will continue to be in common alloy. And we will continue to invest in those facilities, as we also keep a very close eye on the common alloy drivers, whether it be housing, single-family home starts, and other things.

And so we see, as Mr. McCarter mentioned, solid growth in demand on the horizon and we'll continue to support that.

COMMISSIONER WILLIAMSON: Thank you.

MR. STEMPLE: Buddy Stemple. I'll echo similar comments. At Ravenswood, common alloy is about half of what we do. We do see a bright future for continuing applications for aluminum, and thus are more than willing to invest to increase our capacity. We are a bit unique in that we have some of the widest width capabilities in the industry. So there are markets that we can take that to and provide benefits. Many of the people here today are my customers, and we provide them a very wide sheet, well beyond 72 inches, for their applications.

So that is a growing, stable part of the demand going forward.

COMMISSIONER WILLIAMSON: Okay. Thank you for that. That gets a little bit to this question of the vulnerability of investment, so it's helpful to have that.

Mr. Herrmann, posthearing will you address the difference in the performance between the different companies? You mentioned something about what types of products they produce. I hope you will elaborate on that in your posthearing, because I'm just trying to figure out what role does that play in the differences in performance, and what other factors do that.

MR. HERRMANN: Absolutely, Commissioner, we will.

COMMISSIONER WILLIAMSON: Okay, thank you.

Respondents point to purchasers' questionnaire responses reporting supply constraints for standard common alloy. And so I was wondering, have any of you ever allocated supply, or declined to supply aluminum sheet? And if so, why?

MR. STEMPLE: Could you repeat the last part of the question?

COMMISSIONER WILLIAMSON: Have any of the companies allocated supply or declined to supply aluminum sheet to customers?

MR. ROSENTHAL: Commissioner Williamson, may I just ask for a clarification? You're talking about before, or--do you want them to differentiate between before and after the Preliminary Determination by the Commerce Department? Because I think you're going to get different answers from different companies.

COMMISSIONER WILLIAMSON: Actually I was just getting--no, I didn't distinguish, and I was just getting to the Respondents' reports, pointing to the purchasers' questionnaires.

MR. ROSENTHAL: Because I think you'll get--I think you'll hear from some companies who want to answer this question, and the answer is "no" before, and "yes" since the Commerce Prelim. So I want them to--

COMMISSIONER WILLIAMSON: In other words, you call it position effect--

MR. ROSENTHAL: I want them to answer with that in mind. Because sometimes Respondents tend to conflate time periods on these things.

COMMISSIONER WILLIAMSON: Okay, with that in mind, does anyone want to comment on the period before? In other words--which gets to the question where Respondents are probably saying, yeah, we came into the market because you all weren't supplying the customers what they wanted.

MR. STEMPLE: That's before.

COMMISSIONER WILLIAMSON: Yes.

MR. STEMPLE: I'll say generally in the Period of Investigation, no. There may have been a case or two where it just didn't make economic sense. I can tell you that since the case has been filed, and the large amount of Chinese imports that were in the country that have now been used up and gone, the answer has been, yes, on occasions. That's a couple of reasons why.

One, the industry generally negotiates its annual or multi-year contracts this time of the year in Q-4, and we make volume commitments for the following year. We try and allocate as much capacity as we can because of the high fixed costs. So in that particular contractual year, there may not have been an opportunity to supply immediately. There's been a large portion of Chinese stock consumed. Or it could also have been that the price wasn't conducive to doing that.

As Mr. Keown mentioned, you know, to add capacity and increase is not an overnight switch. We have to hire people. We have to train them. We have to bring the equipment back to operating position if it's been idle. So we definitely look longer term when we make those decisions.

COMMISSIONER WILLIAMSON: Okay.

MR. McCARTER: So I'm going to answer it two ways. First, that red bar that you see, which is the loss, over my shoulder, we call that in my company taping dollar bills to product going out the door. So when it doesn't make economic sense, sure, we're going to decline to supply.

But similarly, you know, we contract in the fall of the year. We had open capacity in the fall of last year that we did not contract. Clearly since the initial determinations came earlier this year, demand has been strong. But as I sit here for 2019, my order book is still not full. So we're welcoming orders to come in to us, but we haven't filled them up as of yet. I hope to have it full by the end of this year going into next year. And for those customers that plan out their demand--and this is a seasonal business--that plan out their demand, you know, and make a commitment to us, we'll make a commitment to them to supply.

COMMISSIONER WILLIAMSON: What's the seasonal?

MR. McCARTER: Sure. Typically what you find in our business it typically follows the construction season, which is generally call it late February-March to October-November. And you'll see a higher peak level of demand during that period versus the off-months where we typically will have to run and/or build inventories around those months in anticipation for selling out in the future. The customers don't like to hold the inventory.

MR. BOITTIANUX: Patrick Boittianux. Coming to this case before the implementation of the Preliminary duties, we had capacity available. The price point that was in place at that time was fairly low, as you can see, as well with the profitability numbers here. And we are waiting to see if we have permanent relief that would lead to better pricing moving forward.

COMMISSIONER WILLIAMSON: I was just going to ask one further question. I think the Respondents may have made some reference to the fact that, you know, the industry was going to more specialized products, and glazed automotive is being a reason why there may have been adequate supply. Does someone want to address that?

MR. McCARTER: I'll just comment briefly. I think the reason for the lack of adequate--perceived lack of adequate supply, with numbers like this you don't invest in building capacity to support a marketplace.

And so what we're going to get out of this, we hope, is that incentive to invest in the assets, to expand capacity, to continue to support a growing demand in this country.

So if I'm economically motivated, we're going to go put dollars to work. Somebody else may want to comment.

MR. ROSENTHAL: I just want to add one other thing. I think Respondents in their briefs, and we'll see if they say anything in their testimony, have failed to recognize what I regard as a long-standing Commission understanding that it's not a requirement for the domestic industry to be able to supply the entire market. You've made that clear in numerous decisions over the years.

And so I understand that the reason why you're asking about the ability to supply these particular customers is because they're alleging that the reason they're buying from the Chinese is because they can't get it from the U.S. And that's why I made clear that it's important to distinguish between prior to the Preliminary Determination or after. Because I think it's fair to say that the imports that were coming in and increasing over time were driven by price.

Now that there are provisional measures in place and prices have gone up, now the domestic industry producers are being turned to by those purchasers who have previously purchased from the Chinese that are saying we want this right now, and now they're not being able to get it for the reasons that you've heard from the domestic producers.

So I wanted to distinguish between that, because when they start talking about, oh, there were not quotes. We couldn't get it from those folks. That was not the reason why they're importing in the first instance.

COMMISSIONER WILLIAMSON: Okay, thank you for those answers.

MR. HERRMANN: Sorry, Commissioner, just one other quick point that I think is relevant to this issue. We did not hear about supply shortages during the Preliminary Phase of this investigation. Go back and review the transcript. There is no discussion about short supply in the market. This is purely an issue that's come up at the Final Phase. And as Mr. Rosenthal just indicated, I think it's an issue that relates to the imposition of provisional measures earlier this year.

COMMISSIONER WILLIAMSON: Okay, thank you.

COMMISSIONER BROADBENT: But this shortage is really reflected in the response to the questionnaires. Table 2-7 in the prehearing staff report say 27 purchasers considered availability to be a very important factor in purchasing decisions.

In Table 2-9, most purchasers reported that the domestic product was inferior to subject imports in terms of availability. That seems like it corroborates what the Respondents are saying.

MR. ROSENTHAL: Of course it does. But the question is "when?" And the questionnaire doesn't distinguish between the time periods. Of course they want to be able to buy the product. Availability of the product is crucial. But for your decision, Commissioner, you've got to figure out whether the reason why they bought the Chinese imports was not because of price but because they couldn't get it from the U.S.

Of course right now every producer--every customer says we have to have the product available to be able to make that choice based on whatever price there is. We don't dispute that at all. The question is: When was there concern about availability? And is that the reason why they're buying imports from China? Or was it price? You have to then look at the rest of the record. All the instances of underselling. All the acknowledgments by the purchasers that they're buying based on price has to be part of your balancing of the reasons. And it's not just looking at the answer to the question of availability.

COMMISSIONER BROADBENT: Okay. Let's see. On non-subject imports, the volume of non-subject increased by almost the same amount as the volume of subject imports from 2015 to 2017. After the petitions were filed, non-subject imports increased to a far greater extent than the domestic industry shipments. Why did non-subject imports increase to such an extent from 2015 to 2017?

MR. HERRMANN: We'll take a stab at that in the post-hearing, Commissioner. Let me offer a few thoughts. I think where you've seen the response in non-subject imports is subsequent to the imposition of provisional measures. There have been modest increases from Canadian imports. There have been imports, increases in imports from Bahrain and Indonesia and Oman.

I think frankly some of that may be in response to the imposition of the 232 duties. I suspect it's also a response to the imposition of provisional measures here. But I think the baseline important point is that non-subject imports account for far less in terms of total U.S. imports than the Chinese product, and with respect to the Canadian products, they have been sold at much higher prices than the

Chinese, in fact have oversold the domestic product in a substantial number of instances.

COMMISSIONER BROADBENT: Okay, but it does look like non-subject imports and not the domestic industry replaced the subject imports as they were declining in interim 2018.

MR. HERRMANN: Yeah. Again, I think there's several reasons that contribute to why domestic producers have not gained market share subsequent to the imposition of provisional measures. I can't go into a lot of detail, but we will certainly address it in our brief.

There were substantial inventories that were held by U.S. importers at the end of 2017. There were substantial increases in the volume of imports from China in the first few months of 2018, prior to the imposition of provisional measures.

You also had a response to the 232 duties which went into place in March, and as several of the witnesses have talked about previously, you've got annual contracts in place for many of the domestic producers that lock in pricing through the duration of 2018, as well as allocations of their capacity in their mills, which makes it difficult to respond in a matter of weeks or months to changes in market conditions.

COMMISSIONER BROADBENT: Right. But the

capacity utilization of the domestic industry is not really changing after the imposition of the duties, or very slightly.

MR. HERRMANN: Yeah. Again, I think that we would basically say that there has not been an instantaneous response because of the pricing factors, and because of the capacity allocation. Hopefully that will change with the annual contracting process that's underway now. The Commission staff report shows that domestic producers have substantial capacity that's available to increase their production. The Respondents make the point in their briefs that the domestic industry capacity utilization is high.

I beg to differ. In the 332 report where the Commission looked more broadly at capacity utilization granted for a different period, it was 2011 to 2015, and it looked at capacity utilization for plate, sheet and foil, it showed much higher capacity utilization, in some instances over 90 percent.

So what I'd take from that is it shows that the domestic industry can operate at substantially higher levels of capacity utilization than the high 70's to low 80's at which it operated over the Period of Investigation on common alloy.

COMMISSIONER BROADBENT: Okay.

MR. KEOWN: This is -- I'm sorry.

COMMISSIONER BROADBENT: Yes, go ahead please.

MR. KEOWN: Mike Keown. For us in 2018, we've brought two of our common alloy plants up to 24-7 operation. So going from three shifts to four. That takes roughly six to nine months to get that completed. By that time, you go through the hiring process, the background process, the training, which is extensive, to ensure that our employees are safe and that they operate at a certain efficiency. So it does take time to respond to those types of requests in the market.

COMMISSIONER BROADBENT: Okay, let's see. Back on the issue of the exclusion request, Mr. Ricci or Mr. Zanelli, Petitioners particular Novelis according to Respondents -- yeah, this is for Petitioners Novelis, according to Respondents Novelis requested exclusions from the Section 232 tariff, stating that the domestic industry is at capacity and unable to meet increased customer demand for industrial products.

Do you agree that Novelis made this statement? Does this indicate that Novelis perceived the domestic industry to be unable to supply additional volumes to the market without supplemental imports?

MR. RICCI: I do agree that we made the statements. As I said in my preliminary briefing, we have --

MR. BISHOP: Could you identify yourself please?

MR. RICCI: Oh sorry. Davide Ricci, Novelis. We do have a fully integrated facility in Kingston which works in tandem with our Oswego, New York. That is an integrated supply chain that's supplying to mainly the North American market. And so we had to ask for the 232 exclusion because we were paying, you know, the ten percent of every truck that is coming into the U.S. from our facility in Kingston.

But we did ask only for exclusion from Canada, where we have the facility. We never asked for any exclusion from China or other countries in the world.

COMMISSIONER BROADBENT: Okay. But you said the domestic industry is at capacity and is unable to meet increased customer demand for industrial products.

MR. RICCI: Yeah. So our company, as we said, we moved some of the capacity to other niche markets to increase our utilization of our assets. So we do see higher capacity utilization, but I was not speaking for the entire industry.

COMMISSIONER BROADBENT: Let's see. This would be for any of the Petitioners. Can you explain how TaChen was granted Section 232 exclusions for aluminum alloyed cold-rolled coils from Indonesia, India, South Africa and Taiwan, as stated by the NMMA group on pages 20 to 21 in their prehearing brief?

MS. BROCK: Commissioner Broadbent, I'd like to take the first step at responding to that, and then open it up to any of our members. We were very surprised and concerned by the Department of Commerce's approval of Section 232 exclusions requested by U.S. distributors involving large volumes of common alloy products, such as the TaChe exclusion you reference, especially given the Department's self-initiation of this anti-dumping and countervailing duty investigation on common alloy sheet imports from China.

As we have told officials at the Commerce Department, Ta Chien's assertion that domestic producers are unable to supply large volumes of common alloy products to the U.S. market is not correct, and domestic producers have and will continue to supply large volumes of common alloy sheet to the U.S. market. As you've heard from our U.S. officials, domestic producers are prepared to make and in some cases have already made substantial investments to increase capacity to produce common alloy sheet and supply their customers.

Without an effective determination in this case, however, these investments will not be pursued if this -- and this exclusion need to be reopened and challenged.

COMMISSIONER BROADBENT: Okay. My time's

running out. I just have one other question on exclusions. Can you explain why Mandel Metals was granted an exclusion request for aluminum sheet?

MS. BROCK: My answer would be the same. We're very concerned and surprised that the Commerce Department would approve that exclusion.

COMMISSIONER BROADBENT: Okay. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, all right. So I just want to go back to this question about the interim import data, and to make sure I understand and I know that we've -- we had one company, Mr. Keown, I think you testified about this a few minutes ago in response to Commissioner Broadbent's questions.

But when you look at the staff report, and I know when you look at the breakdown in particular, the capacity utilization of the various U.S. producers varies quite a bit, right. So there are some that are at high capacity it looks like, others that are not.

The overall number you see in the C table, counsel would. So I just want to understand what exactly the response is to the question as to why did the non-subject gain market share in the interim period and U.S. producers did not after the prelim duties had been put in place, and in addition to 232s went into effect.

But I don't know if counsel would be the one, because I don't -- I want -- I'm trying to get an overall answer and not -- so maybe your company was at high. I wasn't quite understanding. Like you did have extra capacity or you didn't, but you had to have time to hire people. Is that -- is that the answer?

MR. KEOWN: Yeah. So throughout 2018, we had and have additional capacity across as we look at the full channel of the --

MR. BISHOP: Can you move your mic closer please?

MR. KEOWN: And so we did, certainly as we look at on the common alloy side on our continuous cast business, had extra capacity but it wasn't manned. So we did not have the labor to run that capacity, and so we've been working on that in 2018, to get the manning and the people employed and trained, to bring on that additional capacity.

COMMISSIONER SCHMIDTLEIN: And has that occurred then?

MR. KEOWN: That has occurred in one facility.

COMMISSIONER SCHMIDTLEIN: Okay, for your company?

MR. KEOWN: And the other facility is we're finalizing that.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. STEMPLE: Madam Commissioner, I'll address that. Buddy Stemple from Constellium. I think one of the issues you're seeing is the effect of regional premiums and regional pricing. When 232 was enacted, that found its way into the Midwest premium, and so the Midwest premium spiked. So the European premiums were much lower, and it made economic sense to divert some metal from that part of the world.

The other thing I think is you will see that as the Chinese moved away from the North American market, they went into other markets around the world and had the same impact on price, where today the North American market still is the largest open free market for those type of products. That did shift some of the non-subject imports.

COMMISSIONER SCHMIDTLEIN: Uh-huh.

MR. McCARTER: I just think I -- I don't want to restate and repeat everything Mike had said, but you know we're sitting here for '19 is a great way to think about it, and depending upon the success of our order book, also impacts what we're going to decide to gear up for for next year. We don't just flip a switch and turn it on.

We will look at short, medium and longer-term capacity needs and go hire the people, staff. But we do have some excess capacity. My order book is not full for the products that we currently participate in now. But we will bring on if we need to, and we are bringing on a significant amount of capacity in a short 13 months from now.

The other thing I'd just point out, as I'm getting coached a little bit is the route is I'm back to this spot.

COMMISSIONER SCHMIDTLEIN: It's nice to hear such honesty.

MR. McCARTER: No.

MR. ROSENTHAL: I'm reminding him what he told me previously.

COMMISSIONER SCHMIDTLEIN: Oh okay.

MR. McCARTER: But I mean it really comes back to if someone comes in and says I want to buy product, you know, somebody will come in and say I want to buy 30 million pounds of product. I love to hear that. But when it's at prices that are 10 or 15 or large percentages below what's profitable, it doesn't make to do this far right. We're not going to do that.

COMMISSIONER SCHMIDTLEIN: So even after the prelim duties and the 232 tariffs went on, you still were not -- the U.S. market was still not at prices that you could make a profit you're saying?

MR. McCARTER: No. What I'm going to say is is that post the prelim, given the nature of how our business contracts as we go forward, we contracted at '18. We will contract at '19. What --

COMMISSIONER SCHMIDTLEIN: So are the -- go ahead.

MR. McCARTER: What I was going to say is what you had is a reaction in the marketplace after folks had used up inventory that had been brought into this country earlier in the year, and companies that don't necessarily plan out their supply chain a reaction to say "Oh, I need to have the product. Will you quote?"

At the same time they're going over to Oman, they're going over into Indonesia, they're going over to India and they're getting quotes from around. We are not going to bid on a quote that doesn't make economic sense to fulfill that order.

COMMISSIONER SCHMIDTLEIN: Compared to the non-subject?

MR. McCARTER: Compared to the non-subject. And any way, we're only going to run so we don't have a red line.

COMMISSIONER SCHMIDTLEIN: For sales to distributors and converters, are those all under annual contract as well?

MR. McCARTER: Virtually -- for our company, virtually 90 percent of our product is contracted.

COMMISSIONER SCHMIDTLEIN: Annual contracts?

MR. McCARTER: Annual contracts. Some multi-year contracts, and we will hold for some spot business. But generally speaking, the vast majority is all contract business.

MR. STEMPLE: And Madam Commissioner, Buddy Stemple again. The same ratio holds true for our company. Generally, we're about 90 percent contract, some multiple years, and the impact in the spot increasing, you know, have just not been enough yet to really move the needle yet. I will say that I believe you see an industry adjusting to these changes and the change in supply and the loss of that.

You see Texarkana having been sold and coming online. You see investments by many of us who have testified here today to take that on, and you see some of the market economies around the world who are price disciplined coming into the market. To me, that says this market is readjusting to the difference and the changes in today's supply base, which has really occurred since the initiation of this case.

COMMISSIONER SCHMIDTLEIN: So let me just go back to something you both testified about, which is the price of these non-subjects, and that at least at some point in time you weren't able to compete on price with the price of non-subjects. The European premium wasn't as low as the Midwest premium. That had absorbed the 232s. I think you mentioned and you were talking about Oman and so forth. So is that still going on? And if it's not, why not? What has changed?

MR. McCARTER: What I'm going to answer your question on, I'm going to re-echo a little bit what Buddy said. The way the pricing works is they're going to come and they will get a quote out of J.W. Aluminum, they'll get a quote out of Oman or elsewhere around the world.

So many times we don't see the value that we win or lose by. We just know that we lost. Bu what we see is that those particular economies tend to be market-based approach pricing the products domestically. I guess that's how I'd answer that.

COMMISSIONER SCHMIDTLEIN: Right. You're saying you don't think they're being dumped?

MR. McCARTER: That's correct, no.

COMMISSIONER SCHMIDTLEIN: Right, but you're not winning on price?

MR. McCARTER: Not all of the time. We win some, but again 90 percent of our business is contracted. So I'm interested to see what the wins and losses are as we go through the '19 season, relative to some of these foreign imports outside of China. Having said that, remember we are not obligated to supply the whole U.S. market, nor have we been economically motivated to supply the whole U.S. market.

Back to what Buddy was saying, we're seeing a readjustment occur, investment in capacity at J.W. Aluminum, the brought on of the Texarkana, other participants that are now incremental investment to get more efficiency out of their facilities.

You're seeing that readjustment occur as we speak. But as Mike said, you just don't flip a switch. You've got to go hire people, you've got to train the people. That lead time, and you've got to commit. We have estimate internally that to bring on a new employee can be an investment as much as 30 to 50 thousand dollars for training, onboarding and etcetera. So if you're bringing on a lot of people, you'd better darn make sure that that capacity's going to be there into the future.

MR. STEMPLE: And Madam Commissioner, I'll add to that that over time, these premiums will readjust based on supply and demand, and they will change in an open market. I think if you really look at the way our products are priced, for the rest of the world other than China we price off of LME, which is the London Metal Exchange, which is open-market pricing. Pricing is set daily.

We have regional premiums, which move and change daily, and then we have a fabrication premium. That's where we make our money, is on the fabrication premium. If you look at the Chinese supply, you'll see that the Shanghai Metal Exchange, which is set by China, the pricing, there will be a pricing component of transportation here, and then you'll see a fabrication price as well.

That's where we have seen the vast majority of the underpricing is in the fabrication premium. I see prices at fractions of what the market price is here.

MR. ROSENTHAL: If I might Commissioner Schmidtlein, there's one other point. As we're talking about volume, I think it's important to remember that with the provisional duties in place, higher prices being offered or required of the Chinese, I'd say the whole market has been lifted, without the depressing effect of the Chinese prices. So that every, every ton that gets sold is more valuable, more profitable at today's prices than they were when the Chinese were not subject to the provisional duties.

So you heard in Mr. Herrmann's presentation that if the domestic industry just maintained the market share that it had at the very beginning of this Period of Investigation, at prices available today, they would have made $200 million more in revenues.

So I don't want the Commission to ignore the price effect of these cases, first of all the price effect of the Chinese imports in the first instance, and the value of having those provisional duties in place to provide higher prices for whatever volumes are being sold by the domestic industry, because that's an extremely valuable outcome of this case.

COMMISSIONER SCHMIDTLEIN: Okay, all right, thank you. My time is up.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: I wanted to ask a question to you about the Respondents' argument with the two halves of 2017. They argue that the Commission should look at the two halves of 2017. The domestic industry lost market share to non-subject imports in the second half, and that any injury suffered in 2017 was in the second half when subject import market share fell.

I know you all have this chart, and I know you all make the point that that second half of 2017 still is higher than any other. But still I don't know if that's fully responsive to the argument that well when things were the absolute worst, first half of 2017, you know, that didn't -- the industry was doing relatively well compared to the second half of 2017 I guess is one way of saying it. How would you guys respond to that?

MR. HERRMANN: I guess let me offer a couple of points Commissioner. I think one thing that bears looking at, and again I made a reference to this earlier, it's confidential. But there were significant inventories being held of subject merchandise by U.S. importers at the end of 2017. Those inventory holdings declined over the first half of 2018.

I think another important point is that it takes time frankly for imports to come into the market. If you're looking at when imports are landed and clear Customs, they're not going to go into the market immediately. They're likely to be held by an importer or by a distributor, and then enter the market. So to the extent you've got record high imports in the first half of 2017, those imports are going to be coming into the market in the second half of 2017.

MR. HUDGENS: Commissioner Kearns, can I respond to that as well? So even if you look at their own analysis on Table 8, the reason for the decline between the first half of 2017 and the second half of 2017 is primarily overwhelmingly due to a decline in revenues, meaning that it's a price impact rather than cost impact. You see that the total cost didn't change very much at all, that the entire decline in revenues or operating income over that period was due to a decline in that sales value, which means that there was a price impact over that period.

COMMISSIONER KEARNS: Okay thank you, and I -- and you know, not to -- I do take your point on here that even though it's somewhat higher in the first half of 2017, there's not a tremendous difference between those two halves compared to 2016 and so forth. So I do take that point as well.

Next question on the pricing products. Respondents argue that the pricing products are not representative due to the low coverage of U.S. producers' shipments. They also argue that the low coverage shows limited competition with subject imports. How would you respond to those arguments?

MR. HERRMANN: This is John Herrmann with Kelley Drye. A couple of points on that Commissioner. I think one thing that's very important to bear in mind is as we've testified this morning, common alloy sheet is produced in a very wide range of alloys, gauges, widths and tempers. As a result, of the vast differentiation in domestic industry shipments, you're going to --

By defining the pricing products the way they've been defined, you're not going to get a great amount of coverage for products that the Commission collected pricing information on.

I think another point which we'll address in our post-hearing brief is the Commission has made similar findings about different types of different physical characteristics of products in the recent final affirmative determination on stainless steel sheet and strip from China, where again you've got many different product forms, many different physical characteristics, and any one unique pricing product is going to have a relatively limited volume in terms of U.S. shipments.

But we'll be happy to address that in our post-hearing brief.

COMMISSIONER KEARNS: Okay. But one other thing. I mean that explains why, why your numbers in terms of product coverage are relatively small. But I think what the Respondents are arguing is, and yet you have much higher coverage when it comes to subject imports for those products. And so that -- not only -- I mean that suggests that well, we're making and selling these products and the U.S. industry is not. There isn't that much overlap. How would you respond to that?

MR. HERRMANN: Sure, an additional point on that. So I think it's important to recognize that the Commission collected pricing information basically on 3003 and 5052 products, with the exception of Product 8, which is brazing sheet product. And as you've heard from many witnesses testifying this morning, those alloys, those products are where you're seeing a concentration of Chinese products coming into the United States, because they can be produced efficiently in large volumes.

They'll be held by distributors. They can be sold to a variety of different customers, and I think based on that is why you're seeing greater product coverage in terms of the Chinese imports relative to those pricing products.

COMMISSIONER KEARNS: Are you also sort of saying to some extent you all have already moved out of those products and more into niche or not necessarily?

MR. HERRMANN: No. I mean the domestic industry still sells significant volumes of 3003 and 5052, not as much as they did in the past. But those are still very much large volume, highly sought-after products if they can be sold at a reasonable price.

COMMISSIONER KEARNS: Okay, thank you. I want to ask a couple of questions about the Aleris shutdown. How -- and I know we, you mentioned this a little bit in your opening. I think you had pointed out that the shutdown that the impact from -- the volume affected by the shutdown was minuscule compared to subject imports. I think that's a good argument for why we shouldn't do what Respondents have asked, which is basically just take out -- if I remember right -- take out Aleris from the industry and then -- and recompute figures. But how should we take into account the planned shutdown and its effect on the trade and financial indicators?

MR. KEOWN: I'll let John speak a little bit to it as well, but from our perspective, we did have a significant outage. We took roughly 60 days out of our production to upgrade our mill, which is not something you typically do in the summer. We did it for mainly two reasons.

One was timing for our primary OEM and a product launch. It was also to upgrade a mill that essentially had 30 year old technology, that we were completely upgrading with brand new controls and hydraulics, but also widening the mill, which is a substantial project that did take considerable time.

So we did have and did take out two months of production. Leading up to that, the months and quarters leading up to that we did stockpile significant amounts in pre-production of material during that time. But also during the time period, we were also impacted in the other parts of our business, in the building, construction and the continuous cast common alloy portion of our business as well that did see decline over that period on customer shipments as well.

So it's a little tricky because production is one thing, which is what we stated in our press release. But correlating that to shipments is not necessarily apples to apples. So we did produce and pre-produce in months and quarters leading up to that, because as we took our hot mill down and our upstream assets in that facility, the downstream assets, our cold mills, our finishing equipment and what have you continued to run and produce for customers.

It wasn't at exactly 100 percent, but to say it was 100 million pound impact is not the case for Lewisport in particular for 3003 and 5052. It was spread across other markets and other plants and facilities that we have.

MR. ROSENTHAL: Commissioner Kearns, in terms of making adjustments, Mr. Keown, actually in his testimony, and we'll highlight this in our post-hearing brief, gives you the actual number and the delta as a result of that shutdown, and it's more like 8,000, not the number respondents have suggested. So you can make that adjustment, we'll give you that number for actual shipments as opposed to theoretical production, if that.

COMMISSIONER KEARNS: Okay, thank you. One quick question about critical circumstances. This sort of is a question, I guess, that we'll kind of transcend this individual case, but when can a domestic industry argue both that the post-petition effects have been great for the industry and yet, we need to find critical circumstances because the remedial effect of the order is in jeopardy?

MR. ROSENTHAL: I love that question. It makes me think.

COMMISSIONER KEARNS: You've got seven seconds to think.

MR. ROSENTHAL: Every case. I think the most important, or most likely scenario is when you've got a big buildup of inventory as a result of the surge in imports that will undermine the remedial effect because it'll be around for a long, long time. That doesn't mean that you both can't have some beneficial pricing and more people coming to you for longer-term contracts, for example. And so they can get some real benefit and some confidence that you can invest in the future. That's all I've got for seven seconds.

COMMISSIONER KEARNS: Okay. Maybe you can cover it in your post-hearing brief, too. That'd be helpful. Thank you.

CHAIRMAN JOHANSON: How should the Commission view the U.S. producers' available capacity? Respondents argue that domestic capacity utilization is extremely high and cited the Commission's 332 report that the wrought segment will require additional expansions to meet anticipated market demand. Then they argue that this has led to an inability of domestics to supply sufficient aluminum sheet. On the other hand, you all state at Page 13 that you have substantial excess capacity to supply. So what is the answer here?

MR. HERRMANN: Let me offer an initial thought or two on that, Mr. Chairman. I think there's a interesting contrast between the capacity utilization levels identified in the Commission's 332 report, which tend to be significantly higher than the capacity utilization that's reflected in the Commission's staff report in these proceedings.

In the 332 investigation, the Commission reported capacity utilization rates broadly across production of plate, sheet and foil, and reported capacity utilization rates in the high 80s and in some instances even into the low 90s. The capacity utilization figures that are reflected for the common alloy sheet industry in this proceeding are for a different period of investigation, the Commission looked at capacity utilization from 2011 to 2015 in its 332 report.

Here we're talking about 2015 to 2017. The figures for the common alloy industry are much lower. They range from about 79% to 81% and I would submit to you that that shows, when contrasted against the Commission's 332 report, that there's significant potential for domestic producers of common alloy to operate at significantly higher capacity utilization rates and supply that product into the market.

We were talking a minute or two ago about why there may not have been a instantaneous response in terms of domestic industry supply. I think that goes to some of the issues that Mr. Keown and Mr. McCarter were talking about in terms of the ability to hire workers and essentially staff another shift to increase capacity. I think it also goes to the fact that you've got annual contracts which lock in pricing for the domestic industry through the remainder of 2018. And I guess let me stop there. But I think those are some initial thoughts at least.

CHAIRMAN JOHANSON: Okay. Thank you, Mr. Herrmann. If those are initial thoughts, if you want to follow that up at all in the post-hearing brief, that might be beneficial.

MR. HERRMANN: We'd be happy to. Thank you.

CHAIRMAN JOHANSON: Okay, thank you again. In several places in the Chinese producers' brief, for example, at Page 33, they argue that the domestic industry chose to specialize in higher-value products and that they were not driven to do so by imports from China. Could you all please address this to the extent that you can here. And if you can't go into length on that here, if you could please do that in the post-hearing brief?

MR. BOITTIAUX: I don't think that we chose to abandon those products and that clearly we were somehow having to do so and we'd be happy to produce them as we've been doing in the past.

MR. KEOWN: For us, again, our investment and our continued investment in Lewisport was clearly focused around automotive. But from our perspective, that wouldn't have been necessarily an investment we would've made had we been making proper returns in the common alloy business. We're still going to continue to be a significant player and provider and producer of common alloy, as the upgrades that really the auto business case allowed us to expand and to invest in that, is one that will continue to do.

But this is also timely because we will be able to produce, not large volumes of common alloy sheet, but there's no doubt that, as we looked at specialty and looked at other markets, our job at the end of the day is to do really two things, outside of keeping our people safe every day, is to return to our shareholders and to continue to run a business as profitable to employ our people.

And the returns we were making on common alloy continued to suffer. So we did the automotive light-weighting initiative took off. It is one that we and the board decided to invest in, but the common alloy business that we have will continue to be a significant market that we play in.

MR. ROSENTHAL: I'm a master at stating the obvious, but these are rational business people. They invest where they can make money. We've talked about it earlier, and it's ironic that the respondents would say we've chosen to abandon this market for common alloy sheet. It's a big market and you heard the industry witnesses say it's a growing market. They wanna be in that market. And they are making plans to invest in that market if there's some stability in that market.

So the opposite of what respondents have argued is really the truth. A company like Aleris wants to be, and has substantial investment in this market. They're not getting out of it. They'd like to be able to make more investments if the conditions are right. And the conditions will be right as long as the provisional relief becomes final relief.

CHAIRMAN JOHANSON: Thanks for your responses there. I'm gonna talk a minute about the can stock issue. I have not discussed this yet. If the portion of the scope that covers aluminum sheet with gauges between 0.2 millimeters and 0.92 millimeters had not been included, is it fair to say that this would've taken away the respondents' arguments about the inclusion of can stock within the domestic like product? Does production of aluminum sheet in this gauge range account for a sizeable share of total domestic production of this product?

MR. HERRMANN: I guess, let me start with that, Commissioner, or Mr. Chairman, excuse me. I think the answer to your first question is no. I think there is a substantial difference in physical characteristics and interchangeability and producer and customer perceptions that separates can sheet from other common alloy sheet.

In terms of the production of the thin-gauge common alloy sheet product, basically, common alloy sheet that is in the same gauge range as can sheet, you know, we'll go into additional discussion in our post-hearing brief about the applications for that product. But I think that is akin to the other applications in which common alloy sheet is used, relative to can sheet, which is a distinct product here.

CHAIRMAN JOHANSON: Thanks, Mr. Herrmann. In April of this year, the European Commission announced that, as a result of the U.S. Section 232 actions on aluminum, it was starting to monitor imports of aluminum through the use of import licenses. Do you all know the current status of this surveillance exercise?

MS. BROCK: Mr. Chairman, this is Heidi Brock with the Aluminum Association. I do know that countries like Europe have put in place safeguards in response to some of the trade case work and the Section 232s. I'm not up-to-speed on where that one sits, in particular with regards to Europe, and we'll be happy to follow up in the post-comment brief.

CHAIRMAN JOHANSON: That will be helpful. I'm curious as to how that might be impacting the market. And actually, I'm gonna turn back to can stock again. That was a little interruption there. With respect to -- digression, right. I was correct by one of my fellow Commissioners, the former chairman.

With respect to manufacturing facilities, how do you respond to respondents' claim that can stock is produced on the same machinery and same facilities as aluminum sheet and this can be seen at Page 7 of the NNMA prehearing brief and the Chinese respondents' brief at Pages 15 to 16?

MR. STEMPLE: I think as Mr. Keown talked about earlier, if you look upstream, generally the casting process being a DC casting process, which stands for Direct Chill, as how all of the ingots are made, regardless of the product. All the ingots are then scalped and run through a hot mill, and that's where the product really begins to differentiate itself in terms of the equipment that's required to produce.

And as I said earlier that the product consistency for can sheet, because of the high rate of can production, really requires specialized mills and specialized capabilities, where some of the common alloy products, that level of product consistency or process variation is not a requirement in the end product.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Stemple, I appreciate it. That's the one aluminum product I know pretty well. So I was kind of curious about it. So that would not be what would be in the boat outside then?

MR. STEMPLE: No. Very different product.

CHAIRMAN JOHANSON: A very different product? Okay. Okay. Thank you all. My time has expired. Commissioner Williamson? Commissioner Williamson, no questions. Commissioner Broadbent? Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Yes, I do. Okay, so I want to go back to this question about pricing, just to make sure I understand how the Chinese price is impacting the U.S. price. I've heard testimony that most of the product is sold by U.S. producers under annual contract or long-term contract, which is negotiated in the fourth quarter. So can you talk to me a little bit about -- and those prices are set, although they're indexed to the LME in the Midwest Premium, correct?

MR. STEMPLE: Generally what would be set in those contracts would be the fabrication price. And then customers have different options as to how they want to handle the metal component.

COMMISSIONER SCHMIDTLEIN: Okay. So the other two components are indexed to these transparent prices that everyone uses?

MR. STEMPLE: Customers can either choose to float their metal or they can take a hedge position to fix the metal portion.

COMMISSIONER SCHMIDTLEIN: Okay. So when we see the pricing products, and I know you don't have access to these in the staff report, but we have quarter-by-quarter data comparing the U.S. product price to the subject imported price. Is that impacting -- is the price coming in from China on a quarter-to-quarter basis through the year impacting your quarterly price in that same quarter?

Given that the prices are fixed via these long-term -- for the most part, right, I understand there's some that's not sold, but the vast majority is sold under these contracts. Can you explain to me how the Chinese price is impacting the U.S. price.

MR. STEMPLE: Yeah, I think I alluded a bit to that earlier the three components of the price, okay? We have the LME versus the Shanghai, and that's the underlying metal. You'll have a local market premium versus maybe a transportation charge from China to here.

And then you have a fabrication premium, which is basically what we charge to turn a unit of aluminum into a finished gauge product. That's where we see a huge discrepancy in the pricing. So yes, it can affect those prices in the long term, I mean, over time, it's gonna draw the market price down. And some producers will have more of a bias to spot than others. Like, our company, we have a very, very high percentage of contract business.

COMMISSIONER SCHMIDTLEIN: And which the fabrication charge is fixed --

MR. STEMPLE: Fabrication charges are fixed for a period, yes.

COMMISSIONER SCHMIDTLEIN: So over the course of a year, it's impacting it just by leading up to this negotiation of fourth quarter where, if you've seen low prices, you're gonna get demands for low prices? That's what you're saying? Okay.

MR. STEMPLE: Yes.

COMMISSIONER SCHMIDTLEIN: So, and this might be a question for counsel then, given that the fluctuation we see in prices, obviously is tracking the LME and the Midwest Premium. Where can we see in the record how this fabrication charge is being squeezed by the Chinese price?

MR. HERRMANN: Commissioner, so the Commission and its questionnaires did collect fab pricing information, which show declines over the period. We can also try to see if we can pull some of that information together for our post-hearing brief.

COMMISSIONER SCHMIDTLEIN: Okay. So you think that's the best evidence of that?

MR. HERRMANN: Well, like you say, there is information in the questionnaires. That certainly is already there and we'll supplement that in our brief.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. ROSENTHAL: That's in terms of pricing series. There is a lot of evidence on the record from purchasers who said we forced, or the Chinese prices forced the U.S. producers to lower their prices and they're really referring to their fabrication prices there. So that's in the record, too, and mentioned in Mr. Herrmann's PowerPoint presentation. So there's no question that the purchasers think that there's a impact on U.S. producers' prices.

COMMISSIONER SCHMIDTLEIN: And so when we're looking at price effects, and we're looking at the pricing tables, how probative then do you think the pricing tables are in terms of, when they show underselling, that in terms of price depression and price suppression, are you really pointing to the purchaser questionnaires?

MR. ROSENTHAL: I think they're as probative, as any case you've got, I'm personally very skeptical of how underselling information gets collected and reported in any given case, just because all this is self-reporting. I actually put a lot of stock, if you will --

I'll start with this proposition. Importers and purchasers have a bias to, let's just say, understate the amount of underselling or the impact on price because if there's an order put in place, they have to pay more.

And so when I see purchasers or importers saying things that they've said in this record, such as, yes, the imports, the Chinese prices are well below the U.S. producers, we're buying based on price, and they have forced -- the Chinese prices have forced the U.S. producers down. I regard those as admissions against interest, and I regard those as very, very probative.

And more probative than what I regard as the quarterly pricing data which I think companies, purchasers, importers tend to, let's just say, have different approaches to whether they include certain charges or not. And so that's my general approach to these cases and in this particular case, I think you've got not only a tremendous amount of underselling, but a tremendous amount of corroborative data from the purchasers' statements themselves.

COMMISSIONER SCHMIDTLEIN: Okay. Switching gears just a little bit. I haven't asked a question about domestic like product. I know there has been other questions from Commissioners. I'm not sure if you've directly addressed it, you could do this in the post-hearing if you'd like. But I'd like to see you compare or distinguish, how do we include brazing stock, right, which was considered in the prelim? We said we were gonna look into it further. We didn't very much of a developed record. We do have more of the record now. How do we include brazing stock in the domestic like product, but not include can stock?

MR. HERRMANN: I think we'll address that in the post-hearing brief.

COMMISSIONER SCHMIDTLEIN: Very specifically, right.

MR. HERRMANN: Yep.

COMMISSIONER SCHMIDTLEIN: Okay. I think that's all the questions I have right now. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: A couple of related questions on pricing. One, just to follow up on Commissioner Schmidtlein's question about the annual contracts and where you explained that, you know, in the conversion price of the overall price, that that will be, that subject imports will end up making it more difficult for you to negotiate that in an annual contract.

Is there also a quantity of volume impact? In other words, do your contracts, you know, provide for a particular price and a certain amount of quantity, but there's some flexibility in the quantity and they can take in subject imports at a lower price? Or how is quantity dealt with in the annual contracts?

MR. KEOWN: Typically a lot of the contracts are kind of min/max volumes, because there's economic factors and demand factors that the mills and the customer will negotiate kind of the min/max. They say, hey, "Here's kind of the range," we would then say, okay, we're gonna ensure that we have that capacity in case caught from the min to the max side of that, as we look to book our mill. So it does vary.

There's typically, at least from Aleris' perspective, rarely a fixed number, they are mainly all min/max contracts. In some cases, there are, I'll call it some level of share of a program, so for example, they're gonna sell XYZ Program and say, Aleris, you get 50% of this program, whatever that may end up being, so -- but for the majority and the material side of it are all min/max contracts.

COMMISSIONER KEARNS: Okay. So, but it is possible that the purchasers will then, you know, to save some money, might take in some more in subject imports, even consistent with your contract?

MR. KEOWN: Yeah, absolutely. I mean, to fulfill the contract, they could do that if they so choose.

COMMISSIONER KEARNS: Okay. And I think the respondents talked a bit about the metal price lag, and I took from what you all said before that really we should focus more on the conversion price and that that's where you really see the impact. But is there anything we need to focus on, too, in terms of the metal price lag, and how that impacts contracts or not?

MR. KEOWN: Metal price lag, as we define it, over time, metal price lag, over longer periods of time, metal price lag should essentially be zero. We use metal price lag as a way of trying to demonstrate in a specific period of time, to match up the metal price in our revenues to the metal price in our cost of goods sold, to kind of give the most accurate picture, and ultimately to get to what we call EBITDA, Earnings Before Interest, Taxes, Depreciation, and Amortization.

But over a long period of time, metal lag should essentially be zero. So, you know, there will be, as there's quick moves or spikes and whether it's inventory or the LME or the Midwest Premium, will create metal price lag, but that's our way of saying, you know, how did we actually perform, given, you know, like-for-like underlying metal value. It doesn't impact the FAB. The FAB price or the conversion price is not a component of metal price lag.

COMMISSIONER KEARNS: So one thing you're saying is during the POI, there wasn't any dramatic increase in metal prices that then, you know, where there was a lag that resulted in you all, you know, being impacted significantly?

MR. KEOWN: Over a three-year time period, no, there shouldn't be. It can always depend on where it ends and so did that metal price lag potentially correct itself outside of the POI, but over that full time period, it should be relatively representative.

COMMISSIONER KEARNS: Okay. And does the Midwest Premium place domestic producers at a competitive disadvantage compared to foreign producers? And should we take that into account in our analysis?

MR. KEOWN: The Midwest Premium, in and of itself, we look at it as an overall global premium, I mean, you have premiums, you have the Metal Bulletin Premium, for example, in Europe, you have the Midwest Premium in the U.S. And so there will always be timing. It is a truly global market and the premiums will relatively self-adjust themselves. Clearly now is a little bit of a different time with 232 and so you have that duty "imbedded" in the premium. It does impact markets from time to time, but I would say over the long period, it's a transparent and fluid premium and market driver and as we look at it from a global base, also with the Metal Bulletin Premium, we see that as a pretty effective market overall from a global perspective.

COMMISSIONER KEARNS: Okay, thanks. And this is just for the post-hearing, but can you all speak to the range in conversion costs reported by the various domestic producers?

MR. HERRMANN: Sure, we'll be happy to.

COMMISSIONER KEARNS: Okay. Also, I guess, post-hearing, you rely on a research report in your threat arguments. Can you provide the full report to the Commission?

MR. HERRMANN: Yes, we'll be happy to.

COMMISSIONER KEARNS: Also, for post-hearing, you all had argued -- as I understand it, you're arguing that the industry was vulnerable at the beginning of the POI, given the history here, not that we should be extending the POI into the past, and if that's right, can you provide us with some citations from past cases that bolsters that argument?

MR. ROSENTHAL: Yes, I do want to clarify one thing, Commissioner Kearns. I know Mr. Herrmann used the word vulnerable earlier. I would go further and say the industry was injured at the beginning of the period of investigation from the previous import surge and the pricing effects of the Chinese imports.

So I just wanna make that clear and that has been injury throughout the period. So this is our position.

Now, we're not suggesting to you that you should go back and consider the period prior to the period of investigation. But that is what I consider to be a condition of competition. You have to understand, or to put it in another context for the tort lawyers out there, you take your victim as you find him or it.

And so you have to understand that what happened from '15 on in the period of investigation, reflected what happened before that, in that time period, with companies going out of business and the industry already in a depressed position. So we're not asking you to go back and consider data from a previous period.

What we're asking you to do is understand how the industry started this period of investigation in an injured condition and how the additional imports in the period of investigation and the low pricing has made things worse.

COMMISSIONER KEARNS: And I guess kind of concretely what you're saying, that chart--I don't have it in front of me now--but it shows a very small loss at the beginning of the POI, then I think -- your words, not mine -- small loss at the beginning, small profit in the middle, larger loss -- but your point is, don't just sort of erase from the fact what the magnitudes are here and just say, oh, slightly worse from end of POI to the beginning, you'd say, "Well, recognize that not so good at the beginning of the

POI, worse at the end"?

MR. ROSENTHAL: Yes. Can you put up Slide 31, please, Brad? The reason why I have this at the end, this is the essence of this case. First of all, recognize that under the statute, you don't have to find an increase in imports. All you have to do is find that the imports are significant. And we started off this period with imports being significant. So that's an essential point.

Number two, we started off the period of investigation in an injured condition. We're losing money and we made a slight profit, an anemic profit. That blue line there is no cause for cheer. That's profitability at an injurious level.

If you started off the period of investigation and profits were 5% and you got to where the blue line is today, you'd say the industry was injured. So that slight improvement there is nothing but a continuation of the injury, which got even worse in the end of the period. That's how I'd like you to understand our argument.

COMMISSIONER KEARNS: Okay, thank you. Last question is, real quick, on critical circumstances, should December, 2017 be in our pre- or post-institution period and why?

MR. HERRMANN: I think we would consider December, 2017 -- well, let me put it this way. The

Commerce Department announced the initiation of its investigations in late November, 2017. In terms of import statistics in December, I think the likelihood that you would've seen an immediate response in terms of product from China coming in, in response to that investigation in that month, suggests that it's more likely than not appropriate to include it in the pre-initiation period. But we'll be happy to address that further in the post-hearing brief.

COMMISSIONER KEARNS: Okay, thank you. I have no further questions.

CHAIRMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yeah, Mr. Herrmann, I just had one more on our favorite like product issue. I think you said in response to Commissioner Kearns that auto body sheet was a different like product than the common alloy aluminum sheet because it was made from 6000 series alloy. But I think that when you look at can stock and common alloy stock, they use both series 3000 alloy and 5000 alloy. So they kind of overlap and I'm just wondering, what kind of a distinguishing characteristic is the 6000?

MR. HERRMANN: So a 6000 series product is heat treated. So it is subjected to a post-rolling heat treatment that allows the aluminum to retain its shape when it's stamped into a body panel or other external body part for an automobile. And I'm blanking on my chemistry. I know 3000, 5000 series are high in manganese and magnesium. I don't recall off the top of my head the chemistry for the 6000 product. Maybe someone else from the industry can help me out on that?

MR. STEMPLE: Yeah, I think if you look at the can alloys, it does start with the 3, but the can makers have, with the producers, have highly engineered that product. It will contain magnesium, manganese, silicon, a lot of those type of things. If you look at end stock, which is 5182, it is an extremely high level of magnesium, for the strength. And the same thing happens pretty much in the 6000 series. There's silicon, there's other elements in there that really lead to the final end product characteristics, based on the use.

COMMISSIONER BROADBENT: Okay. So is the can stock heat-treated?

MR. STEMPLE: No, it's not.

COMMISSIONER BROADBENT: All right. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Yes, I have one more question. And you can do this in the post-hearing. But it was brought to my attention that the fabrication or conversion prices that were submitted in the questionnaires were compiled in the staff report. It's at Table V-1 --

MR. HERRMANN: Okay.

COMMISSIONER SCHMIDTLEIN: -- which shows those year-over-year, broken down by company and then also the average. So here's my question.

Based on the testimony, my understanding was that, for the vast majority of the product being sold by U.S. producers, it's being set up pursuant to contract negotiations in the fourth quarter of every year, right? If you look at 2017, you see a big increase in imports of Chinese product. You also see underselling margins at the peak in 2017.

When you look at what happened with the fabrication, which is where the competition is coming and where the profits are being squeezed, right? The trend there is that it increases in the first six months of 2018. So again, you can answer this in post-hearing, but why do we see an increase in the fabrication price when 2017 saw the largest margins of underselling by the Chinese product and the biggest increase in subject imports?

MR. HERRMANN: I think we'd appreciate an opportunity to address that in the post --

COMMISSIONER SCHMIDTLEIN: Okay.

MR. HERRMANN: -- have a little opportunity to think about it carefully.

COMMISSIONER SCHMIDTLEIN: Okay, great. Thank you. I have no more questions.

CHAIRMAN JOHANSON: Do any other Commissioners have questions? Okay, it appears that none do. All right, do staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Staff has no questions at this time.

CHAIRMAN JOHANSON: Do respondents have any questions for this panel? Okay. Respondents have no questions for this panel. Why don't we take a break for lunch now? I'd like to remind the parties that you should not leave confidential business information in the room as the room is not secure. Why don't we come back at 2:05? So we'll see you then.

(Whereupon, a luncheon recess was had to reconvene at 2:05 p.m.)

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

MR. BURCH: Will the room please come to order?

CHAIRMAN JOHANSON: Mr. Secretary, are there any preliminary matters?

MR. BURCH: Mr. Chairman, there is no other preliminary matters. I would like to note that the panel in opposition to the imposition of anti-dumping and countervailing duty orders have been seated, and they have 60 minutes for their testimony.

CHAIRMAN JOHANSON: All right, thank you Mr. Secretary. You all may begin.

STATEMENT OF JEFF GRIMSON

MR. GRIMSON: Good afternoon. I'm Jeff Grimson from Mowry and Grimson, here on behalf of the National Marine Manufacturers Association, the RV Industry Association, the National Association of Trailer Manufacturers, A.A. Metals, C.E. Smith and Manakin Industries. I understand some Commissioners had a chance to go and walk around our exhibits. Who knew at the end of October we'd have a nice day.

Planning for this hearing, we were excited. We were going to have the most fun hearing exhibits from any case, and then somebody goes and files the beer kegs case. Anyway, I'm going to lead off our Respondents' panel with a discussion of the legal issue from this morning, which is like product. I'm not going to repeat the test. I just want to get into the facts.

So we're having a little PowerPoint problem. Yep. I first want to mention that there's a typo in the staff report on page I-32, where it says that Respondents contend there is a clear dividing line in the thickness of can stock versus other aluminum sheet products. Since this case was filed at the conference and our post-conference brief, we've been arguing that there is no clear dividing line.

We have been arguing that can stock should be part of the domestic industry, and the facts demand that conclusion. Can stock is the same thickness as sheet, in scope sheet I'll call it, .2 millimeters to .292. They are the same. Your Table C-4 even includes can stock for throughout the complete thickness range of the coverage of this case.

Can stock is made from 3 and 5 series alloys, just like sheet. Sheet is made from many tempers, which is the hardness of alloy. Both sheet and can stock are made with H19 temper, H-19, which is extra hard aluminum alloy that's been strain-hardened with no additional heat treatment. Both sheet and can stock have a surface lubricant applied, or can have.

We heard from Constellium this morning that they do not produce can stock and sheet on the same facilities, but in the public version of the staff report, three out of the ten domestic producers say they do make can stock and sheet in the same facilities, with the same workers and the same equipment. So Constellium was answering your questions, but there's a different story with others.

The products are not generally perceived as being interchangeable, but we think that has less to do with the physical characteristics and other factors, and more to do with the label associated with the product. For example, a boat builder that's shown in the physical spec sheet for can stock, alloy, tensile strength, bendability, on a blank spec sheet could consider that product for some applications.

But if you put the spec, the same specs on a sheet that says "can stock," a boat builder's going to be turned off. They make boats not beer cans is what they've told me. The issue is the product itself, not the label. Can stock is a label of a product on a continuum, just like ABS or automotive body sheet, which is another product marketing name and generally used.

Getting back to the product factors, the products are both sold through converters, to converters and end users. Sheet is also additionally sold to distributors. But two out of the three channels of distribution are identical, according to the staff.

The price of can stock and sheet exist together on a broad range of product prices. I was reading the domestic industry's brief this weekend, arguing that sheet for automotive heat exchangers are brazing stock. It is not a separate like product and realize that you could easily replace the word "brazing" with can, and both the facts and legal analysis they presented would be almost exactly the same.

The domestic industry says that brazing stock is made from the same alloys as sheet, and the same is true of can stock and sheet. They argue that the alloys and gauges overlap. Also true with can stock and sheet. They say their brazing stock and sheet are made in the same facilities using the same equipment and employees.

If you look at the tabulation on page five of their confidential brief, and look at page I-34 of the staff report, you'll see that the commonality is actually stronger between can stock and sheet than in the case of brazing stock. They argue that both brazing stock and sheet are sold through two of the same channels of distribution, the exact same thing I described with can stock and sheet.

And then they say well, there's limited interchangeability noted by the industry responses, and limited interchangeability of uses and prices between brazing stock and sheet. But that this is typical in a case where you've got a broad continuum of products. All those same things you could say equally of can stock.

Basically, the domestic industry's own reasons for including brazing stock apply to can stock. One difference is they spent four pages in the prehearing brief going through each and every fact on brazing stock, but their analysis of can stock was four sentences on page eight. I think you heard a lot of punting to the post-hearing brief today.

This has been an issue from the beginning of this case. I think the silence speaks volumes there. What we have here is an argument premised on the outcome rather than the facts or the law. We've seen this before in the foil case, where several of these same companies appeared after they filed the petition there.

They argued that ultra-thin foil was not a separate like product because it existed just on one end of the continuum of thicknesses of foil in that case, and there you found no clear dividing line. You did not separately consider ultra-thin foil, and we ask that you approach can stock with the same analytical rigor and consistency today.

And in this case, it's quite important. We all can take a wild guess why they don't want you to include can stock, and it's Table C-4 of the staff report. They want you to ignore a massive industry according to the public figures, even larger than theirs, that exists producing the same alloys, the same tempers and in many cases on the same facilities, machinery, equipment, etcetera.

So the Commission's obligation is not to define a domestic industry in a way that gerrymanders the data and puts a thumb on the scale of justice. Cutting out can stock would leave a huge hole in the middle of the picture of the industry, and it's not supported by the facts in this case.

Now I'm going to turn to our first industry witness, Mr. Bill Yeargin from CorrectCraft SeaArk.

STATEMENT OF WILLIAM YEARGIN

MR. YEARGIN: Good afternoon, Commissioners. My name is Bill Yeargin. I'm the President and CEO of CorrectCraft, a recreational marine company based in Orlando, Florida. I am joined here by Suzie Wheeler, the purchasing manager of our SeaArk brand of boats. Ms. Wheeler has 18 years of experience in this market.

CorrectCraft is a 93 year-old company manufacturing boats, marine engines as well as operating two water sports parks. We employ nearly 1,300 employees in our facilities in Florida, South Carolina, Tennessee, Arkansas and California. Our innovative products are sold across the United States as well as exported to about 70 countries around the world.

Like most of the American marine products industry, we are a significant net exporter. Until last year, we believed ourselves to be an American international trade success story. Now our own government, mainly the Commerce Department that has started this trade case, has placed all of this in jeopardy. CorrectCraft manufactures seven different brands of boats, and three brands of boat engines in six manufacturing facilities.

I am here today to speak to you about one specific brand SeaArk, that needs a steady and reliable source of aluminum sheet to make our popular aluminum fishing boats. SeaArk is located in Monticello, Arkansas, and employs 153 Americans, forming and welding aluminum sheet, applying paint or other surface coatings with state of the art plug and paint equipment.

SeaArk's slogan is "built for a lifetime," because we use thicker gauge aluminum than many manufacturers, heavy duty ribs and oversize cap rails. SeaArk is known for creating the world's largest John boat in 1994 at 24 feet long and 72 inches wide. It has since upped the ante by recently creating a 26 foot john boat.

We also claim the title as the number one catfishing boat, with our Pro-Cat series being the most popular boat on the professional catfish tournament scene. Our Pro-Cat series uses .125 inch aluminum sheet, which is slightly more than three millimeters thick. That thickness of aluminum sheet falls right in the middle of the scope of products covered by this trade case, which is why I'm here today.

We are extremely worried that we will run out of aluminum sheet or that if prices continue to rise at these levels, we will lose customers entirely. Like most of the marine products industry, we serve the recreational market. Like RVs, boats are almost always a discretionary purchase. We know from past experience that price increases translate directly to fewer customers for our boats.

A family that may be considering purchasing a boat for the first time gets discouraged by higher prices, will spend those dollars on other recreational activities, and may be lost forever as a customer in our industry. In the last two years, prices of aluminum have gone up 13 percent, and fabrication costs by about 27 percent.

We've been able to pass some of that to our customers, but not all of it. We have reached the tipping point now, where further increases are going to result in lower volumes. Losing customers for life will hurt us for many years to come. I am showing up on the screen now some pictures of several of our boats that use a lot of aluminum sheet.

The first is the 2472 MV model boat, an example of the type of boat I referred to earlier as a John boat. This boat comes with a bottom of about -- of up to 72 inches constructed at 1.25 inch thick aluminum. It is considered a heavy duty boat with a capacity of 2,800 pounds.

Next I will show you our Pro-Cat 240. This also has a bottom of 72 inches and is 24 feet long. It uses the same heavy gage sheet as the other boat I showed you. This one is designed for tournament fishermen, and has an 80 gallon live well in the back. Commissioners, if you prefer bass fishing, we have the BC-210 that I am showing, which also uses the three millimeter aluminum sheet.

The numbers are confidential, but I do not think that it would surprise you when looking at these boats that the aluminum sheet cost represents the vast majority of the cost to produce the boats. As an American company, we have strong preference for using American aluminum sheet. Until several years ago, we had a single supplier.

However, when that supplier began focusing more on producing sheet for other market segments including automotive, and for widths other than the 72 inches we prefer, we realized that it was not smart to have only a single supplier for the largest raw material we consume.

We added a second American supplier at that time to protect ourselves from supply interruptions. Despite adding the second supplier, we were being told by both of our domestic vendors that they cannot supply us with any aluminum sheet in 2019, zero. We were offered aluminum sheet from one of the domestic producers' foreign factories to make up for some part of the shortage.

Another issue we have is the availability of aluminum sheet in coils that we can work with in our small manufacturing facility. We were set up to work with coils maxing out at 8,500 pounds. This is less than a standard coil which weighs 22,000 pounds. When the domestic producers cut us off in 2019, it also means we will lose supply of these small coils. These coils, the coils they offer are still too big for us, which means we will have to change our equipment. To recut coils down to the size we need adds significant expense.

I understand an issue in this case is whether aluminum sheet used for cans should be included in your consideration of the overall aluminum sheet industry. The thickness of can stock is only slightly less than the sheet we use on the boats I showed you earlier. We use mostly 5 series alloy sheet for our boats, which has good corrosion resistance.

This is an important concern for beverage can makers too. I understand that can stock is produced in both 5 and 3 series. We have considered using 3 series on occasion in the past. In terms of the temper, I understand from your report that can stock is made in a variety of H series tempers. H means aluminum that has been strain-hardened.

We use H series tempers for boat building. The numbers that follow the H in the temper designation are just various configurations of additional annealing and stabilizations and levels of hardness. There's a lot of overlap in the physical measurements in different temper designations, and 8 are full hardness and the second digit in one kind of alloy could overlap where the hardness of a 4 in another alloy.

Our technical people spend a lot of time considering these things when we evaluate alternative products. We would not normally think to consider using can stock because of its name. But my point is that physically the characteristics of can stock can be maybe quite similar or even identical to sheet sold without that name.

The domestic producers have made dedicated lines to make can stock because that is most efficient, not because the product is that much different than aluminum sheet. It is no different than establishing a facility to focus on automotive sheeting. They're just two different products within the overall aluminum sheet industry.

Next, I'd like to discuss pricing. Our prices have increased numerous times in the past months, principally due to the cost of aluminum raw material. Fabrication costs also went up in 2018, but we avoided that because our terms were locked in pursuant to an annual contract.

Overall, prices are up 30 to 40 percent in the last year or so. The domestic producers attribute the price increases to tariffs on their raw materials. I assume they were referring to Section 232 tariffs on aluminum ingot and other vital components. The price increases have made it extremely difficult for us to quote new orders to our dealers. We normally would change our models in June of each year and establish pricing for the following January. Because of this case -- because of this case, we were unable to lock in pricing, which has scared off some dealers who do not want to place orders without knowing that they can price the boats next year at a level that would be purchased.

Another challenge is government orders. Some of our boats are used by fish and game and other state and federal government agencies. The lead times on these accounts are very long. We've had to decline bidding on government orders because we have no idea what prices will be next month, let alone over the course of a multi-year government contract.

Even after all the road blocks thrown in front of us by our own government and by our domestic suppliers, we typically did not use foreign aluminum sheet. We did purchase a small amount of foreign sheet in 2017, after we had delivery problems with the domestic supplier.

We still prefer domestic. That is because factors other than price are very important to us. Delivery, quality and technical support, for example, are extremely important. But we're going to be left with no option if things continue down the current path. Obviously by cutting our volume, the domestic industry is no longer performing for us in terms of delivery.

We're actively exploring other sources of supply elsewhere in the world. The case will not increase the sale of domestic aluminum sheet; for us it will lead to the opposite. The impact of this case is devastating to our industry. The tight supply conditions that existed before the case have gotten exponentially worse. Prices of aluminum we buy as well as other aluminum parts we source from other vendors are all skyrocketing.

I understand that this case was self-initiated by our own government. The ironic joke we're the government and we're here to help is painfully accurate here. But your agency can see the whole market and understand that the problems in this market are not Chinese aluminum sheet, but rather not enough aluminum sheet. We hope that now that you have a full and complete picture of the industry, you will vote no in this case. Suzie and I look forward to answering any questions you may have.

STATEMENT OF NICOLE VASILAROS

MS. VASILAROS: Good afternoon. My name is Nicole Vasilaros, and I am the Senior Vice President of Government and Legal Affairs for the National Marine Manufacturers Association. NMMA is the largest marine industry trade association in North America, with nearly 1,400 engine, accessory and trailer manufacturers. Collectively, NMMA members manufacture an estimated 80 percent of marine products used in North America.

Recreational boating is a major driver of the U.S. economy, and a proudly American-made product. 95 percent of boats sold in the U.S. are made in the U.S. In 2017, U.S. retail boat sales accounted for $39 billion. The Bureau of Economic Analysis recently released data on recreation, and estimates boating and fishing account for $38.2 billion of U.S. GDP, the largest outdoor recreation segment and growing at a faster rate than the overall economy.

The U.S. marine industry is a strong vestige of American manufacturing, employing 650,000 people through nearly 35,000 U.S. businesses. The marine network of manufacturers, dealers and consumers can be found in nearly every U.S. state and locality. 142 million American adults and children took to the water last year.

The U.S. Coast Guard estimates that there are 12 million registered boats and nearly 15 million total boats in use. These vessels range from personal watercraft to small fishing boats to pontoons to larger yachts. 95 percent of boats are small, trailable vessels under 26 feet in length. The average boating consumer is a middle income family, with 62 percent having a household income less than 100,000.

Aluminum is a critical raw material for the boating industry. Small aluminum fishing boats and pontoons are primarily constructed from aluminum sheet, of the scope currently under review today. NMMA estimates that 44 percent of all new boats sold in 2017, or 111,000 were aluminum-based, accounting for $3 billion in economic value. The average length of aluminum boats sold was 19 feet. Domestic aluminum boat production and sales account for nearly 22,000 marine industry jobs.

Outside, we have an example of a typical pontoon boat, a 20 foot Bennington model. I hope you were able to take a look at it during lunch. Both the boat and the trailer that transports it consume significant amounts of aluminum sheet. This is why we are joined with the National Association of Trailer Manufacturers in opposition to this case.

Unfortunately, the director of NATM was unable to make it here from her office in Kansas. But everything I am saying regarding the impact of duties on the boating industry applies equally to the U.S. trailer manufacturers. The current strategy of the administration to impose high and compounding tariffs is having a detrimental impact on U.S. marine manufacturers and consumer products.

From tariffs on raw materials and components to retaliatory tariffs that have frozen international markets for U.S. marine exports, the recreational boating industry continues to bear the brunt of the administration's trade policies. The combined effect of this anti-dumping investigation and Section 232 aluminum tariffs has caused domestic prices for aluminum sheet to rise upwards of 30 percent.

The marine industry maintains global supply chains, and over 350 marine-related products, components and materials are also being subject to this administration's 301 action, with 10 to 25 percent tariffs imposed. In addition, key marine export markets such as Canada, the European Union and Mexico, which account for nearly 70 percent of all U.S. boat and engine exports, have placed retaliatory tariffs on American-made boats.

These tariffs have resulted in massive order cancellations and all but closed the European market to U.S. boat builders. The combined impact of this investigation, 232 retaliation and 301 is squeezing U.S. boat builders with higher input cost and lost export sales. The layering impact of these tariffs cannot be absorbed for much longer. Some of these tariffs will likely be passed on to consumers and for other manufacturers employment changes are inevitable.

Some boats have seen upwards of a $7,000 price increase on a $30,000 vessel, which for a highly priced elastic product like a boat have negative consequences on sales. Boating industry analysis has shown a one percent increase in the retail price for your average boat would result in a two to three percent decrease in retail sales. Manufacturers must weigh their ability to absorb costs, reducing profitability with the potential loss in consumer sales.

In the early 90's, the passage of a ten percent luxury tax on boats resulted in tens of thousands of U.S. job losses. Our industry is highly concerned that the long-term impact of this case, plus the layering of additional tariffs, could significantly harm us once again. These tariffs on an essential marine manufacturing material hurt the U.S. more than China, by disrupting the profitability of U.S. businesses, employment opportunities and affordability of boating for American consumers.

I appreciate your time and consideration of marine industry impact from this investigation, and urge you to vote no on this case.

STATEMENT OF MICHAEL OCHS

MR. OCHS: Good afternoon. I'm Michael Ochs, Director of Government Affairs for the RV Industry Association. The RV Industry Association is the national trade association representing the diverse manufacturing businesses and suppliers, which together build more than 98 percent of all RVs produced in the U.S., including motor homes, travel trailers, fifth wheel travel trailers, folding camping trailers, park model RVs and truck campers.

We're a unifying force for safety and professionalism within the RV industry, and we work with federal and state policymakers to promote and protect the RV industry and its members. The RV industry provides nearly 45,000 direct jobs and another 250,000 induced jobs in the United States, and generates more than $50 billion in economic activity annually.

Manufacturing operations are located primarily in Indiana, Oregon, Michigan, California, Ohio and Iowa. We support efforts to ensure playing, fair and level playing field with our trading partners, and believe a strong manufacturing base is important to the economic security of the United States.

However, we are concerned that the draconian duties proposed in this investigation of aluminum alloy sheet will have a significant negative impact on the economy of our country and the RV industry. First and foremost, the RV industry is a uniquely American industry, with a strong preference for utilizing domestic supply chains whenever possible. RVI members proudly source materials and components from American suppliers.

However, even this preference for domestic sourcing does not always prevent the industry from being injured by duties such as those proposed in this investigation, which has significantly increased the price of aluminum, whether from China or from domestic producers. Our manufacturers buy millions of tons of aluminum sheet annually, and have faced fluctuating prices this year. Aluminum sheet is used throughout motor homes and travel trailers, particularly in the chassis, the outer shells of some trailers, ladders and step-assemblies, window frames, roof racks, cargo component covers.

Outside today, I hope you had a chance to take a look at the Airstream travel trailer we brought in, to see a great example of the use of aluminum in our industry. In that trailer, aluminum is used for the outer skin, the inner skin, ribs in the sidewall, trussing in the roof and each rivet in there is also made of aluminum.

In addition, aluminum is also used in many of the components Airstream buys from suppliers, such as the awnings, appliances and the electronics. An affirmative determination in this investigation will have direct consequences that hurt industries that rely on aluminum and aluminum products. This would include the booming American-made RV industry, which had its best year on record in 2017.

Additionally, any such action will not only directly affect the RV industry, but also harm the suppliers who produce finished products made from aluminum that are used in completed vehicles. On behalf of RV manufacturers, suppliers, dealers, workers and American consumers and taxpayers, we oppose this measure and urge a no vote. Thank you.

STATEMENT OF MICHAEL PARKER

MR. PARKER: Good afternoon. My name is Mike Parker. I am the Director of Sales of A.A. Metals based on Orlando, Florida. I've worked in the metals industry for the past eight years. As part of my position, I oversee the sales team including the development and strategy of our department, and building relationships between our company and its customers.

Before joining A.A. Metals, I was the sales manager at RSR Corporation in Dallas, Texas, the largest secondary lead smelter in North America. Prior to that position, I was an account manager in the Light Gage Division at Novelis.

I'm joined here today by Kit Tam, the Inbound Logistics Manager of our company. Ms. Tam has over a decade of experience in this industry. She currently oversees our Purchasing Department, a role which includes managing and coordinating logistics associated with transporting and storing our merchandise. In addition, Ms. Tam oversees our customer service activities.

Prior to her current position, Ms. Tam served as the CFO of A.A. Metals. A.A. Metals is one of North America's largest distributors of quality aluminum and stainless steel products to customers in the transportation, automotive, housing, appliance and packaging industries. We have 50 employees in warehouses in Orlando, Baltimore, Los Angeles and Chicago. We sell coil and sheet consisting of 1000, 3000 and 5000 series alloys, .006 inch to .25 inch in thickness, and with a maximum 103 inch width.

We also supply tread plate made of 3003, 5052, bright, diamond or five bar alloys. Demand for common sheet has increased dramatically in recent years, along with the U.S. economy. Domestic suppliers simply cannot meet this increased demand. The automotive industry's decision to use aluminum in its production, specifically Ford's decision to use aluminum in its F-150 trucks, dramatically changed the landscape of the domestic market.

Domestic producers began to shift their production efforts towards supplying the automotive sector. This included converting some of their facilities to produce the type of sheet required by automotive clients. Producers became less interested in supplying mid- to smaller sized orders, and orders for certain specifications and alloys.

The focus of the domestic industry on the automotive industry, combined with an increasing demand for common sheet products, has led to a general shortage in the market. While we would love to buy from domestic producers, we have not been able to receive allocations from the domestic mills, and by necessity source our product from China and other non-subject sources.

We pride ourselves on our ability to provide products facing geographic supply and demand imbalances, to serve our over 350 customers under-served by U.S. suppliers. Although price factors in our purchasing decision, there are other equally important factors that we consider, such as quality and lead times. For example, we previously imported a 3003 tread bright product from China, with a lead time of 120 days for our trailer and toolbox customers, which is acceptable to them. Similarly, we previously purchased the 72 inch wide coil from China that the domestic industry was unable to supply in sufficient quantities to meet the demand of many of our customers.

The imposition of the 232 tariffs has only increased market uncertainty and pricing, further tightening the shortage of common sheet supply in the domestic market. When the 232 tariffs are added on top of preliminary duties issued in this case, subject imports have been effectively shut out of the domestic market.

This case has huge implications for our company and the customers we serve. Because domestic capacity constraints tie our hands, we've been forced to increase our sourcing from non-subject market such as Greece. Unfortunately, imports of our 3003 tread bright product and the 72 inch wide width coil from non-subject suppliers have associated lead times of six months, which is far too long for our customers to wait for delivery.

We've been forced to cancel many orders for these products as a result, which is hurting our customers and American production of many products. We believe it is important to note that even though it self-initiated this case, the Department of Commerce has recognized that shortages of common sheet exists in the market.

Commerce granted 232 exclusion requests from tariffs for a wide variety of sheet products. In fact, some companies who presented this morning have requested and been granted exemptions from the Department of Commerce.

Finally, we urge the Commission to reach a negative determination on critical circumstances. As the Commission has noted, the volume of subject imports from China has decreased in the six-month period following the initiation of this case, compared to the prior six-month period.

As I've stated earlier, we are not competing with the domestic product. We are filling a much-needed gap in the market. Therefore, our imports in no way impact any potential remedial effect of an Order. An affirmative finding by this Commission will seriously undermine our ability to source the products we provide to our customers, impacting the 50 jobs supported by both our company and the hundreds more supported by our downstream customers.

We urge the Commission to make a negative finding. Thank you for your time, and I'm happy to answer any questions.

STATEMENT OF JAMES BEATY

MR. BEATY: Thank you, Mike. This is James Beaty from Mowry & Grimson. I want to briefly discuss some additional considerations on critical circumstances based on industry-wide data.

The staff report's analysis demonstrates that a negative determination is warranted. It clearly states on page Roman IV-16, that the volume of subject imports subject to a critical circumstances determination was lower in the six months following initiation than they were in the six months prior to initiation.

The same is true for those imports subject to the antidumping and countervailing duty determination. All of this is occurring in the context of increasing demand. So we think you can render a negative determination on those facts alone.

Turning to the balance of the test, while importer inventories did increase modestly, the increase was not rapid in the context of the broader market dynamic. In the first half of 2018, subject imports were only 75 percent of the inventories of the same period of the prior year.

U.S. producers' inventories were over 105 percent of the same period in the prior year, and non-subject imports were 163 percent of the same period in the prior year.

As a result, we can conclude that subject inventories effectively declined, and that there will be no overhang of subject inventory that entered prior to the imposition of Preliminary Relief.

With respect to other factors that bear on the remedial effect of a potential order, there are two important ones to mention: rising demand, and the Section 232 duties. During the POI, demand increased. You have also heard testimony today about supply shortages, growing lead times, and other issues with availability.

On this basis, there is no reason to conclude that the remedial effect of any order would be undermined. The impact of the 232 duties is relatively straightforward. Imposing a 10 percent duty on the subject and non-subject merchandise will naturally improve the competitive position of the domestic producers, and increase the effect of any order that may issue.

The domestic industry wants you to focus on imports entering the U.S. in January 2018, which they say show an effort by the Chinese exporters to beat the Commerce Department's Preliminary Duties. The Commission should reject this. Imports entering in January, February, and even March were almost surely ordered before the Commerce Department self-initiated this case, and coincide with front-loading of inventories.

Your staff report shows that the average lead time for importer shipments from foreign inventories was 119 days, nearly 4 months. The domestic industry wants you to focus on January 2018 because imports were high. But subject imports came down after that during the period you would normally examine.

The decline in subject imports in the period prior to the imposition of duties is the exact opposite of the activity that could support a Critical Circumstances finding.

In closing, we note that the domestic industry has raised certain proprietary information submitted in a questionnaire response, and a report that is also proprietary in support of their position on Critical Circumstances.

We will address that more thoroughly in our post-hearing brief, but we will say now that the Commission has the relevant data before it in the staff report to reach the correct negative determination on this issue. Thank you.

STATEMENT OF MICHAEL P. HOUSE

MR. HOUSE: Good afternoon. Mr. Chairman, Commissioners, and staff, I am Michael House of Perkins Coie, here this morning on behalf of the--or this afternoon, on behalf of the China Nonferrous Metals Industry Association, the CNIA, and the Chinese Respondents.

With me is Ms. Mo Xinda of the CNIA, and Shuaiqi Yuan, an associate in our firm. We will be making a few remarks on behalf of the Chinese Respondents, and then following that we will have our economic presentation.

We are not here today to talk about 2007 or 2009, or any of the prior decades to which the U.S. producers have repeatedly referred. We're here to discuss the information and data compiled by the Commission for this investigation which covers the period 2015 through interim 2018.

What we find for this Period of Investigation is quite remarkable. Rather than seeking import relief through the filing of an antidumping or countervailing duty petition at the Commerce Department, U.S. producers are instead reporting to that same Commerce Department that as to subject aluminum sheet the entire domestic aluminum sheet industry is, quote, "at capacity and unable to meet increased customer demand for industrial products."

I have in front of me here one of the 400 Novelis exclusion requests that we cited to in our prehearing brief, and this is for a Series 5052, which the domestic industry cited this morning as one of the products that they believe the Chinese Respondents compete in the most.

They say that the entire domestic market is at capacity and unable to meet increased customer demand for industrial products.

The Commerce Department asked them: Identify the percentage of total aluminum product covered under this exclusion request that is not available from aluminum manufacturers in the United States, and the answer: 100 percent.

And then as to a later question, they report to the Commerce Department that the domestic industry is currently at capacity, therefore there are no available U.S. sources, parentheses, "(in sufficient U.S. availability."

The same goes for the request filed by Constellium. We cited these requests in our brief, and we provided citations to the Commerce Department's Bureau of Industry and Security Website where they can be downloaded.

Again, this company reports that the product subject to its request is not available in the United States. It's noteworthy that the product that this company is requesting an exclusion for is something that they call "automotive body sheet," which was discussed this morning.

Here it's referred to as Series 5754. This is an indication, and we will expand on this further, that automotive body sheet is not limited, contrary to the suggestion this morning, to 6000 out-of-scope aluminum sheet. Constellium reports to the Commerce Department that, it says: This exclusion request is based on insufficient U.S. availability, limited domestic supply.

Purchasers reporting their responses to the Commission confirm this. They overwhelmingly report that they are unable to procure their aluminum sheet needs from domestic U.S. producers, even though they would like to. The shortages are here now during this Period of

Investigation, and have occurred long before any potential antidumping or countervailing duty order--indeed, long before Commerce self-initiated this investigation.

These U.S. companies, many of whom are multi-nationals, maintain a strong and competitive position in the U.S. market and lead the way in the most high-value and profitable aluminum sheet products.

In reporting to their shareholders and investors during this Period of Investigation, as pointed out in our prehearing brief, these U.S. producers simply do not identify Chinese imports as an important source of competition for aluminum sheet.

This is to be expected since Chinese producers do not export, and are generally not competitive, in the highly advanced aluminum sheet products on which U.S. producers have been focusing, as they conceded this morning.

U.S. producer capacity utilization is strong, and in fact increased during this period. U.S. shipments and sales are increasing over the period, and U.S. prices have increased over the period.

As U.S. producers conceded this morning, they have spent significant amounts in new domestic investments during this Period of Investigation in higher value common aluminum sheet production lines.

These companies' financial reports cited in our brief emphasize these investments. They've expressed an optimism that an already healthy market demand will continue over the next year and beyond. At the same time during this Period of Investigation, subject imports from China have remained a small part of the U.S. market.

The economic data, which our panel will address in a few moments show that these imports have had no impact on the health of the U.S. industry, and have had on correlation to the movement of U.S. producer prices during this period.

Non-subject imports, meanwhile, are already beginning to displace Chinese imports at a dramatic pace. The domestic industry conceded this morning that as Chinese imports have declined, they have been unable to capture new market share due to increased competition from these third-country sources.

This is not a record that supports an affirmative determination that subject imports from China have caused material injury.

As to the like product issue, we agree that the Commission should find that can stock is a domestic like product, as previously discussed by Mr. Grimson. This is addressed in detail in our brief starting at page 9.

Finally, this record presents no indication of a real and imminent threat of material injury. Our prehearing brief details the large and rapidly growing demand in the Chinese domestic market for aluminum sheet. As we will hear from Ms. Mo, Chinese producers are focused specifically on serving the significant domestic market demand.

Between 2015 and 2017, domestic consumption of aluminum sheet products in China increased by nearly 26 percent. And this is expected to continue dramatically in 2018 and 2019 and beyond.

Sharp increases in consumption in Chinese domestic construction, electronics, and durable consumer goods sectors are what's driving Chinese producers' production and shipments. These sectors--these three sectors accounted for nearly 80 percent of total consumption in the domestic market in China.

The Chinese industry capacity, furthermore, is not excessive or threatening, as portrayed by the U.S. producers this morning. In fact, overall production capacity in China in the interim 2018 period increased by nearly 2.6 percent compared with the prior year, as shown in the staff report.

Foreign producer questionnaires document this, and their coverage is strong and reliable. Contrary to the suggestion this morning, the Commission has obtained a very complete picture of the Chinese producers. They received responses from 12 major producers that account for over 85 percent of exports of subject aluminum sheet, and the vast majority of Chinese domestic production of aluminum sheet.

For all these reasons, there's no basis in this record to find any real or imminent threat of material injury by reason of subject imports.

And now I will turn this over to Ms. Mo who would like to provide her observations regarding this case.

STATEMENT OF MO XINDA

MS. MO: Good afternoon, Commissioners and staff of the U.S. International Trade Commission. My name is Mo Xinda, Division Chief of China Non-Ferrous Metals Industry Association, the CNIA.

CNIA represents Chinese producers of aluminum products, including the common alloy aluminum sheet that is subject to this investigation. Thank you for the opportunity to speak at this hearing.

This is the third time I have appeared before your Commission to discuss the conditions of the aluminum industry in China, its role in the rapidly expanding domestic Chinese market, and its impact on the U.S. market.

From my experience in these cases, I believe the present case presents a starkly different picture than the Commission has seen in its previous investigations of the China aluminum products. China imports are a very small part of the market and decreasing. U.S. producers are strong and competitive, focusing on higher value and more profitable products, and nonsubject imports are displacing Chinese products at a rapid pace. This is not a case that justifies protection for the U.S. domestic industry through an antidumping or countervailing duty order.

Since the CNIA and the Chinese Producers have submitted a comprehensive prehearing brief on behalf of the Chinese Common Alloy Aluminum Sheet Industry, here I would like to draw your attention to the following key points:

First, the U.S. aluminum sheet industry is strong, growing, and is not materially injured. Unlike many cases before the Commission where a U.S. industry is characterized by small market share, lower production, plant closings, and depressed revenue, this case concerns a U.S. industry that is well established, healthy, performing well, and expanding, particularly into higher value and more profitable products.

The U.S. aluminum sheet industry continues to preserve its leadership and competitive advantage as it dominates market share in every segment of the U.S. aluminum sheet market. Our own evaluation of the U.S. industry finds that it is showing strong shipments and sales and is financially healthy, reflecting its ability to profitably compete in the aluminum sheet market.

Major producers in the U.S. domestic industry such as Aleris, Arconic, Constellium, and Novelis all are leading multinational companies that produce aluminum sheet and other aluminum flat-rolled products in their own production facilities all over the world.

These companies are the world's best and most technically advanced aluminum sheet producers. They have expanded through increased capital and R&D expenditures into new product lines throughout the Period of Investigation.

These producers have also been actively engaged in significant acquisition of additional equipment and production facilities or proposed acquisitions. These expansions and acquisition activities reflect the U.S. industry's optimism for the future growth of the aluminum sheet industry.

Second, Chinese imports amount to a very small portion of the U.S. aluminum sheet market. Chinese import market share is smaller than both that of the U.S. industry as well as non-subject imports. More importantly, this case does not involve any significant increase in the volume of Chinese imports. Chinese imports will continue to remain at a modest level in the U.S. market, since Chinese producers are and will be focused on sales meeting the growing Chinese domestic demand for aluminum sheet. With the rapid growth of aluminum sheet end-use sectors in China such as construction, electrics, and transportation, Chinese producers are oriented to serve the domestic market and are not targeting the United States.

Third, Chinese imports are a healthy addition to the U.S. market, particularly in the less-advanced product segments. This reflects the U.S. industry's insufficient capacity to fill all U.S. market demand. As the Commission observed in its Section 332 investigation on aluminum, U.S. flat-rolled producers have transitioned away from commodity products in favor of higher value-added automotive sheet. As a result, the U.S. industry has voluntarily abandoned certain segments of the aluminum sheet market.

U.S. producers are the leaders in high value, high profit automotive and aerospace segments, where China does not and cannot compete. The U.S. industry does not view Chinese imports as a significant source of competition. Rather, the main source of competition for U.S. aluminum sheet producers are other U.S. aluminum sheet producers. The Commission concluded in its Section 332 Aluminum Report that "currently China is not a major producer of aluminum sheet for the auto industry."

In fact, U.S. aluminum sheet producers are the major suppliers to the Chinese auto body sheet market. And the U.S. producers are expanding their flat-rolled production capacity in China. For example, Aleris just recently opened a hot rolling mill in Zhenjiang City in

China, designed to meet the fast-growing regional and global demand for technically advanced aluminum plate products for aerospace and commercial plate customers.

In November 2017, Aleris' shipments of aluminum sheet used in the aviation sector in China reached 25,000 metric tons. Also in November 2017, Aleris invested $20 million in China to establish a new project center focused on processing aluminum sheet for the aviation sector. Novelis announced this month that the company just broke ground on the expansion of its automotive aluminum manufacturing facility in Changzhou, China.

This $180 million investment will double the facility's production capacity of heat-treated aluminum sheet by 100,000 metric tons in order to meet the growing demand for automotive aluminum sheet in Asia. Aronic and Alcoa also have substantial investments and operations in China. The U.S. industry has gained significant returns on its investments in China as well as its substantial exports of high-value aluminum sheet products to the China market.

In conclusion, the CNIA and Chinese Producers believe that a fair assessment of the facts in this investigation will show that Chinese imports of aluminum sheet do not materially injure the U.S. industry, or threaten the U.S. industry with material injury in the imminent future.

Thank you for your attention. We are happy to respond to any questions that the Commission may have.

STATEMENT OF CARA GRODEN

MR. GRODEN: Good afternoon. I'm Cara Groden with Economic Consulting Services testifying on behalf of respondents, addressing the economic condition relevant to the Commission's injury analysis. There are several reasons why the increase in subject import volume over the POI was not significant. As you heard from this morning's panel, U.S. consumption of common alloy sheet grew substantially over the POI, increasing by 8.4% between 2015 and 2017.

U.S. producers would like to claim that they should've captured a larger share of that growth. However, record evidence overwhelming suggests that they could not serve that increase in demand. This afternoon, you've heard from several industry participants who've tried to source from domestic producers, but were unable to do so. A large majority, 20 of 27, reported constraints during the POI of common sheet other than clad and other than braising stock, that's purchasers.

Certain purchasers mentioned specifically the 3000 and 5000 series. This shortage is not just in a niche product category. Nonclad common sheet is a large majority of the U.S. market, which according to the Commission's questionnaire record, is not adequately served by U.S.

producers. Common sheet industry participants needing supply had no choice but to turn to imports.

As you can see from this chart, nonclad common sheet is highly representative of the market's composition. The 3000 and 5000 series alone account for 87.3% of total shipments over the POI from all sources. This is the share of the market which U.S. producers have been unable to serve. So these are the products U.S. customers are importing from subject sources. 97% of shipments of subject sources of subject imports were nonclad 3000 and 5000 series alloy.

There is additional evidence on the record that U.S. producers were unable to supply the market. Domestic producers' capacity utilization was high over the POI, roughly 80%. Once you factor in Aleris' planned outage for renovation in 2017, which as stated verbatim in Aleris' March, 2018 press release, effectively cost seventy-five days of production and resulted in approximately 100 million pounds of estimated lost shipments.

Capacity utilization increased in each year of the POI from 78.9% in 2015 to 81.3% in 2017. As Chinese respondents noted in their brief and a testimony, this capacity utilization is likely understated. Combined with a chorus of purchasers reporting they are unable to source from U.S. producers, there is no question that substantial unused capacity does not exist.

It is noteworthy then that U.S. producers were themselves importers of common alloy sheet during the POI, which they brought in to serve the U.S. market requesting exclusions to the 232 orders to be able to do so. The Commission should also take into account U.S. producers' increased focus on specialty common sheet, particularly automotive, which does not compete significantly with subject imports.

The staff report notes that importers identified the auto industry switching from steel to aluminum as a unique condition of competition. As I mentioned, Aleris took its Lewisport, Kentucky facility off line at the end of 2017 for reasons unrelated to subject imports. CEO Sean Stack cited instead to strategic realignment, the need to expand capacity in order to serve the auto industry, and the company's focus on high-value end uses. As for whether those lost shipments are captured in the confidential record, please see the confidential staff report at Page 3-12.

The next slide shows quarterly import volumes for 2015 to 2017. During those years, subject imports peaked in the second quarter of 2017 and were declining in the second half of 2017 when the outage occurred and prior to the initiation of this investigation.

In contrast, nonsubject imports entered the U.S. market at higher volumes than subject imports in every quarter of the POI, and increased consistently through the end of 2017. Even the subject import volumes began to decline. As such, the increase in market share by subject imports from 2015 to 2017 was modest and comparable to a very similar increase in share by nonsubject imports.

As you can see, when subject imports exited the market in 2018, the residual share was captured by nonsubject imports. This chart shows only the market for common sheet. But subject import market share would be even smaller if can stock were included as well. Given that subject import volume increases were modest as a share of consumption and volumes were declining in advance of the initiation and that those volumes were necessary to serve demand not addressed by U.S. producers, we submit the increase in volume by subject imports was not significant and had no adverse volume effects.

Nor did subject imports have adverse price effects. As the Commission observed at the prelim, U.S. prices are determined by the London Metal Exchange and the Midwest Premium. The LME and Midwest Premium declined from 2015 to 2016, but the LME has increased consistently from that point through the end of the POI. The Midwest Premium increased sharply in 2017 with U.S. prices increasing commensurately.

Pricing data on the record are not a good gauge for U.S. producer's shipment volumes. But U.S. prices for each product follow closely the sum of the LME and Midwest Premium on a unit basis, shown here in red. This and the following chart show Products 1 through 7, because there were no shipments by subject imports in Product 8. As you can see, the sum of the LME and Midwest Premium has been increasing steadily since late 2016 and so have U.S. prices.

U.S. producers' assertion in their prehearing brief that domestic producer prices declined substantially over the period is absurd on its face. Subject import prices follow the same trend. Although the Midwest Premium is not a component of import pricing, subject AUVs increased from early 2016 through the end of the POI.

There is no evidence of price depression. There's also no evidence of significant price depression by reason of subject imports. The industry's ratio of COGS to net sales fluctuated within a narrow band, in fact declined from 2015 to the first half of 2017 when subject import volumes were highest.

To the extent the U.S. industry did experience a cost-price squeeze, it was unrelated to subject imports and limited to the end of 2017 when prices were increasing and subject imports were declining. In that period, Aleris cites specifically to an unfavorable metal price lag, not to subject imports.

For underselling, the underselling record in this case is astonishingly unrepresentative of U.S. producers' shipments, with those pricing products accounting for just 2.2% of domestic shipments, but 22.2% of subject imports in 2017. Of the eight suggested pricing products, subject import data was reported for only seven, and compared with a minute share of U.S. producer sales.

If this is representative, a comparison with subject imports of the U.S. industry can get, which we must assume, given that U.S. producers recommended these products to the Commission, the record does not suggest any meaningful competition between subject imports and U.S. producers. To the extent that underselling margins increased in 2017, it was only because U.S. producers increased their own prices and volumes in the first half of 2017.

Given the extremely low coverage of U.S. shipments, the only value in the analysis is to show how limited competition was. I'd like to remind you that each of the pricing products falls within the 3000 and 5000 series, particularly the alloys mentioned by the U.S. industry this morning.

They also show no evidence of underselling leading to any significant increase in market share between 2016 and 2017, when subject import volumes increased the most. I'd also note on the next slide that the Midwest Premium accounts for the majority of underselling instances over the POI.

Finally, there's no correlation between U.S. producers' loss of market share and--well, excuse me. The bulk of U.S. producers' market share loss occurred between the first and second halves of 2017 when nonsubject import volumes were continuing to increase. As you can see in this table, subject imports gained no market share in that period but nonsubject import market share increase by three points.

The second half of 2017 also coincides with Aleris' planned outage, which was not driven by subject imports. The questionnaire record based off of shipment data, supports the same conclusion that the majority of U.S. industry loss of market share was captured by nonsubject imports. Thank you.

MR. GRIMSON: That completes our panel's presentation. I'll also note that Frank Morgan from Trade Law Defense is here to answer questions on behalf of Metal Exchange Corporation.

CHAIRMAN JOHANSON: Thank you, Mr. Grimson and others who appeared in this afternoon's panel. We will begin Commissioner's questions with Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you. I wanna thank the witnesses for their presentation. It was very helpful. Let's see. Can someone tell me what the end uses are for end scope aluminum sheet with gauges from 0.2 millimeters to 0.292 millimeters?

MR. PARKER: End uses can include transportation, it can include building products, a variety of different products we supply. A lot of components in construction and different manufactured products.

COMMISSIONER BROADBENT: All right, thank you. Mr. Grimson or Mr. House, how do you respond to the domestic parties' argument on Page 8 to 9 of their prehearing brief in which they state that expanding the domestic like product definition beyond the scope would be contrary to the purpose of the statute? Because including out-of-scope product would dilute the injury caused by in scope subject imports to the domestic industry producing the in scope merchandise.

MR. GRIMSON: I understand that when the facts and the law are working against you, you go to the policy point there. I think that the function of the trade laws is to give a fair analysis of the data for the domestic industry, and we need to start there. Starting with the injury decision and working backwards into the data set that supports it really should not be the policy of this Commission.

COMMISSIONER BROADBENT: Okay, thank you. Mr. Grimson, in your post-hearing brief, can you spend some time thinking about the domestic party's Slides 17 and 18. These suggest that price was a big driver for purchasing decisions. I mean there's just pages and pages of quotes there. If we believe purchasers about supply, shouldn't we believe them about price as well?

MR. GRIMSON: Sure. And the idea that purchasers are only coming forward in the final phase to talk about short supply, which I think I heard this morning, is kind of an odd statement, because of course, you don't issue purchasers questionnaires until the final phase.

You heard today on the short supply question, at least, that these conditions began before this petition was filed. We went the whole morning without hearing Ford F150 mentioned. And that was a paradigm shift in this industry for a hundred years since the Model T cars were made from steel.

And then in 2014, late 2013, Ford decides to make automobiles from aluminum sheet. And their point from the morning was the Chinese chased us out of common alloy and that's why we went to auto body sheet? I don't think so. That market grew exponentially and then was made available for them.

And it's not injury when they're offered a better deal somewhere else. That doesn't mean there's injury by the common aluminum sheet. So we will deal with the purchasers' responses. We did a tabulation of the volume impact of the purchasers who mentioned that they changed their sourcing and that it was lower price. One did not necessarily depend on the other. According to the questionnaire as asked, but we will be very happy to address that in the post-hearing brief.

MS. GRODEN: If I can jump in quickly. I would also note, and earlier, Commissioner Broadbent, that more purchasers reported that availability and reliability of supply were very important factors than reported price. That's it. Page 214 of the public staff report.

COMMISSIONER BROADBENT: Okay. Ms. Groden, how do you respond to the argument today that the fabrication cost is where we can see price depression or price effects?

MS. GRODEN: I know Mr. Grimson has some thoughts on this as well, but to the extent that we can discuss fabrication costs on the public record, I would note firstly that the U.S. industry performed much better in the first half of 2017 than in the second half of 2017, which I didn't quite get to touch on. It would be Slide 30 in our presentation here.

And the fabrication costs on average were the same between the two periods. So that can't explain the difference in profitability trends. The other point I would make is one that Commissioner Schmidtlein made earlier today, that the timing of the increases in fabrication costs in 2017 just simply don't add up with the industry's inability to increase their prices and increase the structure of their pricing, given their difficulties in the second half of 2017.

MR. GRIMSON: I'll briefly follow up on that. The data that you gathered on fabrication costs was actually one of our draft questionnaire comments. Because we had been hearing from our industry folks that fabrication--they just call it fab costs--fab costs had been going up and that's not -- doesn't tend to sound like an industry that's injured. But Commissioner Schmidtlein's point, and to follow up with what Cara said, I guess we are constrained by the confidentiality of the data.

But I would say, if you think about the timing of when you're negotiating fab costs for next year, which is right now. We've heard that this morning. So right now, they're working on annual contracts for 2019. They're looking at what's happening in the market right now. So when you look at the fab costs table, imagine that they're negotiating those numbers the prior year, okay?

And that, what's in effect then for 2018, interim 2018, was negotiated at the tail-end of 2017. Then look at your underselling data, the market shares data, etcetera, and I think the timing works out to also show an industry that's really not -- you can't connect the Chinese to what they're getting on their fab costs very cleanly.

COMMISSIONER BROADBENT: Okay. For any of the purchasers, did you experience supply issues with the domestic producers before 2018?

MS. WHEELER: Yes, ma'am, we did.

COMMISSIONER BROADBENT: Could you describe them a little bit?

MS. WHEELER: We had some supply issues in 2013 and 2015, we had some late delivery issues where we had to fill in with some distributors in 2017.

COMMISSIONER BROADBENT: Okay. Let's see. This will be for anyone, I think. The volume of nonsubject imports increased by almost the same amount in volume as the volume of subject imports from 2015 to 2017. After the petitions were filed, nonsubject imports increased to a far greater extent than the domestic industry's shipments.

Why did nonsubject imports increase to such an extent from 2015 to 2017? And why did nonsubject imports, and not the domestic industry, replace subject imports as they were declining in interim 2018?

MS. GRODEN: I think we feel very firmly that it was just that the U.S. industry was unable to supply the parts of the market that needed that supply. So the reason that they were increasing along with subject imports is that generally speaking, import sources were needed to supplement what the U.S. industry was unable to provide. And when subject imports were effectively shut out of the market in 2018, the only reasonable supply source left was nonsubject imports.

COMMISSIONER BROADBENT: Okay. All right, thank you. For the Chinese respondents, of the Section 232 exclusion request you reference on Pages 54 to 58 of your prehearing brief, were any of these opposed by U.S. producers of common alloy aluminum sheet or by any other entity?

MR. HOUSE: Thank you. And sorry for the delay, Madame Commissioner. Yes. In some examples, there were oppositions filed and we note in those pages of our prehearing brief, we distinguish between those exclusion requests that have not yet been decided by the Commerce Department, and those numerous exclusion requests that have been granted by the Commerce Department, even in the face of opposition.

But we'd be happy to clarify that further in our post-hearing submission and make more clear to you where there was opposition.

COMMISSIONER BROADBENT: Okay, thank you. Ms.

Xinda and Mr. House, what effect does the Chinese Value Added Tax rebate on exports of aluminum sheet have on U.S. prices of aluminum sheet?

MS. XINDA: Okay, thank you for the question. And for China, the rebate, I think most people have a misunderstanding of this word. For China, we have already paid for the VAT and the VAT for the most producers that rate is 16% and for the aluminum sheet, this export rebate just only 13%, so it's lower than VAT 16%, three points. And so the China sheet aluminum exporters, if they want to export their product to the outside, they have to afford extra 3% fee than the other exporters from foreign countries. Thank you.

MR. HOUSE: Madame Commissioner, I would just add to that. I think what Ms. Mo was getting at is that the VAT system, which is in place in many countries around the world, generally involves a rebate of the VAT when products are exported. So that's the common way that the VAT systems are implemented.

The WTO has, of course, found explicitly that these kinds of systems are not subsidies and in the case of China, as Ms. Mo is emphasizing, the fact is that there's a significant piece that's not rebated upon exported and that it essentially reflects a cost to those exporters, since they're not getting a full amount back, as happens in other countries.

COMMISSIONER BROADBENT: Okay, thank you.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: All right, thank you very much. Um, I'd like to thank the witnesses for being here today. Let me go back to that question about supply issues.

And if I understood your answer, it was that the purchaser questionnaires don't come in until after the prelim phase and that's why supply issues weren't raised in the prelim phase. Mr. Grimson, is that right?

MR. GRIMSON: No. First of all, at the conference, my partner, Kristin Mowry, definitely spoke about the Ford F150 effect and how that was making it harder to get certain kinds of sheet. This is nothing really new here.

I guess the point that Mr. Rosenthal was making this morning is that when purchasers get questionnaires in the final phase, and you're asking about short supply, you don't know that they might not be talking about the time that they're answering the questionnaire versus the POI. Fair point. Okay.

However, there's plenty of testimony. You just heard it. And I think we'll be able to put in some more information about the tight supply throughout the period of investigation, really starting before the POI with the Ford change in the market. And that does tend to explain a lot of the other things.

Like, why are nonsubjects coming in? Why does the market need imports at this level if you were to accept the testimony, the theory from this morning, the domestics should've just gobbled up everything and should been at 100% capacity the whole time, but they haven't been, and imports have always been coming in.

COMMISSIONER SCHMIDTLEIN: Okay. I think that would be helpful, because one question I had was, even if we found that, based on the applications for the exemptions from the 232 process, which were being quoted with regard to capacity, which I assume were filed this past summer probably? Uh, which is the Summer of 2018. Yeah, the POI closed in June, so you know, even if we said, okay, that's true.

How would that impact our analysis for looking at whether or not there was injury over the typical three-year, or in this case, three and a half year POI? So for me, I'd like to understand if there were supply constraints before this summer, during the POI.

MR. GRIMSON: We will beef that up and I think that my point is, that this is not some new theory that we're throwing at you in the final phase, as was indicated this morning. We did spend quite some time talking about the F150 at the conference transcript, there was questions about it. Then you asked for the purchasers' questionnaires.

And I think it's also not entirely fair to view their answers as only for covering the moment that they're answering that questionnaire either. So we will work on it. I think, overall, economically, the numbers tell you there's situation of undersupply here. That's the capacity data shows you.

COMMISSIONER SCHMIDTLEIN: Okay. Well, and I guess that's a segue to my next question, which is, when you look at the capacity and even if you adjusted for the way that you all suggest, I mean they still have a decent amount of excess capacity and we've certainly seen industries that are running at higher capacity.

And then you look at their inventory numbers. And the U.S. industry's inventory numbers are climbing over the POI and they were higher in the interim, 2018 to 2017. So how do you square that with an argument that they can't serve the U.S. market? If that increasing quantity's going into inventory?

MR. GRODEN: I think what we're seeing overwhelming is that the parts of the industry, or the parts of the market that are served by import sources are not being captured by U.S. producers, even when the so-called injurious imports are not in the market in 2018.

And so whether or not they're building up those inventories to serve the common grades of the industry -- I mean what we see then in the pricing data are specifically those grades that they said this morning that they wanted to be shipping more of. And it's very unrepresentative of their shipments overall.

And so there's no indication that the market into which these imports are being shipped is being adequately served or is prepared to be adequately served by the U.S. industry, regardless of what they're inventory levels may comprise. I think what we also see is that because a majority of both subject import shipments and U.S. producer shipments are into the 3000 and 5000 series generally.

It's 97% of subject imports. It's roughly 85% of U.S. producers' shipments, based off of the public shipment data in the staff report. But there's very different coverage in the pricing data. So there's a range of alloy grades within each of those product series.

So I can't say for sure what those inventories are comprised of, and what they're serving. But I think what we're overwhelmingly seeing in the questionnaire record is that the people who need that volume are not able to get it from U.S. producers.

COMMISSIONER SCHMIDTLEIN: Were they serving --

because they did lose market share. And subject gained market share. Let's just look at the full years of the POI, right? So the Chinese picked up a large portion of that lost market share. So was the U.S. serving this segment and then stopped?

Or -- and I know you make the argument when you look at the half-year of 2017, but I was a little bit confused by that. Because I mean, overall, the 2017 level is still higher, I don't think you're saying they were, the subject imports were incapable of -- you know, there wasn't enough volume to capture market share, are you?

MS. GRODEN: I think those are two separate points. The first is that imports generally were serving markets if U.S. producers weren't able to, and if we flip quickly to the very last slide of this presentation, based off of the questionnaire shipment data, we see that nonsubject imports as a share of shipments, increased by more than subject imports, and captured more of the so-called loss. And shipment share of U.S. producers.

So whether or not we're looking at the import stats or the questionnaire data, there is no significant indication, I don't feel, of subject imports capturing market share to the detriment of U.S. producers or serving a market that U.S. producers would otherwise have been eager to be a part of. The other piece is whether the U.S.

producers --

COMMISSIONER SCHMIDTLEIN: So let me just ask you about this. So I know you've -- I'm not sure where these numbers come from exactly. What are they -- is this the --

MR. GRIMSON: This is questionnaire data --

COMMISSIONER SCHMIDTLEIN: Okay.

MR. GRIMSON: So it does differ from the market shares that in Table C-1, because it is based on questionnaire data. There is a point to consider here about relying on the HTS data or questionnaire data. We think you ended up with quite excellent coverage on questionnaire data. And HTS data you could have two series of four series in there that HTS codes are not specific to the -- they're specific to thickness, but not series. So to measure the import penetration, we felt the questionnaire data was a better source.

COMMISSIONER SCHMIDTLEIN: Okay.

MS. GRODEN: If I can just answer that. This is not at all outside the norm of the Commission's traditional analysis.

It's simply in this instance that the staff have chosen to rely on import statistics data in compiling apparent consumption. There are plenty of instances in which the Commission and staff will consider the questionnaire data representative, which we think it is in this instance, sufficiently representative to base apparent consumption calculation off of the questionnaire record rather than the HTS categories.

And if you were to undertake that analysis, this is the result. We didn't wanna throw too much out there on a slide while we were going through it, but happy to provide the full exhibit post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay. So that your point here is that 1.3% is just not very much?

But I mean clearly like -- so subject imports did take -- in other words, like they have replaced U.S. industry as the producer in some instances.

MS. GRODEN: I mean all of the -- if you're referring to -- are you referring just to market share, are you referring to lost sales allegations.

COMMISSIONER SCHMIDTLEIN: Well, we can come to those, because there were some lost sales allegations, so I guess that's -- let's talk about the lost market share. Is the argument here that this just isn't material?

MS. GRODEN: Yeah. I would think of it more as an increase in share of the market served in an increasing market. Particularly subject imports made up a larger share of that growth because the growth was in, perhaps in facets of the industry that are served by subject import volume, or perhaps U.S. producers were taking capacity offline to produce things like auto body sheet that are outside the scope of this investigation and our manufacture, to some extent, a decline in available capacity or available shipments into this market because it's serving something that is out of scope.

COMMISSIONER SCHMIDTLEIN: Okay. So can you follow up with record evidence, that I mean you're saying that this could be the case or this could be the case. But what we are interested in is actually what did happen.

MS. GRODEN: Sure. We can dig into some of the specific industry reporting, which is all APO. The only public citation we have for you today is the Aleris shutdown, which they very publicly said took a large share of common alloy production offline for a significant period of time, 75 production days. As I said, it's from their own press release, they estimate 100 million pound loss of shipments and they did use the word "shipments" in that release.

It's going specifically toward a renovation for auto body sheet, which as you heard several times this morning is outside the scope of the investigation. So it simply stands to reason that that is going to reduce available supply into the market for the 3003, 5052 alloy series that you heard about.

COMMISSIONER SCHMIDTLEIN: Okay. All right, my time is up. Thank you.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you all for being here again today. I appreciate it. I guess I want to start where Commissioner Schmidtlein ended up. I just want to ask a few questions about the short supply arguments. One, and just to emphasize the point to both Respondents and Petitioners, I think the more we can learn about the arguments on short supply, the better when we're looking at this the next couple of weeks.

Ms. Wheeler, you stated, if I heard you right, that you couldn't get domestic supply in 2013, 2015 and 2017. Is that right?

MS. WHEELER: A part of the supply that I needed, yes sir.

COMMISSIONER KEARNS: Okay.

MS. WHEELER: We had actually increased production and needed more than we had in the previous year, and was not able to get that much in our contracts.

COMMISSIONER KEARNS: Okay.

MS. WHEELER: And then we had some shortages on orders.

COMMISSIONER KEARNS: When you say you were trying to increase production, all three of those years, 2013, '15 and '17, or were you thinking of one year in particular?

MS. WHEELER: '16 and '17.

COMMISSIONER KEARNS: Okay. If you can just document that better for us, and in particular, you know, we heard from Mr. McCarter this morning I think in particular that first of all they didn't deny that there was denials during the POI before the petition was filed.

But you know, one point they made was that, you know, at the price that they were being asked to consider, they weren't willing to provide supply. So if you could also provide information on both quantities and prices that you were looking for, that would be very helpful.

MS. WHEELER: We'll be happy to do that.

COMMISSIONER KEARNS: Thank you. Another thing I'm struggling with, again based on what we just heard in the questions from Commissioner Schmidtlein, there does seem to be kind of this disconnect between market share, capacity utilization. I'm trying to understand what's going on here, and I'm wondering, and again I think maybe it would be helpful if we could hear from both sides in the post-hearing brief, but also now from you all if you're able.

Could what -- could what's going on here be that the U.S. industry is moving in the 6000 series of products, so it could be fully -- at full capacity. We wouldn't see it in these data because the 6000 product is not included.

But they're producing more and more of that product, and that makes their market share of the other products go down, but you're actually, you know, if we had had that incorporated with the 6000 data, it might look at little bit different, and that that might help explain why capacity utilization is, as the industry told us this morning, that 80-some percent may sound like a lot but I think they pointed out that in our 332, back then it was up to 90 percent.

So it does seem like there is more capacity. Could the answer be that maybe they are producing more 6000 product and that's why they don't have room to produce more of these other products?

MR. GRIMSON: Commissioner Kearns, Jeff Grimson. Coming off of the foil case last year, I think a lot about who the domestic producers were in foil and what kinds of things they were producing. I guess the picture there was not the same as what we see in sheet. I just bring this up because in the 332 report, I believe that all wrought aluminum products were lumped together. So I don't know that you can say we had 90 percent back then in 2011 in the 332 case, and today we've got 80 percent. We lost -- our capacity utilization went down ten percent. I'm not sure that the data sets are quite aligned. I'm thinking of a household foil producer's capacity utilization, for example, being included in the 332 number 15 years ago or 10 years ago, what that might look like.

Yesterday, we were having a discussion of the capacity limitations in the domestic industry, not so much being at the rolling stage but at the -- at the heat melt stage. I'm wondering if Mike can -- Parker from AA Metals can talk a little bit about that, because I think you're right, that there are limiters to capacity that outside the data that we're seeing on the scope merchandise, right?

MR. PARKER: Yes. Mike Parker, AA Metals. When we talk about capacity, it can be looked at in two forms, casting capacity and rolling capacity. While they may have the rolling capacity available to produce the product, the source, the casted product might not be there.

What we're seeing is import re-roll coming in. We're seeing it coming in from different countries and being rolled to gage. We're competing against that in the market. So our concern from an import side is we have material that's being sold on the water that's not available from any domestic producer that our customers need. So as we go to market to supply it, it's as much as we can get in as quickly as we can get in to fill these gaps in the market.

COMMISSIONER KEARNS: Okay, thank you.

MR. GRIMSON: Just to emphasize one point he made on re-roll. Think about that for a second. The domestic industry that has excess capacity that they would like to use is instead, as Mike was saying, importing sheet from other countries and rolling it down to size within our width range.

So you know, this order and what we're talking about here today is not necessarily going to benefit domestic sheet production. It might benefit rolling of sheet from the Middle East or Europe or India.

But there is a capacity limiter there somewhere that you don't see in the remaining percentages up to 100. Something else is going on.

COMMISSIONER KEARNS: Okay, thank you. And Mr. Grimson, I think you were suggesting earlier that -- you were comparing can stock to brazing stock and suggesting that in some ways, you know, a similar story could be told. But isn't one important difference that brazing stock is within the scope and can stock is outside of the scope, and we need to start with the scope and shouldn't I be asking myself well, you know, given that the scope is what it is, is there any reason why I should be creating a separate like product for brazing? That's one question, and then a separate question is, you know, is there really no clear dividing line at scope, so that I have to include other products?

MR. GRIMSON: Yeah, so Jeff Grimson. It would be nice if the domestic industry and the like product test and the scope always aligned in every case, but they don't. That's why we have to go through this process. You've had cases that have kind of a Frankenscope.

I'm thinking back to Higher Mechanical Transfer Device Controllers, where it was all kinds of things, a Swiss cheese of a scope situation, and the Commission in the end threw up its hands and went negative on that case, really because you didn't have the data to align your decision with, in my opinion, you didn't have the data to align your decision with what the scope was.

Now you don't have that problem here. Since the beginning, even in the draft questionnaires, the staff itself proposed to get data for can stock and brazing stock. You have a complete spread of data. Now that gets you to the question of the six like product factors. So I think you do have an obligation to go beyond the scope, to see whether the duty part of the case has been jiggered in a way to avoid a large chunk of the domestic industry.

That's exactly what we have here, and there isn't a very good, clear dividing line other than the name "can" on this if you look at the data that you actually gathered.

COMMISSIONER KEARNS: Okay, thank you. Also on the can stock issue, do you agree with the domestic industry that -- that common alloy sheet can be produced on can stock equipment but not vice-versa?

MR. GRIMSON: That was the first time I heard that, today. If that has been in their prior papers, I didn't see that. I'll just say that the one producer answered that question, but three others gave you a different story and the public staff report says three producers say they can make it on the same equipment.

The APO, the identity of who those were is APO. It's in the staff report. But I don't know if you can go the other way. I think we need to look at that post-hearing. That was a surprise today.

COMMISSIONER KEARNS: Are there any industry witnesses who know one way or the other? No? Okay, I'd appreciate that post-hearing.

MS. GRODEN: This is Cara Groden. Very quickly, there is this Table III-6 on page 315 of the public staff report, which shows clearly that there is a significant production of both cast and can stock on the same equipment.

COMMISSIONER KEARNS: Right. But the question is, is it possible to make can stock on equipment that is, you know, somehow designed for CAAS, right?

MS. GRODEN: Sure.

COMMISSIONER KEARNS: I think the Petitioners concede that it's possible to go the other way, or excuse me the domestic industry. Okay, thank you. So I think in one of the briefs, I don't have it in front of me which one, but on page 19, we were -- and also today we were discussing the effect of the 232 tariffs, and that the estimates are that the 232 tariffs on aluminum have resulted in price increases of 30 to 40 percent. Is that -- is that right?

MR. GRIMSON: This is Jeff Grimson. That's one of the factors that went in, and I guess I'd -- I want to make one point here as well. The announcement of the 232 by the President and Secretary Ross came in late April of 2017. I mean that itself had an impact, had to have an impact on the market and, you know, inventories, etcetera.

People may have been planning for what might come out of that investigation. Then in August we had 301 start up. So these weren't things where duties were quite in place yet, but you can't say they didn't have an impact on the market. Everybody was wondering where they were going to get sheet if these went all the way.

And you know, then December this case comes. Again, no duties yet, but there's a third thing that's coming down the pike at you. So I think that if you just take the numbers that were being thrown out as possibilities from all these things, it may very well have had an impact on the market, and our witnesses did, have said that the relative price increases have been in the 30 to 40 percent range.

I can't slice and dice it out what was 232 or 301 if applicable, fear of this case, actual duties of this case.

COMMISSIONER KEARNS: Okay, thank you. My time's up, but what I was going to ask is how is it that a ten percent tariff can result in a 30 or 40 percent price increase. I think you started to answer that, because first of all we didn't know at that time that it was going to be a ten percent tariff, and that there are these other, these other factors.

But if you could in the post-hearing brief, if there's anything you want to add to that, I'd appreciate it. Thanks.

CHAIRMAN JOHANSON: Thank you all for appearing here today, and also I looked at the exhibits during lunch. Thanks for letting us examine those today. I go camping a lot, but I don't stay in a camper. It's kind of interesting to see what those things look like on the inside.

Could you all please respond to the summary of underselling provided by the domestic parties on page 23 of their brief? Should underselling in 82.7 percent of quarterly comparisons and by 86.9 percent of subject import volume be considered significant?

MR. GRIMSON: Jeff Grimson from Mowry and

Grimson. Maybe it's significant. I thought I heard Mr. Rosenthal this morning starting to back away from the actual pricing data within the underselling, referring to the fact that in his opinion, sometimes people have reporting strategies I believe he talked about.

So let's just say that the level of price underselling, let's put that aside and talk for a second about the fact that they chose eight products. I take brazing stock out.

So they chose seven products to give to Secretary Ross to include as a giant exhibit in the petition, and those seven products are the ones that the Commission asked for pricing data on. They chose them because they said they are representative of the competition, injurious competition they were receiving.

What they got back was, as we showed on the slide earlier, two percent competition. So the volume of actual pricing competition occurring within the eight products, I didn't think that Mr. Rosenthal was calling that into question. And what you have here is the Chinese product coming in and serving an unserved part of the market that guess what?

The Petitioners -- I almost called them the Petitioners. The domestic industry representatives were telling the government here's where we're fighting head to head with the Chinese. Go get data on this and you're going to see that we're being undercut.

So I think that, you know, we continue to look at the pricing data as proof of the lack of competition actually, and then we can get into the trends of domestic and Chinese pricing and how they're doing nothing other than following the LME plus the Midwest premium. You don't have anybody pulling anybody else down or up in the pricing series themselves.

MS. GRODEN: This is Cara Groden. If I could add onto that quickly. I do think that the underselling data is entirely unrepresentative of U.S. producers' shipments in a way that we don't often see in ADCVD cases. I would also say that the underselling data have almost no correlation at all with market share trends, that there is, I think, a comparable increase in the volume undersold between '15 and '16 and '16 and '17.

It's the volume of subject imports that were involved in instances of underselling. There's no change in market share between '15 and '16 for subject imports. There is a change between '16 and '17, and only .4 percentage points of that is accounted for in the underselling data.

There is an increase in the margin of underselling in 2017, in that first half of 2017 when U.S. producer's profitability was on par with 2016, which was better than 2015, and that occurred because U.S. producers increased both their own prices and their own volumes in the pricing products. There really is not any indication of significance in this analysis in terms of pricing effects.

MR. GRIMSON: I just think the whole concept of counting up quarters of underselling is, can be really misleading, you know. 80, 90, 100 quarters of instances of underselling. That really doesn't tell you very much in these cases.

CHAIRMAN JOHANSON: All right, thank you Mr. Grimson and Ms. Groden. On page 48 to 50 of the domestic parties' brief, they present a long list of capacity increases in China. Do not these increases represent a likely feature increase in subject import volume?

MR. HOUSE: Good afternoon, Mr. Chairman. Michael House of Perkins Coie. I'll respond briefly and then see if Ms. Mo can add to this. Our brief and the testimony of Ms. Mo this morning or this afternoon provides some detail of the investments in China by many of the domestic industry companies.

And the emphasis that we've made is that these investments are part of the general growing domestic Chinese market, and part of that growth, an important part of that growth has been the high value aluminum sheet at automotive body sheet, whether it's 5000 in scope or 6000 out of scope.

But that part of the Chinese domestic market is a key driver of growth, and in our understanding one of the key reasons for Chinese facilities being built by U.S. producers. I'll let Ms. Mo add to that.

MS. MO: Sir, thank you for asking me, and I think that China's consumption growth rate is much higher than the supply and growth rate, and everybody have already know China is the largest aluminum consumption country in the world. Recently, aluminum consumption in China is domestic and dominated by the domestic market.

Accounting for about more than 90 percent, this part is totally consumption in the domestic market. The data is based on last year, 2017, and also I want to say the China aluminum consumption do have a great potential increase in equipment. So in many fields such as I've already told the consumption electric, and is battery automotive fields. Thank you.

CHAIRMAN JOHANSON: Yet China is, from what I recall reading the briefs, is the largest --

MS. MO: The largest consumption country in the world.

CHAIRMAN JOHANSON: Is not the U.S. the -- is not China the largest exporter to the United States of this product though?

MS. MO: I'll have to try to fix the data, major review, apply this data to you.

CHAIRMAN JOHANSON: Because I understand that China might be a major consumer of the product, but also -- but also it is also a major exporter of the product to the United States.

MS. MO: Yeah. Maybe the export is not more than seven percent, based on the output.

CHAIRMAN JOHANSON: Okay.

MS. MO: So most of the output is based, is consumption in the domestic market.

CHAIRMAN JOHANSON: Okay. Thank you Ms. Mo for your response.

MS. MO: Okay, thank you.

CHAIRMAN JOHANSON: Certainly. You all argue, this is for the NMMA respondents. You argue that the volume of subject imports is not significant. This is at page 22 of your brief. How should the Commission view the 32 percent increase in subject imports between 2015 and 2017? That's a fairly significant number.

MS. GRODEN: This is Cara Groden. Our point there is that the increase did not have any significant impact on the U.S. industry. The increase occurred primarily between '16 and '17, '16 into the first half of 2017, and there is no real visible impact on the U.S. industry. Their profitability trends were all consistent with 2016. Prices are increasing, cost net sales ratios are down in that period.

And so regardless of the fact that they were increasing in tandem with these reports from purchasers, that there are supply constraints in the U.S. industry that are not adequately served by U.S. producers. It seems clear that there was a need for subject import volumes in the industry that did not have any substantial impact on U.S. producers during that period.

CHAIRMAN JOHANSON: Thank you, Ms. Groden. On page eight of the domestic parties' brief, they note that 46 of 55 responses to the question on comparability of aluminum sheet and can stock indicated that the two products were never comparable. Another five responses indicated that the two products were only somewhat comparable. How do you respond to these perceptions?

MR. GRIMSON: Jeff Grimson. I think we indicated before that if you ask let's say a boat or an RV builder whether they want to buy beer can aluminum, they're going to say no. Those things aren't the same. But if you really think about all of the factors together and that the -- that the responses were not that dissimilar on brazing stock versus sheet as well, I think that our view is focus on the physical characteristics and the fact that three domestic producers make them in the same facility.

So I think that we can get distracted by the name of the product, and we think that's what happened when people answered that question.

CHAIRMAN JOHANSON: Thank you, Mr. Grimson. My time has expired. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Okay, thank you Mr. Chairman. I do want to thank all the witnesses for presenting their testimony today. You talked about the impact of automotive demand and particularly the impact of the Ford F-150. Is there any data out there about like how much more aluminum did the -- was Ford consuming, and what percentage share did that make of what the domestic industry was producing or capable of producing?

In other words, you talk about it, but I haven't seen any data or anything concrete to explain all that.

MR. GRIMSON: Jeff Grimson. I don't think that we have such data. We'll try to find it. It's just, it was a recurring theme among the boat and the RV folks, that things are different now because Ford is making cars out of aluminum sheet. I think you look through the expansion plans, public expansion plans from the SEC filings of the domestic producers, the folks from this morning, and they are just mentioning a lot about automotive.

So it's clearly important enough to pour hundreds of millions of dollars into for investment purposes. But I don't think that we have data on the amount that's being pulled into the Ford facilities and others who I think are starting to incorporate those panels as well.

COMMISSIONER WILLIAMSON: You see what I'm getting at? I mean you're basically saying look, the domestic industry is not interested in this segment or they're giving up on it or they're cutting back on it, and yet no one's referred to any concrete numbers to kind of substantiate that. That would be helpful.

MR. GRIMSON: Well, if the Commission would like to ask the domestic industry to provide information on that, that's not what we have. We'll search for public information about what they may be producing. But sales of I guess they said 6 series sheet, LS sheet to domestic auto makers since 2014, that would be very interesting to see.

COMMISSIONER WILLIAMSON: Okay. Well, is it?

COMMISSIONER SCHMIDTLEIN: That's out of scope, right?

MR. GRIMSON: But it affected the supply of what was available in scope.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. GRIMSON: That's the problem is that they don't want to make the in scope anymore, because there's, you know, a new customer in town that is -- I guess I didn't know that auto body sheet was only 6 series until today.

But it doesn't really matter. It is pulling production capacity out of the data that we're seeing to something else.

COMMISSIONER SCHMIDTLEIN: Can I ask one more -- can I follow up? Just ask.

COMMISSIONER WILLIAMSON: Go ahead, please.

COMMISSIONER SCHMIDTLEIN: Okay. Just so I know you said I was going to come to this, so this is just so I don't lose the train of thought. If you look at Table III-5, it shows the capacity numbers for the U.S. industry, and over the POI, the overall capacity and they haven't changed. So if you're saying that they've been taking capacity away from in scope product to put it to out of scope product, if you look at total capacity, it's on page III-13, the numbers haven't changed.

So that was going to be my question. You've tapped into it, but sorry. Thank you Commissioner Williamson.

COMMISSIONER WILLIAMSON: Okay, good. No, and also I guess the production, how much the domestic industry has produced of the subject product hasn't changed dramatically. So --

MR. GRIMSON: But demand has increased, and where are you going to get it from them if they're increasing their production on their existing capacity and there's excess demand? Where is it going to come from?

COMMISSIONER WILLIAMSON: I guess that raises the question. You've sort of thrown out that the pricing information are good for us, but the Petitioners, I assume, would say that -- or I may ask the question.

If the domestic industry wasn't producing it, if our data shows that non-subjects were not underselling, why is it that the -- why was there so much alleged underselling from China if there was, you know, there was a shortage of supply that they were meeting?

MS. GRODEN: So a couple of quick points. The first is that I think the capacity data on the record is a little bit overstated. I think we understand that both from public statements that the U.S. producers have made, and also from the fact that the capacity figures, the publicly available ones that we have, do not change significantly. But we do know that there was a significant production outage in 2017 that is not accounted for in those capacity data. So it does beg the question what else is or is not accounted for in those capacity figures.

You heard from the U.S. industry this morning that they are in the process of trying to get a lot more of their capacity online, but it's not just ready to go. They have to do a lot of training of new personnel, they're increasing their shifts and that takes time. They're not ready to bring that online until next year.

So this capacity that they have available to serve the market is not right now ready to serve the market. So I don't think that that in any way diminishes the supply constraints that we're experiencing here. The other point about the underselling data in particular is that we have a significant-ish share of subject import volumes competing against a very small share of U.S. producers', production and shipments. It's not equating to any significant gain in market share.

COMMISSIONER WILLIAMSON: You mean the pricing data we collected?

MS. GRODEN: The pricing data collected. We have 20 percent of subject import volume in 2017, and only two percent of U.S. producers' shipments in 2017. It's only about two percent in any year of the POI. It's not that it's become more or less representative over time. These are just not products that U.S. producers have shipped in any significant volumes over the POI.

What we also see is that U.S. producers themselves maintained a majority market share throughout the POI. Subject imports' market share was relatively small, and in these pricing products we have a larger volume of subject imports than of U.S. producers in every quarter of comparison. There's just no representative comparison there, short of proving, to a certain extent, that there is no significant competition between the two.

COMMISSIONER WILLIAMSON: Well, is there anything you can put on the record that would show that all the -- or that would indicate that if you looked at a wider range of pricing products, that the subject imports are overselling in all the other categories? In other words what's -- this is all, this is what we have, and what is the -- do you have to show that it's -- if we just threw that out, we would not have underselling?

Again, I raise the question. If there's a shortage in the market and if the Chinese are meeting that, suppliers are meeting that shortage, you would think they'd be selling at a premium?

MS. GRODEN: Understood. I am not sure what information is available from the witnesses or from counsel to provide on that. But I would remind you that the U.S. producers themselves are the ones who suggested these pricing products.

These are the products where they said this is our competition with subject imports. This is what we think is going to be most representative of the way in which we meet in this market. What we're seeing is a total imbalance and unrepresentative coverage of U.S. producers' own shipments. So I think honestly that speaks volumes.

COMMISSIONER WILLIAMSON: Okay. Of course, they will disagree with you. They will, I'm sure, make it known. I think it's -- Commissioner Kearns has already asked Ms. Wheeler for more documentation on that question of the shortages.

What can we do, what can we put on the record to substantiate that and I guess I go through the others too to some extend too? I was -- your, I'm sorry. If the chart on page -- I guess it on the last page of your charts where you had the -- you show the data based on I guess the questionnaire data.

And my question was looking at the C table while the numbers might be different, the trends -- the magnitudes seem to be pretty much the same so I'm wondering what does this show something different than what we already see at the C table when you think about trends and magnitudes?

MS. GRODEN: Sure, this is Cara Groden. I think it clearly shows the non-subject imports captured a majority of the increase in demand over the POI. That is to me the key difference between these it really brings home the fact that subject imports increase in market share was not significant in the context of larger market trends.

And the fact that the magnitudes and the trends are consistent I think are sort of the representative nature of the questionnaire record as compared to the import system.

COMMISSIONER WILLIAMSON: I think it was always fair that the non-subjects were capturing a good share.

MS. GRODEN: But during the full years of the POI as well. It was always clear the non-subject imports captured the majority of any market shares between the prior year periods, but between '15 and '17 we're seeing non-subject imports capturing a much more significant amount of the increase in demand over the full year's based on the questionnaire record.

COMMISSIONER WILLIAMSON: And from that you draw what conclusion?

MS. GRODEN: That subject imports increased in volume and in share should not be considered significant or indicative of any injurious impact.

COMMISSIONER WILLIAMSON: Okay, oh my time has expired so thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yeah I just had a couple more questions. Mr. Grimson and Mr. House, Petitioners argue on page 10 to 12 of their pre-hearing brief that subject imports have been injuring the domestic industry over a prolonged period stretching back to as early as 2007.

Would you like to respond to the argument either as a factual matter or with respect to the legal significance of injury that has occurred prior to the current period of investigation?

MR. GRIMSON: Jeff Grimson, that's irrelevant to what you have to analyze and decide.

MR. HOUSE: Michael House, I agree and you know I don't think there's any debate, dispute -- in fact you know at some points the counsel for the domestic industry agreed that the period of investigation is what you ought to be looking at. It was kind of hard to square that with at other times the continued emphasis that they were putting on events that happened 10-12 years ago. So you have a record before you of 2015 through interim 2018 -- that's the period of investigation and we think that's what you should focus on and that is what should guide your determination to whether there is injury by reason of subject imports.

COMMISSIONER BROADBENT: Okay this one could be for anyone. Ta Chen was an importer of subject merchandise during the period of investigation however, Arconic reported in 2018 that it was selling its Texarkana Facility to Ta Chen. Does that mean that Ta Chen is likely to reduce its imports from China in favor of its new domestic production?

MS. TAM: This is Kit Tam, AA Metals. Addition to your question is that you also get inclusions under re-rolled classifications for a significant amount on Section 232 exclusions so it looked like they were using the plant for the re-rolled product using that when they do the transactions with Arconic.

So basically they're buying the re-rolled product from either country and then do the re-roll manufacturing in U.S.

COMMISSIONER BROADBENT: Okay, Mr. Grimson?

MR. GRIMSON: Yeah I guess none of here know what's in the mind of Ta Chen -- is this the problem, but what Miss Tam was talking about, what she's observed Ta Chen doing so far and what's kind of illuminated by their 232 is that they indeed are shifting to their country sources and in fact they're going to use that facility not to re-roll other foreign plate and to alloy sheet there.

COMMISSIONER BROADBENT: Okay, I wonder if any of the purchasers or witnesses here today can tell me how they've been impacted by the 10% national security tariff that the President imposed under 232?

MS. WHEELER: Susie Wheeler, SeaArk Boats -- not all of our aluminum is under contract. We buy some tread plate and we buy some cut sheet and we have seen significant price increases in those since the tariffs were imposed.

COMMISSIONER BROADBENT: Thank you.

MR. YEARGIN: This is Bill Yeargin, Correct Craft. I would just like to add to that that 232 has also triggered retaliatory tariffs that have been very significant. You asked specifically about the impact of the 232.

COMMISSIONER BROADBENT: Right.

MR. YEARGIN: We have -- our biggest global market is Europe, Canada and Mexico, of each place retaliatory tariffs on boats, not just aluminum boats, but all boats have a significant impact on our industry.

MS. TAM: Also on the -- Kit Tam, AA Metals. Addition to Susie, all the prices have increased and also in the importer when you do import, increase on the cost of doing business because you are a lot of bond have increased because they taking -- because of the duty, tariff have increased so the bonding company we're taking a lot of collateral for a company that doing import to cash collateral to holding your capital to tidying up your cash flow right?

COMMISSIONER BROADBENT: Okay thank you very much. That's all my questions right now.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, alright just so I'm clear on the supply shortage argument. Is your all's argument that the 3 series and the 5 series was in short supply? Is that -- is my understanding correct?

MS. GRODEN: This is Cara Groden, that's what we understand from the record yes.

COMMISSIONER SCHMIDTLEIN: Okay and the evidence of that in the record is --

MS. GRODEN: There are 20 of 27 purchasers who reported supply constraints in common alloy sheet other than clad and other than brazing stock so that covers all non-clad. If you look at the shipment data provided in the staff report, the table 3-8 for U.S. producers and for 4-5 at table 4-5 for subject and non-subject imports, you would see that the 3,000 and 5,000 are a huge majority of the non-clad shipments from all sources.

COMMISSIONER SCHMIDTLEIN: Right, right.

MS. GRODEN: So it simply stands to reason and the 3,000 and 5,000 are 97% of subject import shipment volumes, so.

COMMISSIONER SCHMIDTLEIN: Okay.

MS. GRODEN: So it's from that however I would say that there is a wide range of alloys within each of those series. You heard from U.S. producers and from the pricing products that the 3003 and the 5052 are a large share of those but they're -- and that's what we're seeing the pricing data, but there are a number of other configurations within those series.

COMMISSIONER SCHMIDTLEIN: Okay and so what is the relevance of the automotive -- the change in automotive with the Ford F-1 50 and using more aluminum to this supply shortage?

MS. GRODEN: Sure so the auto body sheet is 6,000 series which is outside the scope.

COMMISSIONER SCHMIDTLEIN: Right.

MS. GRODEN: So if you're taking either production on the same machinery to out of scope or you are converting your existing capacity with the goal of producing more auto body sheet, then you're taking supply that used to be devoted or dedicated to common alloy sheet that is in scope and now it's being used to produce something that's out of scope.

COMMISSIONER SCHMIDTLEIN: Okay.

MS. GRODEN: But if it is still being considered as available capacity or something that is in scope and it's not being appropriately reflected in some way in the record then you're seeing an artificial inflation I guess and of actual --

COMMISSIONER SCHMIDTLEIN: So are you saying that they did shift in scope capacity to this out of scope product or that's just a possibility?

MS. GRODEN: I mean it's a possibility but I think it's my belief based off of the record that that's --

COMMISSIONER SCHMIDTLEIN: So wouldn't we see a change in capacity then?

MS. GRODEN: You would expect but we're not seeing it in the record which leads me to think that there is some degree of reporting error in the way that the capacity has been reported or calculated or presented.

I also understand that there is -- from my conversations with some of the witnesses yesterday that there is additional production intensity involved in the production of auto body sheet that would not be present for in scope common alloy sheet which means that it takes more to produce that in terms of input, in terms of energy, in terms of -- I'm not super clear so I don't want to get too far outside my bailiwick here but if the same capacity is being represented for auto body sheet and for common alloy sheet, you could see it contributing more to capacity for common alloy than is actually being used in output as auto body sheet -- does that make sense?

COMMISSIONER SCHMIDTLEIN: I'm not sure to be honest.

MS. GRODEN: If you have the capacity and you're producing you think you are presenting it as being available for two different kinds of production.

COMMISSIONER SCHMIDTLEIN: I think the staff report is breaking this down as it's -- we do have where it's shared, you know, it's showed -- we show that if I understand this correctly on page 315 but -- and you do see an increase in overall capacity. This includes in scope, out of scope, we break it down right?

So there was an increase in the U.S. producer's overall capacity that did not go to in scope because on the different chart on page 313 we have capacity for in scope which is -- shows to be basically unchanged in total capacity.

MS. GRODEN: Right, not necessarily inclusive of outages that we know occurred during the POI.

COMMISSIONER SCHMIDTLEIN: Okay so you think the Aleris -- I thought that changed the numbers pretty small if you include that in terms of what their excess capacity was. But I'm just talking about -- I'm trying to get the point straight about your argument with regard to this automotive right?

So let's put aside whether or not they had excess capacity. If I understood your argument, I thought you were saying they were taking capacity away from in scope and putting it to this out of scope product?

MS. GRODEN: That certainly seems to be the trend.

COMMISSIONER SCHMIDTLEIN: Well that's not what the staff report seems to show.

MS. GRODEN: I take your point but what we understand --

COMMISSIONER SCHMIDTLEIN: Okay, so maybe you can follow-up in the post-hearing then and explain page 313 and then what we're seeing on page 315 with the addition of capacity which seems to be going to other products which would include the automotive aluminum sheet.

MS. GRODEN: Sure, we'll follow up post-hearing.

COMMISSIONER SCHMIDTLEIN: That's out of scope, okay.

MR. HOUSE: Madam Commissioner, Michael House for Perkins Coie, if I may add an answer to your question about what evidence is on the record on your question is to the connection between our short supply argument and the capacity data.

COMMISSIONER SCHMIDTLEIN: Right.

MR. HOUSE: It's -- its' difficult to square the domestic industry's claim that they have capacity and they're ready to serve the U.S. market in the common alloy sheet lines when they are saying to the Commerce Department in their 232 exclusion request that there is no domestic availability, that the U.S. industry simply does not have the capacity to supply those 3,000 and 5,000 series sheet. And that's what they say and it's -- to us it's important because although it's not early in the POI, it's still within the period of the Commission's investigation.

The 232 case was announced as being something that was a priority for the Administration in early 2017 and it was completed in early 2018 and the Commerce Department's decision and exclusion request process began in March of 2018.

So these exclusion requests -- many of them we believe were filed during the Commission's POI and they certainly reflect, I believe, the condition of the industry going back some ways into the POI so I think that's relevant evidence on the record, statements by the U.S. producers themselves as to the availability or lack thereof of the very common alloy products we're talking about -- the 3,000 and 5,000 series.

The examples I cited earlier are to those very products and are pre-hearing brief has many, many other citations to similar examples.

COMMISSIONER SCHMIDTLEIN: Okay I appreciate that point. Maybe the domestic industry could respond to that argument in the post-hearing questions. How should the Commission consider the fact that the domestic industry has indicated to the Commerce Department that it doesn't have the capacity to produce certain of the in scope products at this time?

Okay, the last question I had has to do with the lost sales, lost revenue information that we have on the record which you know, while it doesn't represent a huge volume I think it's not often that we get that many purchasers indicating that they have purchased subject product because it was lower priced.

So I wonder if you could respond to the argument that that is substantial evidence of the subject imports being the cause of the loss in market share?

MS. GRODEN: Sure thing. This is Cara Groden. I think most of that will have to be done post-hearing considering that it is APO throughout and our entire discussion of that was bracketed in our pre-hearing brief so I don't want to cross any lines.

However, I would remind the Commission that apparent consumption over this POI is on the order of 2 million short tons in every year so we're looking at 6 billion short tons over the full years of the POI and so while it is I guess notable that so many purchasers reported or confirmed allegations of lost sales, I don't think that the volumes that they reported should be discounted in favor of the number of purchasers and it's still not a majority of purchasers and I would just hope that it's considered in context in that regard but we'll respond more fully post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much my time is up.

COMMISSIONER KEARNS: I wanted to start on page 20 of the NMMA brief. There you all make the point that with respect to the 3 series and the 5 series imports China's percentage point increase is pretty small compared to non-subject increase and but the problem I'm having is how we square this with the data in our C table but shows it overall -- so 3 series, 5 series and everything else -- China's market share goes up 3.5% and I don't know exactly how much imports go up of the Chinese but it's significant.

So -- and given that as you pointed out, nearly everything we're talking about is 3 and 5. If its' right that China's only going up 1.3, 1.0 then where is the big gain in Chinese imports?

MS. GRODEN: This is Cara Groden. This -- the table that you're referencing are based off of shipment data in the questionnaire record which we feel are representative of shipments into this market and so they jive more with that last table that we show.

COMMISSIONER KEARNS: Okay but you think this data is better than the data we have in our C tables?

MS. GRODEN: We think its very representative. We think it's specifically in scope merchandise which is what the questionnaire data seeks to identify over the HGS categories. There is some fuzziness in the HTS data because it is based off of thickness rather than allow makeup so we feel confident that the shipment data on the questionnaire record is representative of trends in the market.

COMMISSIONER KEARNS: Okay, thank you -- just a totally different story from what we've been seeing in our C table so we'll have to give that some more thought. Let's see -- oh I guess turning to slide 29 and this is really a question for the Petitioners I think. This is where Respondents argued that if you adjust for the Midwest premium that there is more overselling than underselling. I think that's an interesting argument.

I'm hoping that the domestic industry will respond to that. Turning to wide width products -- this appears to be a very small portion of the market, even if we determine that the domestic industry has limited capability to provide purchasers needs for those wide width products, how would that affect our analysis given the small share of the market involved?

MR. GRIMSON: Jeff Grimson, I think that when we're seeing numbers like 1% of market share shift, where there's an ability to get even some products from the U.S. producers and people are going to China and other countries to get it, and it's relevant that a supply challenge in getting the wide widths.

We did hear a lot of testimony about that in the preliminary phase and I think Mike I'm going to put you on the spot again, Mike Parker from AA Metals was talking yesterday about challenges in getting wide widths around the world -- globally there's a shortage.

MR. PARKER: That's right, Mike Parker, AA Metals. With one domestic supplier being able to supply wide-width items into the market, we're forced to look at non-subject countries to be able to supply it. Currently we only know of two active sources outside of China. Those folks have increased their prices dramatically because they do realize the scarcity of the product.

So we still are importing that material for customer demand but not at a quantity to satisfy total demand and the gap in the market.

COMMISSIONER KEARNS: Okay thank you. I don't think we've really addressed this yet but looking at interim 2018 subject import volume and market share fell and the domestic industry's condition improved. Does this provide an indication of injury by subject imports in the four years of the POI? In other words, post-petition effect as the domestic industry has suggested?

MR. GRIMSON: This is the photo negative theory.

COMMISSIONER KEARNS: I was wondering what they call that but sure.

MR. GRIMSON: You got rid of the Chinese, yeah, I think there are so many things going on. I'm going to answer from the macro level and then Cara can follow-up but there's so many things going on starting with the announcement of the 232 last year that you know, it's difficult to attribute all the post-petition improvements to this case and the duties and the duties really didn't kick in until very late in the interim period in 2018.

We had the CVD's kick in on April 23rd so half of the, more than half of the interim period of 2018 was already gone before duties hit at all so I think that, you know, a stretch.

COMMISSIONER KEARNS: Okay that's all I have for now, thank you.

CHAIRMAN JOHANSON: On page 2 of the Chinese Petitioner's brief you argue that non-subject imports have begun to replace Chinese imports at a dramatic pace. Is this not simply a predictable post-petition impact or are you arguing that the domestic industry is not well positioned to take advantage of trade remedies that might be imposed as a result of these investigations?

MR. HOUSE: I thank you Mr. Chairman, Michael House, Perkins Coie. I think our main point I hear is that and our economist spoke to this as well that we have a situation where a real world situation where Chinese imports are being restricted from the U.S. market and yet we see non-subject imports coming into the market.

We heard some testimony this morning from domestic producers in response to the question why is the

U.S. industry not taking a greater share of this market? This is what they want. They want Chinese imports out of the market and yet the U.S. producers are not able to gain a market share here and instead and again we heard testimony from various participants in the market about the availability of these products -- the subject products from many different third country sources, so we have a very significant third country supply in this market.

It's third country supply -- is the biggest share of imports, bigger collectively than Chinese imports in this market and our point is that once Chinese imports now are declining, you don't see any gain on the U.S. industry side which is what you would think would happen since their object here in this case is to have an order put in place on China, not on Oman, not on Canada, not on any other sources of supply of this product, yet these seem to be unable to capture any additional market share with those other sources of supply in the market.

And perhaps our economist may have additional points to add there but that was our intention in highlighting that.

MR. GRIMSON: Jeff Grimson from Mowry & Grimson.

CHAIRMAN JOHANSON: Yeah.

MR. GRIMSON: I just wanted to look at Table C-1 for one moment as we think about purchasers shifting to third country and look at the unit values of non-subject sources compared to unit value of the U.S. shipments.

And as I'm looking at this I'm seeing non-subject with higher AUV's than the domestic shipment average unit value of domestic, yet still people are going abroad to buy third country source. I mean this all fits in with the lack of availability, whether they have theoretical capacity or not, it's not getting to the people who need it and they're buying from somewhere -- they're buying from China or they're buying from third country.

When China's gone they're going to buy more from third country and it's not on -- at least in the context of third country, they're paying more for it because they can't get it.

CHAIRMAN JOHANSON: Okay thanks for your responses. On page 27 and 44 of the Chinese producer's brief, you argue that it is significant that the domestic industry's capacity is not able to meet all of U.S. demand -- how is this significant in the Commission's consideration of material injury?

MR. HOUSE: Thank you Mr. Chairman. Our point here in referring to domestic industry capacity is intended to show the link between what we talked about in terms of the domestic industry statements themselves as to their inability to supply the market or the lack of availability of U.S. produced product in the market and their own capacity limitations.

This is a large growing market, that's what the Commission -- the data before you show. And there are limitations here both numerical limitations we've seen as well as qualitative limitations described by the domestic industry themselves in their ability to supply this market.

So there is necessarily a gap in supply in this market with the limitations that we're talking about and the references in our brief are to emphasize that point.

CHAIRMAN JOHANSON: Alright thank you for your response. Could you all please explain the apparent fluctuation in prices for all pricing products since January of 2015? And this could be seen in the staff report at page 5 - 17 to 24.

MR. GRIMSON: Yeah Commissioner, Chairman Johanson, I think we had a chart, a couple of slides in our presentation plotting out the pricing series and it follows the LME or the LME plus the Midwest premium -- that's, you don't see before I refer to you, you don't see one U.S. pulling China up or China pulling U.S. down, you see them all reacting to the Midwest premium which foreign steel doesn't bear and the LME which all -- I said steel, all aluminum in the world is pegged at some index, but that's what this is following.

CHAIRMAN JOHANSON: Okay, thank you all for your responses. That concludes my questions. Commissioner Williamson?

COMMISSIONER WILLIAMSON: I just have one question. I was curious either in post-hearing could you offer -- you can look at the C table and look at the performance in the domestic industry -- it is not very good and especially in an industry in which the demand for the product has been going up throughout the POI.

So if it's not the imports, what's causing the poor performance and post-hearing in particular, you could address if there are any differences in the performance of different companies that you want to offer -- your explanations for that would be helpful.

MS. GRODEN: This is Cara again. Absolutely we can look into that more posthearing, but we do think that the first half of 2017 looks very different than the second half of 2017. And in that second half, there are several additional factors, but we'll touch on that in briefing.

COMMISSIONER WILLIAMSON: But I'm thinking also about the period, the 2015-2017.

MS. GRODEN: Alright, sure.

COMMISSIONER WILLIAMSON: In terms of why are they doing so badly?

MS. GRODEN: Okay.

COMMISSIONER WILLIAMSON: Good. Thank you.

CHAIRMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: No more questions. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: Just two more quick questions, I think. One is, going back to your argument about looking at the two halves of 2017, you argue that we should be looking at those half-year periods to assess causation.

How should seasonality be taken into account if we conduct such an analysis?

MS. GRODEN: This is Cara Groden. I think to the extent that seasonality factors into this, it's normally a larger subject import volume in the first half, or in the middle of the year. And so what you would see there is at peak seasonality the U.S. industry was performing just fine even with an increase in subject import volume.

COMMISSIONER KEARNS: Okay, thank you.

And then the last question I think I have is in the Chinese Respondent's brief, I think on page 77 in discussing threat there's a reference to the Yearbook of China's Aluminum Fabrication Industry. Could you all please submit a copy of that to us following the hearing?

MR. HOUSE: Sure. We'd be glad to do that.

COMMISSIONER KEARNS: Great. Thank you.

CHAIRMAN JOHANSON: Alright, that concludes Commissioners' questions. Do staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Staff has no questions for this panel.

CHAIRMAN JOHANSON: Do Petitioners have any questions for this panel?

MR. ROSENTHAL: No, we don't.

CHAIRMAN JOHANSON: Okay, with that we will move to the rebuttal on closing. The Petitioners will go first. And I will note that Petitioners have two minutes of direct and seven minutes of closing for a total of seven minutes. Respondents have zero minutes of direct, and five minutes of closing, for a total of five minutes.

MR. BURCH: Closing and rebuttal remarks on behalf of Petitioner will be given by Paul C. Rosenthal of Kelley Drye & Warren. Mr. Rosenthal, you have seven minutes.

CLOSING STATEMENT OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Thank you. That's better than the seven seconds I had earlier, but I'll try to move quickly here.

I just want to point out that several of the arguments made by the Respondents were just simply irrelevant from the legal point of view. Most of the presentation in the early part in talking about how they're going to be affected by higher prices, and as the Commission knows, and they should know, that's not a basis for the Commission to consider in this case.

The impact on downstream industries is not a legally relevant statutory provision.

Similarly, Commissioner Johanson, you didn't get your question answered about short supply, et cetera. I didn't hear any response that was legally relevant. The fact of the matter is the domestic industry is not required to supply the entire market. That's never been the case here. And indeed if it were, the halls of this hearing room would be empty for most of the year because there are very few domestic industries who can supply the entire market after their manufacturing base has been hollowed out by imports from China and other countries over the years.

On focusing on the statutory factors of volume, price, and impact, one of the reasons we talked about the history of this case or this industry is to point out how imports have grown substantially over the years. And so at the beginning of this period, they were already at the significant level. And again the statute says imports have to be significant. They don't have to be shown to be increasing. In fact they have been increasing just during the Period of Investigation, and remained at even more significant levels.

As far as the market share goes with respect to Respondents, one of the reasons why you're always seeing, Commissioner Kearns, this one percent increase in their analysis is because they are basing this on responses by the foreign producers or the importers, and their coverage has dropped by 20 percent from 2015 to 2017.

Take a look at page 59 of our prehearing brief and you'll have more of an explanation there. So they're just missing a significant share of the increased in imports from China by relying on the database that they have, as opposed to the information that you're using in your C Table.

And by the way, when it comes to market share increase, et cetera, most of you have been around for steel cases involving products that go into the automotive industry. You may recall this very, very large auto producer who basically comes into the Commission and says we don't buy any imports, but we don't want import relief on these products. And why is that? Because they want to make sure that the import prices make the domestic industries keep their prices down.

So they want to use the threat of importing to make sure that they have the lowest possible prices. Well, here not only do you have that threat, you have the reality of big purchasers buying significant volumes of imports as you've seen in this record, and the imports continue to grow over this time period.

With respect to price, the record is overwhelming as a basis for the increase in imports, and the effect of imports. Take a look, if you would, at these slides here. Slide 17, the purchasers report that U.S. producers reduced their prices to compete with imports.

If there were shortages, as alleged by the Respondents, why wouldn't U.S. producers raise their prices? If U.S. product was unavailable, why would purchasers drive down the prices? Indeed, in Slide 17 it indicates that the purchasers recognize that U.S. producers were implementing foreign fighter programs. If imports from China were not competing on price and getting sales, there wouldn't be any need for foreign fighter programs.

Slide 18 is also very compelling. It summarizes the response of purchasers who made it very clear that imports from China were being increased due to price. And the anecdotal evidence in the record that you've got is corroborated by this slide because it shows a significant volume of imports being brought in at the expense of U.S. producers. Why? Because of price.

And by the way, just to be clear, I'm not walking away from your underselling data. I was asked a question about how probative it is, and I have my skepticism. And it's not just in this case, it's in every case because it's easily misinterpreted or misused. But it's part of the record, and I'm not suggesting you should ignore it. In this case, I love it. You know, just because I love it, take it lock, stock, and barrel because it supports us totally, but I'm trying to give you a candid answer here about being careful about relying on any picture part of the record in any given case.

Here, the underselling data is overwhelming and supportive of our case. And there's nothing in the record that suggests overselling by the subject imports in any significant way.

With respect to injury, as indicated there's been injury throughout this Period of Investigation. These profits are anemic and are not conducive to further investment in this industry. And that conclusion holds, by the way, if you include can stock in the like product. In our C Table, and include can stock, you'll see profits there are anemic. And the rest of the performance of the industry on can stock is not very good, either.

So even though we believe strongly that can stock should be considered separate like product, if you include it we should prevail.

The claims of voluntary abandonment of the common alloy market are just wrong. There have been many instances where the domestic industry has tried to sell during the Period of Investigation and have been unable to do so because the purchasers wanted lower priced product, and the U.S. industry were not able to get sales, even though they had the capacity to do so.

In my remaining minute, I just want to respond once again, or reiterate my answer to the question by Commissioner Schmidtlein about why weren't these cases filed sooner. Well, they should have. I recommended they be, and I'm not happy that, for their own sake and the industry's workers' sake, that those weren't filed sooner. But the mistake by various management folks and decisions made for good reasons at the time should not be a death penalty for the workers in this industry, or the folks who are continuing to struggle to make common alloy sheet in this market.

This case is going to determine whether there is additional investment put into the market and into this product, or whether the industry with its anemic profits will continue to wither and die at some point.

We urge an affirmative determination in this case, and the record supports one. Thank you.

MR. BURCH: Closing and rebuttal remarks on behalf of Respondents will be given by Michael P. House of Perkins Coie. Mr. House, you have five minutes.

CLOSING STATEMENT OF MICHAEL P. HOUSE

MR. HOUSE: Thank you, Mr. Chairman, Commissioners, the staff. This is, as the Commission well knows, is not the first aluminum products case that has come before it, nor is it even the first Chinese aluminum products case, but we can see here that the record is starkly different from what the Commission has seen in other cases.

Here the U.S. industry is dominated by a handful of large multinational companies with aluminum facilities around the world, and including significant investments in China.

These producers who did not feel strongly enough about the subject imports to file a petition seeking relief from the U.S. Government, maintain strong and competitive positions in the U.S. market, and lead the way in the most high value and profitable aluminum sheet products.

The record shows, as was discussed, can stock is and should be considered a like product. The Commission has statutory authority to do this. We think the record compels that decision.

With regard to imports, this record shows that imports from China are and have been and remain a minor part of this market, with little or no impact on the health of the U.S. industry. And as we heard from the economists today, no correlation to the movement of U.S. product prices during the period.

And Chinese imports, as we've discussed, have already begun to be displaced by imports from third country sources.

The record before you shows that this is a domestic industry that is simply unable to supply increasing demand from the market. Domestic producers are telling purchasers: Take it or leave it, or even worse, sorry, what you want is simply not available.

U.S. domestic producers have reported this very point to the Commerce Department, saying that the domestic market is at capacity and unable to meet increased customer demand for industrial products.

Domestic producers talked this morning a bit about the risk of supply shortages that might result from the imposition of a dumping or countervailing duty order in this case, but those shortages are already here. They exist now, and they've existed throughout the Period of Investigation in the absence of any orders.

They exist because U.S. producers cannot meet market demand. Novelis alone, as we've talked about, has filed 400-or-so requests for exemptions from the Section 232 aluminum tariffs covering subject aluminum sheet. Other U.S. producers have also filed exemptions. Major U.S. importers of subject aluminum sheet have been granted exemptions.

Overall capacity utilization in this industry is already high and is increasing. The data show that a majority of U.S. producer--sorry, U.S. purchasers reported supply constraints for subject aluminum sheet. These purchasers reported to the Commission that U.S. domestic producers have declined new business, or placed firms on allocation due to capacity constraints.

Multiple purchasers reported little to no capacity available at U.S. mills, increasingly longer lead times, late shipments, and quote denials. This is a domestic industry that has increased its capital and R&D expenditures in new product lines throughout the entire Period of this Investigation.

This Commission looked in detail at the aluminum--the wrought aluminum industry in its recent Section 332 investigation and found there that the U.S. domestic industry is running close to capacity and will require additional expansion to meet anticipated market growth capacities.

The Commission also detailed in its report the significant major expansions already being undertaken by the U.S. industry. The Commission also observed that the U.S. industry is quite competitive in the wrought sector because of economies of scale, proximity to end markets, and robust--robust--high value-added production.

This is a U.S. market in which Chinese imports represent only a modest share of total domestic consumption. U.S. producers are the ones that maintain the dominant share. The data show that imports--subject imports did not capture market share in any significant way from the U.S. industry during the POI.

This case is not about 2007-2009 or the prior decades. You have the data for this Period of Investigation before you.

And finally, as to the issue of threat, it's clear from this record that the production capacity and shipments of the product produced in China has increased dramatically in response to the rapid growth of domestic demand in that country. Domestic consumption is increasing sharply and is projected to increase further sharply in 2018-2019 and beyond. There simply is no evidence of a real or imminent threat of material injury.

For all these reasons, we request the Commission issue a negative determination in this case. Thank you very much.

CHAIRMAN JOHANSON: Thank you for your closing comments. Now I will make the closing statement.

Post-hearing briefs, statements responsive to questions, and requests of the Commission, and corrections to the transcript must be filed by November 8th, 2018.

Closing of the record and final release of data to parties occurs on November 28th, 2018. And final comments are due on November 30th, 2018. This hearing is adjourned.

(Whereupon, at 4:50 p.m., Tuesday, October 30, 2018, the hearing in the above-entitled matter was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Common Alloy Aluminum Sheet from China

INVESTIGATION NOS.: 701-TA-591 and 731-TA-1399

HEARING DATE: 10-30-18

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: 10-30-18

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.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Court Reporter