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I N D E X

	PAGE
OPENING STATEMENT OF ROBERT CARPENTER	6
OPENING STATEMENT OF LEWIS LEIBOWITZ, OF COUNSEL, HOGAN & HARTSON	8
OPENING STATEMENT OF MICHAEL T. SHOR, OF COUNSEL, ARNOLD & PORTER	11
TESTIMONY OF ROBERT WETHERBEE, PRESIDENT, ALCOA MILL PRODUCTS	15
TESTIMONY OF GREGORY VENEMA, METALLURGICAL 26 ENGINEERING AEROSPACE TECH SPECIALIST, ALCOA, INC.	
TESTIMONY OF LEIGHTON COOPER, MARKETING MANAGER 31 OF CONSUMER AND INDUSTRIAL PRODUCTS, ALCOA, INC.	
TESTIMONY OF BRUCE MALASHEVICH, PRESIDENT, 35 ECONOMIC CONSULTING SERVICES, L.L.C.	
TESTIMONY OF LEWIS LEIBOWITZ, OF COUNSEL, HOGAN & HARTSON, L.L.P.	35
TESTIMONY OF LYNN KAMARCK, OF COUNSEL, HOGAN & HARTSON, L.L.P.	121
TESTIMONY OF FRANK BRADFORD, DIRECTOR, 129 SHEET AND PLATE PRODUCTS, HULETT ALUMINUM (PTY) LTD.	

I N D E X

	PAGE
TESTIMONY OF NATHAN KAHN, PRESIDENT, EMPIRE RESOURCES, INC.	141
TESTIMONY OF SETH KAPLAN, ECONOMIST, CHARLES RIVER ASSOCIATES	151
TESTIMONY OF MICHAEL T. SHOR, OF COUNSEL, ARNOLD & PORTER	160

P R O C E E D I N G S

(9:36 a.m.)

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2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping investigation No. 731-TA-1056, concerning
7 imports of certain aluminum plate from South Africa.

8 My name is Robert Carpenter. I am the
9 Commission's Director of Investigations and I will
10 preside at this conference.

11 Among those present from the Commission
12 staff are, from my far right: Bonnie Noreen, the
13 supervisory investigator; Chris Cassise, the
14 investigator; on my left, Gracemary Roth-Roffy, the
15 attorney/advisor; Jim Fetzner, the economist; Charles
16 Yost, the accountant; and Judith Anne-Webster, the
17 industry analyst.

18 The purpose of this conference is to allow
19 you to present your views with respect to the subject
20 matter of the investigation in order to assist the
21 Commission in determining whether there is a
22 reasonable indication that a U.S. industry is
23 materially injured or threatened with material injury
24 by reason of imports of the subject merchandise.

25 We will start the conference with a five-

1 minute opening statement from each side, beginning
2 with the petitioners. Following the opening
3 statements, each side will be given one hour for their
4 direct testimony. The staff will ask questions of
5 each panel after their presentation, but no questions
6 from opposing parties will be permitted. At the
7 conclusion of the statements from both sides, each
8 side will be given 10 minutes to rebut opposing
9 statements and make concluding remarks.

10 Speakers will not be sworn in. However, you
11 are reminded of the applicability of 18 USC 1001 to
12 false or misleading statements, and to the fact that
13 the record of this proceeding may be subject to court
14 review if there is an appeal.

15 Additionally, speakers are reminded not to
16 refer in their remarks to business proprietary
17 information and to speak directly into the
18 microphones.

19 Finally, we ask that you state your name and
20 affiliation for the record before you beginning your
21 presentation.

22 Are there any questions?

23 (No response.)

24 MR. CARPENTER: If not, welcome, Mr.
25 Leibowitz. Please proceed with your opening

1 statement.

2 MR. LEIBOWITZ: Thank you very much. Good
3 morning, Mr. Carpenter, members of the Commission
4 staff. Appreciate your attendance at this preliminary
5 conference this morning.

6 My name is Lewis Leibowitz, the law firm of
7 Hogan & Hartson in Washington, D.C. I appear today
8 with my colleague, Lynn Kamarck, on behalf of Alcoa,
9 Inc., the petitioner in this investigation.

10 We will show that there is a reasonable
11 indication of material injury and the threat of
12 further material injury by reason of subject imports
13 that are believed to have been dumped in the United
14 States.

15 I'll speak for just a couple of minutes
16 concerning the legal standard for a preliminary injury
17 determination as applied to this case.

18 The issues in this case are clear and
19 straightforward. The evidence in this record compels
20 an affirmative preliminary injury finding. The legal
21 standard for a preliminary injury determination is
22 well settled. It's whether there is a reasonable
23 indication that an industry in the United States is
24 materially injured or is threatened with material
25 injury by a reason of the subject imports.

1 Such imports need not be the sole cause or
2 even the most important cause of material injury or
3 threat, but only a cause.

4 The standard is generally applied by
5 determining whether there is clear and convincing
6 evidence that there cannot be material injury or
7 threat. Even if that's the case, the Commission must
8 determine that there is no likelihood that contrary
9 evidence would arise in a final investigation.

10 In this case the clear and convincing
11 evidence cuts decisively the other way. The domestic
12 industry has been materially injured, and is
13 threatened with further material injury. The
14 increasing imports of low-priced subject merchandise
15 from South Africa were a cause of such injury, and
16 they are a cause to that threat.

17 Hulett, the South African producer, has
18 shown its intention by both word and deed. Our panel
19 of witnesses will elaborate on these points this
20 morning.

21 The industry is defined by the producers of
22 the domestic like products. In this case, the
23 domestic like product is coextensive with the scope of
24 the subject merchandise, 6000 series aluminum alloy
25 plate.

1 Now, there may be some attempt to dilute the
2 impact of dumped imports by attempting to broaden the
3 domestic like product, but we believe this is
4 inappropriate in this case and we will explain why in
5 our testimony this morning. We will produce evidence
6 that there are significant differences between 6000
7 series plate and other alloys in all six of the
8 Commission's typically applied like product factors.

9 We will also produce evidence of the volume
10 of imports over the period of investigation, and will
11 show that the subject imports have sharply increased
12 in volume. South African imports have undersold
13 domestic competition for more than two years now, and
14 threaten to continue that pattern in the absence of
15 relief.

16 The conclusion is inescapable -- that there
17 is a reasonable indication that allegedly dumped
18 imports from South Africa have caused material injury
19 and threaten additional material injury to the
20 domestic industry producing 6000 series aluminum
21 plate.

22 We look forward to our presentation this
23 morning. That concludes my opening statement, Mr.
24 Chairman.

25 MR. CARPENTER: Thank you, Mr. Leibowitz.

1 Mr. Shor.

2 MR. SHOR: Good morning. My name is Michael
3 Shor from the law firm of Arnold & Porter. I am
4 appearing on behalf of respondents in this case.

5 As you have no doubt surmised, one of the
6 central issues in this case is the like product
7 definition. We will address this issue in testimony,
8 but I wanted to use my opening remarks to identify
9 several questions at the outset for you to keep in
10 mind as you listen to Alcoa's presentation.

11 First, what is the legal standard? Here, I
12 ask you to focus on two words -- spectrum and
13 continuum. The Commission disregards minor variations
14 between products and looks for clear dividing lines.
15 Whereas as here, there is a continuum of grades, sheet
16 and plates products with no clear dividing lines, the
17 Commission has always found a single like product
18 covering the entire spectrum.

19 The Commission has never sliced the salami
20 as think as Alcoa proposes today, essentially focusing
21 on one grade of a metal product.

22 Second, I would ask you to ask the question
23 what goes on in the real world. Alcoa's questionnaire
24 response contains a lot of hypertechnical detail and
25 words I don't understand in an attempt to focus you on

1 differences at the atomic level.

2 But the best evidence of how different
3 series plates and sheet products overlap and compete
4 is in the people before you, and Alcoa's own product
5 brochure. You have here today from Alcoa and from
6 Hulett managers and vice presidents for sheet and
7 plate and for mill products. You do not have any VP
8 for 6000 series plate before you.

9 With respect to product brochure, look at
10 Petition Exhibit 1 where they provide their products
11 for their 6000 series plus products, 6061 and 6031.
12 At the very beginning of their 6061 product brochure,
13 which they call Type 200, they state the following.
14 "Type 200 is produced at Alcoa's state-of-the-art
15 rolling mill in Davenport, Iowa by the same people,
16 equipment and technology that have set aerospace and
17 mold industry standards for quality and product
18 development."

19 Alcoa is telling you there that this is
20 produced in the same production plants by the same
21 people as all their other series plate products.

22 Look at their 6013 product brochure. They
23 describe the applications for 6013 as broad and
24 varied. These are not products that have narrow,
25 specific applications and can't be used for multiple

1 uses.

2 They have a chart on machinability, one of
3 the characteristics that customers look for in
4 aluminum plate, and it's the continuum that they show
5 from best to worst. At the best is 2011 series, then
6 the second line is 7075, 2024, 1630 is on the same
7 line as the 2 and 7 series products. 6061 is
8 underneath. Eleven series is at the bottom. It's an
9 overlap.

10 They talk about stability with the stress
11 levels similar to 2000 alloys. They provide a yield
12 strength and hardness comparison chart, again showing
13 you that the continuum, 7 series, 2 series, 6013 and
14 6061, and it's noteworthy that on strength and
15 hardness 6013 has factors more like 2024 than 6061.

16 Analyze the production descriptions that you
17 will hear in this testimony today. At best what they
18 are describing is variations in the process and not
19 entirely different production processes. They are
20 making the same product in the same plant using the
21 same people.

22 The Commission has rejected arguments like
23 those made by the petitioners today in silicon metals
24 and in cold-rolled steel. Indeed, in the cold-rolled
25 steel case the Commission expressly rejected the

1 notion that the special heat treatment process for
2 certain hardened steel created a separate like
3 product.

4 Third, look at the tiny like products box
5 petitioners would have you draw. Ask what the
6 consequences of such narrow like product definitions
7 are for future cases. How many different aluminum
8 plate and steel like products do petitioners believe
9 there are? Is each grade a separate like product? Is
10 it separate for sheet and plate? Are there also the
11 same multiple number of like products for extrusion
12 products? The Commission has never defined the like
13 products so narrowly.

14 Finally, look what's in the tiny like
15 product box they draw and ask whether the differences
16 inside the box are the same or narrower than those
17 outside the box.

18 For example, Hulett has quarter-inch 6061
19 sheet and -- I'm sorry -- quarter-inch 6061 plate and
20 three-sixteenth of an inch sheet. These products are
21 sold to the same customers for the same application,
22 yet one is in and one is out of the little box.

23 On the other hand, quarter-inch plate will
24 not be used in the same applications as four-inch
25 plate. Different grade and gauge plate and sheet

1 products aren't in the continuum of overlapping
2 products and applications.

3 Thank you very much.

4 MR. CARPENTER: Thank you, Mr. Shor.

5 And if the petitioners' witnesses would come
6 forward, we will begin with their direct testimony.

7 MR. LEIBOWITZ: Thank you very much, Mr.
8 Carpenter. Again, this is Lewis Leibowitz, counsel for
9 petitioner. I'm pleased to be here this morning. I
10 thought I would go around and just introduce who is
11 here and then we will start with our prepared
12 statements.

13 On my far right is my co-counsel, Lynn
14 Kamarck. Next to her is Mr. Malashevich, President of
15 Economic Consulting Services. On my immediate right
16 is Bob Wetherbee who is the President of Alcoa Mill
17 Products. On my left is Greg Venema, also with Alcoa
18 Mill Products; Leighton Cooper with Alcoa, a different
19 division; and John Holsinger, senior counsel for
20 Alcoa, Inc. That is our panel this morning.

21 We will begin with the statement of Mr.
22 Wetherbee.

23 MR. WETHERBEE: Good morning, Mr. Carpenter,
24 and Commission staff. I certainly appreciate the
25 opportunity to be here on such an auspicious weather

1 day, but appreciate your attention as we go through
2 something that's very important to us, and appreciate
3 the diligence that our team has put into this.

4 My name is Bob Wetherbee. I am the
5 President of Alcoa Mill Products, a significant
6 division of Alcoa. It makes fabricated aluminum and
7 aluminum alloy products.

8 The manufacture and sale of products made at
9 the Davenport, Iowa facility of Alcoa comes under my
10 responsibility. Davenport is the plant that
11 manufactures 6000 series rolled aluminum plate that is
12 subject to this petition.

13 I've been with Alcoa for 22 years. I
14 actually started my career in Davenport in 1981, and
15 then returned there several times, different job
16 assignments, different opportunities; most recently in
17 2001, as the general manager of the heat treated and
18 specialty products business before assuming my
19 currently responsibility. I am very familiar with the
20 aluminum plate market and the production processes.

21 Now, my testimony this morning will
22 generally describe the 6000 series aluminum rolled
23 plate industry and the harm that imports of dumped
24 aluminum rolled plate from South Africa have caused
25 and threaten to cause to the U.S. industry producing

1 that product,

2 The U.S. aluminum industry is a global
3 leader, and Alcoa as a whole is a healthy and
4 prosperous company. In fact, last month Alcoa
5 reported a substantial increase in overall earnings
6 for the third quarter of 2003. Now that's all despite
7 a very difficult economic environment. We're proud of
8 that achievement, but that's not why we are here this
9 morning, to discuss Alcoa as a whole. We are here
10 today as a member of the domestic industry producing
11 6000 series aluminum plate. We are here to discuss the
12 injury and threat of injury to that industry.

13 The state of this industry is not healthy.
14 Imports from South Africa that we believe are dumped
15 have prominently figured in the injury to this
16 industry. I would like to discuss Alcoa's operations
17 in aluminum plate production, and the product line
18 affected by dumped South African imports of 6000
19 series plate.

20 In the United States, Alcoa produces
21 aluminum rolled plate exclusively at our Davenport,
22 Iowa facility. This plant was first opened in 1950
23 and currently employs about 2,000 workers. Most of
24 them are union workers represented by the United
25 Steelworkers of America, and to a lesser extent, the

1 International Brotherhood of Electrical Workers.

2 The Davenport mill makes several different
3 types of products. Aluminum products for the most
4 part are designed in or engineered in for particular
5 end applications, to follow specific customer needs.
6 I would like to believe everybody wakes up in the
7 morning and wants to buy aluminum, but that's just not
8 the case. We work hard to convince them that they
9 have a problem that we can solve, so it's very much an
10 engineered solution to the activity that they have.

11 The differentiation of the products actually
12 begins at the alloy stage, and that's the key issue, I
13 think, for what we're going to share today.

14 In the plate area, we serve three distinct
15 markets -- machinery and equipment, which is the 6000
16 series alloy; aerospace, which is 2000 and 7000
17 series; and marine defense and industrial
18 transportation markets with a 5000 series.

19 These three end markets correspond very well
20 with the types of aluminum rolled plate that is
21 produced.

22 The 6000 series of aluminum alloy plate is
23 different in many important aspects from the other
24 products made in Davenport, as Greg Venema and
25 Leighton Cooper, my associates, will discuss in

1 greater detail.

2 The 6000 series production ranges from 25 to
3 35 percent of plate production at Davenport over the
4 course of a normal business cycle. 6000 series rolled
5 plate is important to Alcoa because of the synergies
6 of our mill in Davenport and its relation to other
7 Alcoa facilities. Economically, 6000 series plate is
8 an important component of the mill's success.

9 While we may produce more or less 6000
10 series plate, depending on demand of other products,
11 these production changes vary within a fairly narrow
12 range. The plunging market prices for 6000 series
13 rolled plate has affected Davenport's entire
14 operations.

15 During the past three years, which I
16 understand is the Commission's time horizon to
17 evaluate the injury to the domestic industry, prices
18 for 6000 series plate have collapsed. South African
19 imports certainly have been a major cause of that
20 collapse.

21 At the same time that the domestic industry
22 was going through very difficult times, and I'll give
23 you some examples, Alcoa's production has certainly
24 declined. Kaiser has sought bankruptcy protection,
25 and McCook Metals in Chicago has themselves gone out

1 of business and their equipment has been liquidated.

2 South African imports during this time rose
3 from an insignificant level to a very substantial
4 level. South African imports made inroads into this
5 market by cutting prices to increase market share.

6 In early 2001, the South African producers
7 Hulett Aluminum announced a \$393 million expansion and
8 upgrading at its rolled products facility, bringing
9 output to 185,000 tons per year. That's enough to
10 provide for exports amounting to one-fourth of its
11 output.

12 While in a normal competitive environment,
13 we would not consider this to be a serious threat in
14 the U.S. market, we have changed our view and
15 immediately changed our view when we noticed a rapid
16 increase in imports from South Africa at prices that
17 we noticed had gone shockingly low.

18 We estimates that imports of rolled plate
19 from South Africa more than doubled between 2001 and
20 2002, and we believe that a substantial majority of
21 these imports consisted of the 6000 series rolled
22 plate that is the subject of this investigation.

23 What we really noticed were the prices that
24 accompanied the volume increases. 6000 series plate,
25 unlike aerospace alloys, is almost exclusively sold

1 through distributors in standard sizes, making 6000
2 series much more of a commodity type product.

3 Price is a very important consideration in
4 distribution sales, and we could not help but notice
5 the plummeting price levels through 2002 and 2003. We
6 had no alternative but to respond if we were to remain
7 in business.

8 Hulett also let it know that they intended
9 to continue their sales gains. They announced these
10 intentions in the press. In early 2002, an article in
11 the American Metal Market noted, and I quote,
12 "Aluminum plate from South Africa appears to be making
13 strides in the U.S. market, bolstered not only by low
14 prices but with the growing reputation for quality.
15 Buyers said aggressive pricing on the 6061 alloy plate
16 has raised its profile among U.S. buyers."

17 You will note the article's focus is on 6061
18 alloy plate. Although this is only one alloy with in
19 the 6000 series of rolled plate, it accounts for the
20 vast majority, perhaps 90 percent of the total into
21 that category of all 6000 series rolled plate consumed
22 in the U.S. market. 6061 is more than significant.
23 It is what this market is all about.

24 Finally, Hulett's low prices are driving
25 Hulett's market impact. Unlike the markets for the

1 2000 and 7000 series plate where products are
2 customized for and usually sold direct to unique and
3 end-use customer specifications, 6000 series plate is
4 a commodity market and which all suppliers sell to a
5 common set of specifications.

6 Quite simply, price is key in the 6000
7 series market assuming a couple of key things, and one
8 most importantly, that the product adequately meets
9 the standard specifications, and in Hulett's case,
10 Hulett does.

11 It is these conditions of the competition --
12 first, the concentration of 6000 series sales on a
13 single alloy, second, the fact that almost all 6000
14 series plate is sold in standard sizes through
15 distributors, and third, the prevalence of price in
16 purchasing decisions -- that are critically important
17 in measuring the impact of South African imports on
18 this market.

19 I can speak directly only from Alcoa's
20 experience, but we think we are the largest single
21 U.S. producer of the aluminum plate at issue in this
22 case, and we have no reason to believe that the
23 overall industry's experience is very different.

24 A key point is that the domestic industry
25 shrank after Hulett's expanded presence in the U.S.

1 market, and it is vulnerable today to further
2 shrinkage.

3 In 2001, U.S. producer McCook Metals, with
4 operations in Chicago, exited aluminum plate
5 production entirely, and its assets have been
6 liquidated and spread to the far reaches of the world.
7 The Commission should take McCook's exit during the
8 period of investigation into account when evaluating
9 the domestic industry's overall conditions.

10 In addition, as the petition discusses,
11 Kaiser filed for Chapter 11 bankruptcy protection in
12 February of 2002. Kaiser produces 6000 series plate
13 in a plant near Spokane, Washington.

14 It has been reported that the third U.S.
15 producer, a plant in Ravens Wood, West Virginia,
16 operated today by Pechiney, is struggling and has been
17 placed on the auction block. This is part of the
18 transaction whereby Alcan will acquire Pechiney.

19 These facts highlight the vulnerability of
20 the domestic industry to injury by reason of unfairly
21 traded imports of 6000 series aluminum plate. When I
22 was young, there were four producers, today there are
23 three, and the potential to be less than that, and I'm
24 making fast in the aluminum industry.

25 Finally, there are our own operations at

1 Davenport. Although operations there serving product
2 markets wholly distinct from 6000 series rolled plate
3 are doing reasonably well, 6000 series operations are
4 not, and they are at risk.

5 The loss of market share and price erosion
6 caused by imports we believe to be dumped have hurt
7 worker morale as we responded with changed work
8 schedules, shorter working hours, and redesigned work
9 procedures in 6000 series plate production.

10 The loss of morale has affected operations
11 in other product areas as well. It's an unsettled
12 world and threats to one's job security cannot be
13 taken lightly.

14 We are committed to this market, and our
15 employees are working hard to meet the needs of our
16 customers.

17 The Commission is gathering evidence through
18 questionnaire responses that will, I believe, confirm
19 these trends, but Hulett's impact on both volume and
20 prices is no secret to market observers. South
21 African material is good material, competitive with
22 U.S. product. But we're not afraid of competition.
23 But we cannot countenance the pricing behavior which
24 based on our research in preparation for this petition
25 is so blatant that it demands a response.

1 Domestic price levels have gone down 33
2 percent over the last 18 months led by aggressive
3 South African pricing. Those low prices reflect
4 dumping of enormous proportions by Hulett, an increase
5 of their market share at the expense of the domestic
6 industry.

7 Without relief in the form of antidumping
8 duties, there is no reason to believe that Hulett will
9 stop its assault on the U.S. market. Reports in the
10 press indicate that Hulett is negotiating long-term
11 contracts with a number of U.S. customers. Hulett
12 already has increased its sales here by orders of
13 magnitude over just a few years ago, and their
14 capacity expansion is public knowledge, not to mention
15 their public relations efforts, indicate that they
16 intend more of the same in the absence of antidumping
17 duties.

18 According to Hulett's own website, it has
19 the capacity and capability to double its
20 international market share over the next three years.

21 The filing of this case represents a very
22 unusual step for Alcoa. We have not filed a trade
23 remedy action in many years, but we believe we had no
24 choice. We can compete effectively with imports, but
25 not those dumped so egregiously into the U.S. market.

1 We will not sit by and place in jeopardy the
2 income and jobs derived from the U.S. 6000 series
3 rolled plate operations which are critical to the
4 structure of Alcoa Mill Products, and the families
5 that depend on the Davenport plant. The time for
6 action is now, the competitive dynamics has changed.

7 I will be pleased to respond to your
8 questions at the conclusion of the presentation, but
9 appreciate very much the opportunity to speak today.
10 Thank you.

11 MR. LEIBOWITZ: Thank you, Mr. Wetherbee.

12 Our next witness will be Greg Venema.

13 MR. VENEMA: Good morning. I'm Greg Venema.
14 I'm a metallurgical engineering and aerospace
15 technical specialist at Alcoa, Inc. I have worked in
16 the heat treat aluminum industry for a total of 20
17 years, the last 15 years being at Alcoa.

18 I have a materials engineering degree from
19 Virginia Tech. I am here to describe some of the
20 factors that makes 6000 series aluminum plate a
21 distinct category from other types of plate products.

22 I'll start with the characteristics and
23 uses. Aluminum alloys are categorized in series based
24 on the primary elements used to create a specific
25 alloy. Alloys in 6000 series contain silicon and

1 magnesium in approximate proportions to form magnesium
2 silicides or Mg_2Si , which is a primary strengthening
3 phase, thus making them heat treatable.

4 The 6000 series are aluminum alloy plate
5 that is different in many important respects from
6 other plate products made at Davenport. The principal
7 6000 series alloy demanded by U.S. market is 6061,
8 although there are other alloys in the 6000 series
9 that are also produced. The 6000 series alloys are
10 widely used as medium-strength alloys that have good
11 weldability, formability, corrosion resistance, and
12 immunity to stress corrosion cracking.

13 6000 series are quite distinct from other
14 heat treatable alloys, the 2000 and 7000 series, let
15 alone non-heat treatable alloys. We focused our
16 analysis today on the differences between 6000 series
17 and other heat treatable alloys because the Commission
18 collected data for those products.

19 Two thousand series alloys contain copper as
20 the primary alloying element, but copper in
21 combination with aluminum will result in the formation
22 of $CuAl_2$, which is the primary strengthening phase for
23 2000 series alloys.

24 The 7000 series alloys contain zinc as the
25 primary alloying element, and coupled with smaller

1 percentages of magnesium result in the formation of
2 Mg₂Zn, which is primary strengthen phase for 7000
3 series.

4 The strengths of both two and 7000 series
5 are higher than 6000 series, but the corrosion
6 resistance is lower. The majority of both two and
7 7000 series aluminum plate is supplied to the
8 aerospace industry for commercial aircraft or space
9 applications.

10 Two thousand series are typically used for
11 the lower wing cover on most commercial aircraft or
12 fuel tanks on rockets, where 7000 series are typically
13 used for the upper wing covers, wing spars or
14 bulkheads on most commercial aircraft.

15 As indicated in the response to the ITC's
16 questionnaire, basically the chemical recipe used for
17 2000 and 7000 series alloys is very different from the
18 recipe used for 6000 series.

19 As discussed in our response, these
20 different chemistries translate into very distinct
21 characteristics in terms of strength, corrosion
22 resistance, workability, machinability and
23 weldability.

24 Now, with regard to comparing the
25 manufacturing process, the fabrication controls and

1 requirements for 6061 are considerably less demanding
2 and less costly to perform when compared to two or
3 7000 series alloys. One of the important differences
4 relates to the thermal processing or heat treating.
5 Two and 7000 series alloys require considerably
6 tighter temperature controls for the preheating
7 process hot-rolling lay-out temperatures, and solution
8 heat treat times and cycles. But different products
9 also spend different amounts of times in each of these
10 thermal operations or furnaces.

11 In addition, the quench rate requirements
12 for two and 7000 series alloys are considerably higher
13 than what is required to produce 6000 series plate.
14 And just quickly, quench rate for 6000 series,
15 particularly 6061 plate, we have to extract heat out
16 of that product. The critical quench rate to achieve
17 property is only 15 degrees a second.

18 For two and 7000 series aerospace plate
19 products, it's on the order of 100 to 125 degrees per
20 second, depending upon the alloy, so very different
21 requirements for quench rates which obviously requires
22 different capital or equipment.

23 This difference demands a level of equipment
24 design sophistication to provide precise control over
25 water temperature, flow rate and pull speed.

1 Furthermore, 6000 series plate tends to be sold in
2 standard dimensions, much as one buys plywood, while
3 two and 7000 series tend to be sold in application and
4 customer-specific shapes and sizes.

5 Because of these different metallurgical
6 requirements and economical considerations, heat treat
7 furnaces that are dedicated to 6000 series plate tend
8 to be configured differently from those dedicated to
9 two or 7000 series plate. For example, presently two
10 of our heat treat furnaces at Davenport are dedicated
11 to the production of 6000 series aluminum.

12 With regard to the interchangeability
13 between the six and two and 7000 alloys, for the most
14 part end-product design engineers determine the
15 product performance requirements and specify the
16 appropriate alloy/temper/product form, and size of the
17 aluminum plate used to meet desired performance
18 criteria.

19 For aluminum alloys, product physical
20 properties, chemical compositions, manufacturing
21 guidelines and test procedures are specified by either
22 aluminum association publications such as Aluminum
23 Standards and Data, government heat treat
24 specifications such as AMS-2772, or government
25 industry specifications as in AMS 228-250/11, which is

1 specific for alloy 6061, T651 plate or customer
2 material specifications.

3 Customers will usually purchase the product
4 by specifying on their purchase order the required
5 specs. In most cases there will be a combination of
6 industry standard, government and/or customer
7 specifications referenced. For any different end
8 application, there is very little interchangeability
9 between the 6000 series alloys and either the two or
10 7000 series aluminum plate.

11 In conclusion, thank you for your attention.
12 The distinct end product attributes of two and 7000
13 series are very different than 6000. The differences
14 in attributes require different chemical compositions,
15 thermal or mechanical processing, inspection and final
16 testing requirements.

17 Thank you.

18 MR. LEIBOWITZ: Thank you, Mr. Venema.

19 Our next witness is Leighton Cooper,
20 Marketing Manager for Consumer and Industrial Products
21 at Alcoa.

22 MR. COOPER: Good morning. I am Leighton
23 Cooper, Marketing Manager for our Consumer and
24 Industrial Products at Alcoa, Inc. I have worked for
25 Alcoa since 1985. I have a metallurgical engineering

1 degree from Iowa State University and an MBA from the
2 University of Iowa. The marketing of 6000 series
3 plate comes under my responsibility.

4 I would like to address the factors that
5 make 6000 plate distinct from other aluminum plate
6 products; in particular, I will speak to the
7 differences in distribution channels, customer
8 perceptions, and price differences between 6000 series
9 plate and other aluminum alloy plate.

10 I would also like to discuss the damage done
11 to Alcoa by low priced imports of 6000 series plate
12 from South Africa.

13 First, concerning the channels of
14 distribution, 6000 series aluminum roll plate has
15 substantially different channels of distribution from
16 2000 or 7000 series aluminum plate. While 95 percent
17 of 6000 series aluminum plate is sold in standard
18 sizes through distributors for stocking, only 50
19 percent of 2000 and 7000 series plate is sold that
20 way. In fact, a substantial portion of this two and
21 7000 series plate is pre-identified to specific
22 customers.

23 This signifies that 6000 series plate is
24 almost exclusively commodity grade while 2000 and 7000
25 series plate is to a great degree tends to be made to

1 order for specific end-use applications and customer
2 specifications.

3 The fact that the ultimate customer base for
4 6000 series plate is so different from that of 2000 or
5 7000 series plate is underscored by the fact that my
6 responsibilities do not extend to 2000 and 7000 series
7 products. These products are the responsibility of a
8 different marketing manager.

9 Concerning customer and producer
10 perceptions, because of the differing physical
11 characteristics of 6000 and two and 7000 series plate,
12 these products have few overlapping uses, and hence
13 have significantly different customer perceptions.

14 Common end uses for 6000 series plate
15 include machine tooling plate, jigs and fixtures,
16 automotive parts, electronic base assemblies, and
17 mechanical devices. Typical end applications for two
18 and 7000 series plate include wing covers, wing spars,
19 and bulkheads for commercial aircraft.

20 As a result, an end user of 6000 series
21 plate would unlikely or able to use two or 7000 series
22 plate with the same application.

23 The reverse is also true. Although 6000
24 series plate has superior corrosion resistance, the
25 lower strength levels and inadequate fracture

1 toughness make it unacceptable for the commercial and
2 related markets.

3 Concerning price, because the processing and
4 testing requirements, research and development, and
5 resource requirements for 2000 and 7000 series are
6 more complex, and specifications are more stringent,
7 production costs are greater and prices
8 correspondingly higher for 2000 and 7000 series plate.

9 As a result, even if it might be possible to
10 use either a two and 7000 series product or a 6000
11 series product for a particular application, the
12 pricing differences would make it unlikely that an end
13 user would select 2000 or 7000 series product when a
14 6000 series product would be sufficient.

15 The pricing of 6000 and two and 7000 series
16 products move independently of one another. The price
17 of 2000 and 7000 series plate has been relatively
18 stable over the last three years, while the price of
19 6000 series has plummeted.

20 Imports from South Africa have had
21 significantly negative effect on Alcoa's plate
22 production and sales. Our firm has lowered the
23 selling priced of certain aluminum plate to maintain
24 market share, in turn, lowering the profitability of
25 the production.

1 We have not experienced the same problems
2 for any other foreign source. While Russia has been
3 exporting 6000 series plate to the U.S., to my
4 knowledge the Russians have not achieved a quality
5 level that allows them to compete head to head with
6 the South Africans or domestic producers. This is
7 demonstrated by the fact that South African products
8 have shown up with all of our customers, but Russian
9 material has not. As a result, Russia or other
10 foreign plate simply doesn't pose the same threat to
11 Alcoa's plate productions as South African's plate
12 does.

13 Thank you for your attention, and I would be
14 pleased to respond to your questions.

15 MR. LEIBOWITZ: Okay, our next presenter
16 will be Bruce Malashevich, President of Economic
17 Consulting Services.

18 MR. MALASHEVICH: Good morning, Mr.
19 Carpenter. I'm Bruce Malashevich, President of
20 Economic Consulting Services, L.L.C. My testimony
21 this morning will be brief as the economic analysis
22 required in this case is as straightforward as it is
23 compelling.

24 It's well known that the Commission's
25 economic inquiry addresses evidence of adverse effects

1 on the relevant domestic industry's volume, selling
2 prices, and overall condition, which are attributable
3 to the dumped imports at issue here.

4 In this case the subject imports as you know
5 are 6000 series rolled aluminum plate from South
6 Africa, and the relevant domestic industry consists of
7 the U.S. producers of 6000 series rolled aluminum
8 plate including, in particular, Alcoa.

9 The conditions of competition in the U.S.
10 market for 6000 series rolled plate make the industry
11 particularly vulnerable to unfairly low-priced
12 imports. As the Alcoa witnesses have noted, a certain
13 aluminum plate at issue here is a commodity product
14 sold to common specifications in standard sizes.
15 Where the quality of competing suppliers is
16 comparable, price tends to be the deciding factor as
17 the Commission has found in many previous
18 investigations.

19 Based on my interviews of Alcoa personnel
20 and of Kaiser personnel, and my reading of articles in
21 the trade press, subject imports from South Africa are
22 clearly not of inferior quality relative to U.S.
23 production. Consequently, differences in product
24 quality come off the table as a possible explanation
25 for South Africa's lower relative price.

1 Owing to the fact that the great majority of
2 certain aluminum plate is sold through distributors
3 and the fact that price determination revolves around
4 a single alloy within the 6000 series, alloy 6061, the
5 impact of low priced, high quality product from South
6 Africa tends to be swift and broadly felt throughout
7 the marketplace. This tendency naturally would be
8 more pronounced during cyclical or other downturns in
9 aggregate U.S. demand such as occurred during the POI
10 in this case.

11 The speed of South Africa's expanded sales
12 volumes in the U.S. market reflects these conditions.
13 If you would please turn to the public exhibits I
14 passed out earlier, I would appreciate that. And Mr.
15 Cassise, I gave you extra copies for parties.

16 MR. CARPENTER: They are in the back of the
17 room.

18 MR. MALASHEVICH: Okay, thank you.

19 Exhibit 1 is based on the petition and
20 provides one illustration of my point. Exhibit 2
21 provides another one. Exhibit 2, which necessarily
22 redacts confidential information, shows that the
23 increased import volume occurred very largely, if not
24 exclusively, at the domestic industry's expense in
25 terms of market share.

1 Over the POI, Alcoa estimates that subject
2 imports U.S. share rose by multiple percentage points
3 which will be measured in our post-conference brief,
4 and that was a startling achievement in any U.S.
5 market in such a short period. The Commission need
6 look no further for evidence of significant adverse
7 volume effects owing to the growing volume and market
8 share of the subject imports in this case.

9 It follows from the theory of commodity
10 markets, which the Commission is very familiar, that
11 such a rapid increase in market share by lower priced,
12 high-quality products tends to produce a market-wide
13 decline in selling prices. Theory and practice
14 coincide in this case as illustrated in my Exhibit 3.

15 The index in Exhibit 3 is of Alcoa's selling
16 prices for a representative alloy 6061 product. In
17 just a little more than two years the actual average
18 selling price of this product fell by roughly 25
19 percent. Declines of even greater magnitude were
20 recently reported in the trade press.

21 Not surprisingly, both independent trade
22 press reports and evidence submitted here in our
23 questionnaire confirm that this general price decline
24 was caused in large part by persistent underselling of
25 U.S. prices by subject imports.

1 My Exhibit 4 overlays the line graphs in
2 Exhibits 2 and 3 to illustrate the expected
3 relationship in time between South Africa's growing
4 market share and falling U.S. price levels under
5 commodity market conditions.

6 I suspect that when a more complete
7 questionnaire record is assembled in this
8 investigation there will be much more than a
9 reasonable indication that subject imports have indeed
10 caused significant adverse price effects on the
11 competing domestic industry.

12 It goes almost without saying that the
13 combination of adverse volume effects and adverse
14 price effects has produced adverse effects on the
15 domestic industry's overall condition measured in
16 particular by profitability.

17 One U.S. producer, McCook, as you heard
18 earlier, exited during the POI, and I fear its data
19 will not be retrievable. Absent the actual data, I
20 suggest that the Commission use the shipment data
21 estimated by Alcoa for McCook in the petition as the
22 best information available in this regard, at least
23 for domestic shipments.

24 Just last year Kaiser filed for Chapter 11
25 and continues to operate in that condition. Alcoa's

1 producers questionnaire data speak for themselves, and
2 Alcoa believes, as you heard Mr. Wetherbee say
3 earlier, it is the largest U.S. producer.

4 The fourth domestic producer of plants owned
5 by Pechiney is currently for sale.

6 In the final analysis, I am confident that
7 the record will show more than a reasonable indication
8 of material harm to the domestic industry's overall
9 condition owing to the growing presence of dumped
10 imports from South Africa.

11 I would like to make two additional points
12 with regard to evidence of current injury. One
13 concerns the role of nonsubject imports. And as you
14 can see from Exhibit I-3 of the petition, Alcoa
15 believes that some quantity of 6000 series rolled
16 plate entered the United States over the POI from
17 several countries other than South Africa. By far,
18 Russia is the most significant among them in volume
19 terms.

20 However, the trade press reported as
21 recently as a few weeks ago that the Russian material
22 is often of inferior quality, and that notwithstanding
23 its low price does not have the capability to depress
24 U.S. market prices generally.

25 So the presence of nonsubject imports should

1 not distract the Commission from a focus on the low-
2 priced, high-quality material that has been dumped
3 from South Africa.

4 My second point concerns the timing of South
5 Africa's growth in volume and market share. This
6 growth coincided almost perfectly with the recent U.S.
7 recession which officially began in mid-2000, and
8 which many manufacturing executives believe is still
9 continuing in some form.

10 In the instant case, the cyclical decline in
11 demand for 6000 series rolled plate after 2000 was
12 exacerbated by the shocking events of September 11,
13 2001. Alcoa's estimated statistics and my interview
14 with industry executives suggest that a tentative
15 recovery occurred in 2003, but it has not been robust.

16 Consequently, the Commission will see in
17 this case what in other cases has been portrayed as
18 the so-called double whammy; that is, a sharply upward
19 trend in the volume of dumped imports at low prices
20 occurring at almost precisely the same time domestic
21 producers are already reeling from falling aggregate
22 demand and the higher unit costs often associated with
23 falling demand. That combination certainly warrants
24 an affirmative finding this case.

25 I would be pleased to answer any questions.

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1 Thank you.

2 MR. LEIBOWITZ: Mr. Carpenter, that
3 concludes our prepared statements. I know we have
4 fallen a little bit short of the one hour we were
5 allotted, but we do think the case is fairly
6 presented. We have made our people available,
7 including myself, for questions, and I think we will
8 stop there and invite your questions.

9 MR. CARPENTER: Thank you very much for your
10 testimony. I think the entire testimony of the panel
11 is very helpful and we appreciate that, appreciate
12 your coming here today.

13 We will begin the questions with Mr.
14 Cassise.

15 MR. CASSISE: Good morning, everyone. My
16 name is Chris Cassise from the Office of
17 Investigations, and I have only a few questions this
18 morning. Basically in broad categories, I would like
19 to discuss the like product a little bit more. I
20 would also like to discuss the nonsubject imports a
21 little bit more, and also the perceived quality issues
22 from some of the nonsubject countries.

23 So actually just a quick question regarding
24 the size of the market. Mr. Wetherbee, you had
25 mentioned that 6061 was 90 - 95 percent of Series

1 6000, but what is Series 6000 as a percentage of the
2 aluminum plate market, what percentage is the Series
3 6000?

4 MR. WETHERBEE: Is that included, Lewis, in
5 our files? It would probably be best to defer to
6 Lewis to actually address that since it's been
7 included.

8 MR. LEIBOWITZ: I think he did mention that,
9 you know, as far as Davenport is concerned, I think
10 Mr. Wetherbee mentioned 25 to 35 percent of the
11 production at Davenport over the course of a business
12 cycle was 6000 series plate.

13 MR. CASSISE: Okay, and the --

14 MR. WETHERBEE: Then some measure, we can
15 get back to you, I think, with more -- you know, a
16 broader estimate of all aluminum plate, but of course
17 it's our contention that the like product is as we
18 have defined it.

19 MR. LEIBOWITZ: As we understand the
20 question.

21 MR. CASSISE: Right, yes, that's my -- I'm
22 just trying to -- I mean, the Davenport facility makes
23 say 30 percent of 6000.

24 MR. WETHERBEE: Oh, okay.

25 MR. CASSISE: And then the 70 percent would

1 be what, the 2000/7000 or other?

2 MR. WETHERBEE: Okay, yeah, I think I can
3 answer that question. I should have asked for a
4 clarification.

5 Yeah, on an annual basis, obviously the
6 market for plate moves around a little bit, but if
7 Davenport were to make 150 million pounds a year of
8 plate, we would see in this market somewhere between
9 25 to 40 million pounds of this type of product, the
10 6000 series, and we would see probably about 20 to 30
11 million pounds of 5000 series, depending again on the
12 demand from defense and marine, and then the balance
13 would be into the two and seven.

14 Was that your question?

15 MR. CASSISE: Yes.

16 MR. WETHERBEE: Okay.

17 MR. CASSISE: Also another general question
18 about demand. mr. Malashevich mentioned the decrease
19 in demand during this period of investigation. Was
20 one series hit worse than the other? I mean, after
21 September 11th with increase in defense spending, did
22 that increase the demand for say 2000/7000 series?

23 MR. WETHERBEE: I would not be disrespectful
24 to the government process for spending money in the
25 amount of the time it takes to appropriate and spend

1 the money, but I think there has been a lot of
2 discussion about, you know, where the products are
3 going or where the market is going.

4 So I think the direct answer to your
5 question is no, we have not seen a significant
6 increase from defense spending. We see a lot of
7 interest -- the 5000 series goes when you think back
8 to the Iraq war and you see the Bradley fighting
9 vehicles, and M1-A1 tanks and the gas tankers and the
10 Humvees, those are almost all aluminum, and we expect
11 down the road a replacement order, but nothing
12 significant at the moment.

13 On the 6000 series alloys, it's a general
14 reflection of the economic activity of the U.S. So as
15 the economy goes up that's kind of the plus and minus
16 you see.

17 On the two and 7000 series, our largest
18 customers obviously are the two major air frame
19 manufacturers, Boeing and Airbus, and I think their
20 build rate numbers have been widely reported as being
21 off as much as 30 to 35 percent.

22 But normally in the 6000 series market we
23 would only see a drop off related to the general
24 economic conditions, and I think we have seen a fall
25 off in the three to four X rate on the 6000 series

1 through this economic cycle.

2 Did that answer your question?

3 MR. CASSISE: Yes, it does. Thank you.

4 And I guess that brings me to right into the
5 like product questions which it seems to me from
6 listening to your testimony that we're dealing with
7 completely separate customer bases on some of these
8 series. Two and 7000, you would be dealing with the
9 airline manufacturers.

10 Could you expand on that a little bit more?
11 Are there other customers besides aerospace on the two
12 and 7000, and could you describe your customer base
13 and distinguish it from the two and 7000 regarding the
14 6000?

15 MR. WETHERBEE: Yes, maybe I would talk a
16 little bit about the two and seven and then defer to
17 Leighton a little bit about the 6000. And the reason
18 we will break it up is that, as we see the market and
19 the end uses, they are completely different, and we ar
20 organized that way because of the needs of the
21 customer and how we respond to them.

22 When you think about two and 7000 series
23 alloys you will not find them outside of the aerospace
24 or sophisticated rockets defense kind of market, and
25 part of the reason is the performance. They are very

1 high strength alloys. When you fly and you look out
2 the window and you see the wings, you know, you don't
3 want those wings bending and obviously we don't want
4 them to break. So strength and fracture toughness are
5 a big issue on the wings.

6 The fuselage material is also two and 7000
7 series, and because it goes from high pressure to low
8 pressure, high temperature to low pressure and
9 temperature, the expansion of the product through that
10 cycle is very important, obviously, the life of the
11 plane.

12 So the performance criteria of 2000 and 7000
13 series alloys is really driven by the end use, and
14 they are very customized. A good example of the 6000
15 series plate is if you went to -- I won't use the
16 trade name company like Home Depot, but if you go buy
17 a piece of plywood, you go to the shelf and you see a
18 4 by 8 sheet of plywood. It's really not important to
19 you if it was made by Weyerhaeuser or Georgia Pacific.
20 It's just a common spec, common dimension, meets your
21 needs, it's there, you can come and get it. That's
22 really what's going on in the 6000 series.

23 When you think about the 2000 and the 7000
24 series, it's very much customized. Everybody has
25 their unique spec for their specific application

1 because they are going to certify their end product to
2 another agency or to their customer that it has a 30-
3 year life or has this kind of performance or whatever.

4 So we tend to see significant engineering of
5 the product in the two and 7000 series, and the points
6 of differentiation occur a lot of different points in
7 our process.

8 Between customers of 6000 series, I think we
9 have in their filing probably 10 to 12 different major
10 customers, and they all buy exactly the same thing.
11 It's produce en mass, and it's stocked for them with
12 short delivery lead times in a depot. And so whether
13 it's for one customer or the other, that meets their
14 service needs.

15 But I hope that starts to get at your
16 question.

17 MR. CASSISE: Oh, it does. Well, I mean, if
18 I understand you correctly you are saying that
19 aerospace is the exclusive customer for two and 7000.

20 MR. WETHERBEE: But the other thing --

21 MR. CASSISE: And that you work closely with
22 those customers qualifying your product to a certain
23 specification what they need, and then selling it
24 exclusively to them.

25 But my only question is you said 50 percent

1 of it is sold to distributor.

2 MR. WETHERBEE: Okay.

3 MR. CASSISE: And so where do they sell lit?

4 MR. WETHERBEE: Okay. Well, you know, that
5 might be a helpful definition. I still would like
6 Leighton to talk a little bit about the 6000 series,
7 but distributors, that's a big word that has a broad
8 definition, and there are two types of functions today
9 that a distributor provides.

10 The first one is a stockist similar to my
11 Home Depot example that my counsel will kick me under
12 the table later for using their name, but it's a
13 relevant example people can relate to. But they stock
14 the material and you call them and they will cut it
15 into smaller pieces, and deliver it to you.

16 On the 2000 and 7000 series the distribution
17 community has really evolved from not being a stockist
18 to being a service center, and they do two or three
19 things. They do kitting, so you say, well, I need one
20 of these, one of these, one of these, why don't you
21 deliver them to me to my assembly line at the same
22 time so I can just put them into the process and
23 assemble. And it's harder for me to do that because
24 the sizes might be different. They may be -- they
25 will cut it, they might machine it, they might drill

1 holes in it. So the service center concept is much
2 more prevalent in aerospace.

3 So when you ask me of the 50 percent that
4 goes to distribution what percentage of it is stocked
5 without an end customer in mind, I would say less than
6 20 percent, so a very small percentage of that 50 is
7 actually held for stock, and that actually is an issue
8 within the supply chain of the aerospace industry
9 where they are trying to eliminate that waste and get
10 much closer to it.

11 The other reality is I would love to believe
12 everybody needs aluminum every day, and they should
13 always think aluminum, but the reality is in some
14 cases customers use aluminum side by side with
15 stainless steel, side by side with a copper product,
16 and some of the distributors who provide these
17 services also provide a multi-product bundle. I don't
18 make stainless steel and I don't make copper, but if
19 your service center is modeled to supply the aerospace
20 industry, they like to get all their products at the
21 same time in a kit, and it eliminates the inventory
22 for them.

23 So the difference of what is a distributor
24 is really what service are they providing. And in the
25 6000 series very much a stockist approach, in the two

1 and 7000 series very much a service center approach,
2 if that helps.

3 MR. CASSISE: And so I am assuming that the
4 vast majority of even the product that goes through
5 the distributors it goes to the same customer but they
6 are providing the service that you do not provide?

7 MR. WETHERBEE: Yes, that's correct.

8 MR. CASSISE: Okay.

9 MR. WETHERBEE: The only other
10 differentiation point, and I've had a little practice
11 listening to Greg's testimony, and it's written down,
12 but I think what you will see in the distribution side
13 for 6000 series is they go out with a lot of different
14 general specs because they want to be able to take
15 that particular material to any customer any time, any
16 place, which is the stockist role.

17 MR. CASSISE: Right.

18 MR. WETHERBEE: In aerospace the minute that
19 thing is case in our ingot plant, it's against a
20 specific customer spec with a specific, and many times
21 negotiated expectation around the performance of the
22 product, so that specification is significant.

23 MR. CASSISE: No, thank you, Mr. Wetherbee.
24 That's very helpful.

25 But switch over to Mr. Cooper, and I'm

1 assuming that you have a much larger customer base
2 than the 2000 and 7000, if you could just kind of shed
3 some light on your customer base.

4 MR. COOPER: Okay. Yeah, the 6000 series
5 plate that we sell, as I noted, about 95 percent of it
6 does go through distributors primarily because of the
7 small order sizes that the place on their end
8 customers and the small sizes of the plate product
9 which are then cut up and then sold to primarily
10 machine shops, and then that go on to OEMs.

11 The way I distinguish it is most of the
12 final customers for 6061 are really applications that
13 are more static than dynamic. Dynamic being aerospace
14 where a lot of cycling is going on, where you need
15 fracture toughness properties. 6061 you do not need
16 that to a degree, so it's applications can range
17 anywhere from semiconductor applications where
18 semiconductor equipment for making the chips are
19 produced to tire molds to a variety of frames using
20 the printing industry and so forth.

21 So you are correct, there are a wide variety
22 of industrial applications where 6061 is used versus a
23 much more select targeted end application where two
24 and 7000 series, because of the physical properties
25 that are necessary drive the end application in

1 aerospace.

2 MR. CASSISE: Mr. Cooper, do you sell any
3 6000 series to the aerospace industry at all?

4 MR. COOPER: Not to my knowledge.

5 MR. CASSISE: Okay. I would like to shift
6 over to the manufacturing process. It appears from
7 what we have been given so far the manufacturing
8 processes are very similar to a point, the heat
9 treating point. I think I heard testimony this
10 morning that there were different facilities or
11 different machinery for the actual heating of the
12 different series.

13 I would like to get a little bit more
14 information on that, and is that the only difference
15 in the manufacturing process?

16 MR. WETHERBEE: Okay, if it's okay with you.

17 MR. CASSISE: Sure.

18 MR. WETHERBEE: We understand your question.

19 MR. CASSISE: You're on a roll.

20 MR. WETHERBEE: I might take a -- yes, sir.
21 I might take the first touch, and then we will have
22 Greg fill in the technical details.

23 I think you hit on an important point that
24 we need to differentiate the equipment from the
25 processing that goes on with equipment, and what is

1 the capability of the equipment, because you can say,
2 well, I have a heat treat furnace and this other guy
3 has a heat treat furnace.

4 Okay, so you have the same equipment, but
5 what is it capable of doing and how frequently and
6 what kind of maintenance does it require, what kind of
7 initial capital did it take.

8 So I think the issue for us is the equipment
9 maybe similar in design, but it's not similar in terms
10 of capability and the processes are significantly
11 different.

12 Aluminum is a unique thing. As I said
13 before, I would like people to wake up every day and
14 want to buy aluminum. I haven't quite perfected that
15 strategy yet. But we're solving a problem. And so
16 the alloy and how the alloy is created and the
17 properties of the alloy are the first critical step.

18 Molten aluminum is a very dangerous
19 substance. So how you control the casting of 2000 and
20 7000 series ingots in the process is significantly
21 different than the 6000 series. You can have the
22 ingots explode or crack in 2000 and 7000 series where
23 in 6000 series it's been done for along time, so it's
24 an easier process. You can get to a degree off-the-
25 shelf technology to do that.

1 And it's ironic that we're 30 days away from
2 the 100th anniversary of the Wright Brothers flight
3 because Alcoa been flying aluminum since that very
4 first flight, so we have 100 years of experience in
5 terms of how we got there.

6 But once you get past alloying and the
7 casting, you're right, there is how you preheat the
8 metal and how long it's preheated prior to its rolling
9 process, so we move into the thermal side, so we have
10 the alloying component, how you roll it and thermally
11 treat it, and then it goes through a secondary heating
12 processing. There is only a couple of ways to
13 manipulate the properties.

14 MR. CASSISE: Mr. Wetherbee, let me
15 interrupt for one second.

16 MR. WETHERBEE: Sure.

17 MR. CASSISE: So you are stating that the
18 process is different for the different series right
19 from the start.

20 MR. WETHERBEE: Right.

21 MR. CASSISE: But are you using the same
22 machinery at that time?

23 MR. WETHERBEE: If we talk about, and
24 usually I have bad news, I leap to a white board and
25 all this other kind of stuff, and we will provide that

1 in our post-conference brief.

2 MR. CASSISE: Right.

3 MR. WETHERBEE: But if you look at the
4 common processes, our rolling process and the
5 equipment that it rolls on, heat treat furnaces we
6 actually have dedicated because of the quench issue
7 that Greg talked about. Then we stretch it. Then we
8 actually put it into a furnace and bake it back to a
9 different hardness. We call it aging. Then it goes
10 through sawing. Then we mark it and pack it.

11 And so yes, there are common steps in the
12 process. We use the same rolling equipment. We use
13 the same stretcher to a degree, depending on
14 dimensions, and we use the -- the sawing process is
15 just, you know, the cutting up process which is
16 common.

17 The different processes are the ingot
18 casting technology process, the thermal controls in
19 our preheating furnace where we have to control
20 temperature to a much tighter degree. Our heat
21 treating process which is temperature as well as this
22 quench, which his -- some of these quench things look
23 like a big carwash where it rolls out and it dumps
24 water. That's one criteria. And in aerospace
25 products you have to have a very highly controlled

1 flow, and the time from when it comes out of the
2 furnace to when it hits the water is critically
3 important.

4 So it's in the process and temperature
5 control, and the capability of that furnace, and then
6 the last thermal operation, which is kind of aging it
7 back to the right property.

8 So I guess I would say yes, there are common
9 production equipment and common production steps, but
10 there are significantly different process and process
11 control technologies that are required to make the
12 aerospace product versus the 6000 series.

13 Is that --

14 MR. CASSISE: Yes, that's very helpful.

15 MR. WETHERBEE: Okay.

16 MR. CASSISE: Do you have dedicated lines at
17 your facility that make the different series?

18 MR. WETHERBEE: We have two, two horizontal
19 heat treat furnaces today that are dedicated to the
20 production of 6000 series plate, and the significant
21 difference is the ability to control the quench in the
22 heating treating process.

23 MR. CASSISE: Okay.

24 MR. WETHERBEE: We also have dedicated
25 casting pits specifically for the two and 7000 series,

1 so those two areas are probably the highest point of
2 differentiation on the equipment.

3 MR. CASSISE: Okay. And on those dedicated
4 lines if for whatever reason you decided that it was
5 more beneficial to make one series over the other, how
6 long and how much capital would it take to switch to
7 one series to the other?

8 MR. WETHERBEE: Well, on the heat treated
9 side we would have to requalify the quench system so
10 we would go through a process of a maintenance upgrade
11 of some type which would -- envision a set of rows of
12 valves and sprays, and you would have to through there
13 and adjust those hoses and sprays to get the right
14 water control. You would probably have to do some
15 work on the computer system to make sure you're
16 controlling it correctly, and you would probably do
17 some maintenance around how hot the temperature would
18 be during the heat treat process.

19 So I think how long would it take, it's
20 probably a three-month qualification process, and as a
21 percentage of the original cost of the capital it
22 might be five to 10 percent of the original capital
23 cost to make those changes on the heat treat side.

24 On the ingot casting side, it's a
25 significantly more challenging. What happens in

1 aluminum when all these zirconiums and things come
2 together they are in a furnace that is filled with
3 refractory, ceramic type refractory, and over time
4 those trace elements of zinc and chromium, they leach
5 into the refractory, and the dilemma there is you are
6 going to switch from one alloy series to another you
7 would have to rebuild that furnace, and that would be
8 fairly expensive. That's about a 20 percent to 30
9 percent of the original cost to do that. There is a
10 limited capacity in the United States to do that in
11 terms of casting.

12 The other thing is that you have do some
13 changing to -- what happens is you pour the aluminum
14 out. It comes through a mold and solidifies as it
15 drops into a pit, and the critical aspect of being an
16 economical producer is what is your original starting
17 size, what's the block of aluminum that you start
18 with, and the dilemma is in the aerospace alloys, it's
19 harder to make big pieces because they crack or they
20 split apart in the casting process.

21 So the casting side, we would have to invest
22 probably again another 20 to 30 percent in those
23 casting pits to convert them from a hard alloy, two to
24 7000 series capability to something that would make
25 economic sense in the 6000 series.

1 And how long would that take? We have a
2 project right now that will convert a pit that will be
3 ready at the end of 2004, so it's a 12 to 15-month
4 process, and in the rebuild cycle, once I take a
5 furnace down I can rebuild it in 30 days without a
6 whole lot of trouble. Is that --

7 MR. CASSISE: No, that's very helpful.

8 On last question on this line of questioning
9 would be, would it take more time or less time and
10 money if you wanted to go from non-heat treatable, say
11 a 5000 series is a non-heat treatable series, correct?

12 You wanted to from 5000 to 6000, what would
13 that entail? Would that be similar to what you just
14 explained?

15 MR. WETHERBEE: Yes, and if you picture kind
16 of -- so I get this right -- five steps in the
17 process, forget about the ingot for a minute, but you
18 roll it, you heat treat it, you stretch it, you age
19 it, and you saw it. That's how you make heat treated
20 product, those five steps.

21 To make a non-heat treated product, you roll
22 it, and sometimes you stretch it, and then you saw it,
23 so you skip a fairly significant amount of capital
24 investment, the heat treating and the aging, and to a
25 degree --

1 MR. CASSISE: Right.

2 MR. WETHERBEE: -- the stretch.

3 MR. CASSISE: But I want to go the other
4 way.

5 MR. WETHERBEE: You want to go the other
6 way.

7 MR. CASSISE: From five to six.

8 MR. WETHERBEE: Okay, so to go from five to
9 six, then you have to invest in -- to be in the
10 business it would probably be a \$100 million
11 investment with a 24 to 30-month lead time. I think
12 that's similar to what Hulett's been through in their
13 \$393 million expansion that they started in 2001.

14 MR. CASSISE: Okay. No, that's very
15 helpful. You answered my question.

16 Let's shift to the nonsubject countries.
17 Mr. Malashevich, you've already talked about Russia.
18 The Russian imports, if you look at the public
19 Commerce statistics, have increased pretty rapidly as
20 well. I would be curious to know who is buying that
21 aluminum if not your customers because of quality
22 issues, and just to go into what makes it of lesser
23 quality.

24 MR. MALASHEVICH: Well, we don't know where
25 it's going to be candid. We tried to trace through

1 Alcoa's selling experience with their customers where
2 they are encountering competition from Russia as
3 opposed to South Africa.

4 And as you heard Mr. Cooper testify, they
5 are just not encountering the Russian materials at
6 their customers.

7 So we do not know where it's going. The
8 trade press articles, and I am thinking of one in
9 particular that you're probably familiar with,
10 American Metal Market. They have a Monday supplement
11 and then they have their e-mail daily report. This
12 was in the Monday supplement days after this petition
13 was filed, and it was commenting on the marketplace
14 and they said that apart from Hulett's quality as
15 being, you know, very well accepted in the
16 marketplace, the Russia quality was not.

17 They weren't terribly specific in terms of
18 what that meant, but in part, it was because of the
19 inconsistent ability to deliver an acceptable quality.
20 So that discourages long-term relationship with
21 customers, and I really can't speculate where the
22 Russia material is going. We haven't encountered it.

23 But I would add that because of all of the
24 above the estimates of what's coming in from Russia
25 that Alcoa believes could be 6000 series roll plate is

1 particularly squishy, and it could very well be that
2 the petition has overestimated what's coming in from
3 Russia that would be salable in this category we're
4 talking about here today.

5 MR. CASSISE: Do you know if all of the
6 product from Russia is 6000 series?

7 MR. MALASHEVICH: No.

8 MR. CASSISE: So you're guessing?

9 MR. MALASHEVICH: We don't even know that.
10 We're guessing.

11 MR. CASSISE: Of the product that is 6000
12 series, does it meet the 6061 specification?

13 MR. MALASHEVICH: All I can tell you is that
14 what I have read and interviewed people about is
15 sometimes it does. Many times it doesn't. Sometimes
16 it doesn't even show up after being ordered.

17 MR. CASSISE: Okay.

18 MR. MALASHEVICH: Mr. Wetherbee has some
19 additional points.

20 MR. WETHERBEE: You can always tell the
21 passion in the room. I apologize, and Leighton, you
22 can add any comments you want.

23 I think the real issue is that there are
24 imports coming from Russia. We admit that, and I can
25 understand that. I think it's harder to understand

1 what alloy series and what end destination. The
2 Russian mills have very broad capability, so that's
3 part of the issue.

4 I think the question of why it's a nonissue
5 is really this consistency of quality issue. And
6 what's important about 6000 series plate to the end
7 customer is the performance, and what can happen in an
8 inconsistent supplier is the first plate I get, I cut
9 it, and it lays flat, and it goes into my machining
10 cell and it works fine. The very next plate I cut,
11 and it warps. That's the level of inconstancy that
12 you will get with a Russian supply.

13 So what happens is if you're really bet your
14 business, you're going to buy from one of the more
15 mainstream suppliers, but for bargain prices or just
16 need a little bit, I'm willing to take the risk, they
17 will buy Russian. It's not -- the consistency of
18 quality is the problem of residual stresses,
19 machinability, the surface, and the flatness that goes
20 with it.

21 Is that fair, Leighton? Was that your
22 question?

23 MR. CASSISE: Yes, I have another follow up
24 on that. If 90 - 95 percent of the 6061 is sold
25 through distributors and they decided that they wanted

1 to purchase Russian product, is there a formal
2 qualification process that these distributors go
3 through or is it just kind of an informal we'll try
4 your product and see if it sells?

5 MR. WETHERBEE: I'll take a stab at that.
6 There are -- I think Alcoa uses somewhere in the
7 neighborhood of 50 to 55 distributors. I'm not sure
8 of the exact count today that are appointed by us and
9 provide the product.

10 Now, to answer your question specifically,
11 there is no specific formal qualification, but what
12 they risk is performance at the end customer. And if
13 the product they send them doesn't work, they risk not
14 getting the next order, so the customer relationship
15 is really the driver of performance, and they would
16 prefer not to risk that.

17 MR. CASSISE: Right.

18 MR. WETHERBEE: Is that fair, Leighton?

19 MR. CASSISE: One more question on
20 nonsubject countries, and that would be is China an
21 issue, imports from China?

22 MR. WETHERBEE: I think I can answer that.
23 No.

24 MR. CASSISE: No. Okay, I have one final
25 question, and this is going to go to Mr. Leibowitz and

1 Mr. Shor to be addressed in the post-conference
2 briefs, and this is an issue that if in the event that
3 the Commission doesn't get an adequate response rate
4 from U.S. importers, from nonsubject countries, I
5 would like to see in your post-conference briefs how
6 you would adjust the official Commerce statistics to
7 show imports from nonsubject countries.

8 It was already done by Mr. Leibowitz in the
9 petition. I believe it's Appendix, I think, I-3. Of
10 course, though our period of investigation goes
11 through September, so we will have to go through
12 there.

13 And then, Mr. Shor, I would be interested in
14 your opinion as well.

15 That's all the questions I have. Thank you
16 very much, Mr. Wetherbee.

17 MR. LEIBOWITZ: Just to respond to Mr.
18 Cassise, yes, we will be happy to update the exhibit
19 to make the best estimate we can.

20 MR. CARPENTER: We will turn next to Ms.
21 Roth-Roffy.

22 MS. ROTH-ROFFY: Good morning, and thank you
23 for your testimony. My questions with respect to the
24 2000, 7000 and 6000 series have been already asked.
25 Thank you, Chris, for that. I appreciate that. And I

1 assume you will be covering it in your post-conference
2 briefs; is that correct?

3 MS. ROTH-ROFFY: Yes, we will.

4 MS. ROTH-ROFFY: Okay. Shall we talk about
5 plates and sheet. Mr. Shor seems to be arguing that
6 they are continuum products, and could you elaborate
7 why you believe this isn't so?

8 MR. WETHERBEE: I think it was sheets versus
9 plates specifically was the question?

10 MS. ROTH-ROFFY: Yes.

11 MR. WETHERBEE: Yes, I think it's a
12 significantly different production process is why the
13 Aluminum Association in the U.S. and the European
14 Aluminum Association as well have the break at
15 quarter-inch.

16 In our production process, you see a
17 different mill used for cold-rolling application. So
18 when it comes off our hot mill we use a different
19 cold-rolling process and a different finishing path, a
20 distinctly different approach to rolling and finishing
21 the product once we go below a quarter-inch.

22 You will find some places where we would saw
23 it, depending on the customer's dimensional
24 capability, but the biggest issue for us it's a
25 different production path.

1 MR. LEIBOWITZ: If I could just add to that
2 from the legal perspective. I think that it's very
3 important to understand here that aluminum is not
4 steel. The Commission is very familiar, as are many
5 of us in this room, with steel. Aluminum cases are
6 quite a bit rarer in the Commission. And I think
7 that, you know, while they appear the same, a lot of
8 aspects are very, very different between aluminum and
9 steel, and this is one of them.

10 For example, let's talk about bright lines
11 for a moment. There is a bright line between plate
12 and sheet, and in many steel cases there is a bright
13 line between plate and sheet. It happens that in
14 steel the bright line is three-sixteenth of an inch,
15 and in aluminum it's a quarter of an inch, and that is
16 effectively because of the differences in the chemical
17 properties of steel and aluminum.

18 But it's clear it's a bright line. A bright
19 line doesn't have to be an impenetrable barrier. You
20 know, it's not that if you find one customer out there
21 somewhere who could use something that's slightly
22 thinner than a quarter of an inch and slightly thicker
23 you've solved your problem and there is no bright
24 line.

25 There is a bright line. It's reflected in

1 the Aluminum Association specifications. It's reflect
2 in the tariff schedules which draw the line at a
3 quarter of an inch, and that, of course, is based on
4 industry perceptions. That's where tariff lines come
5 from.

6 So the line between plate and sheet we think
7 is by any measure bright, and should be maintained in
8 this case.

9 MR. MALASHEVICH: I would just like to add
10 one small point to what Mr. Leibowitz said, and that
11 is, if there was not a bright line, and if there was a
12 continuum, then you would expect if not the absolute
13 level of prices, price behavior along the continuum to
14 be very similar.

15 But as you heard from Mr. Cooper earlier,
16 the price behavior of 2000 and 7000 series has been
17 completely different from the price behavior of the
18 6000 series.

19 To me, from the economist perspective,
20 that's one of the brightest lines you could find
21 between 6000 series on the one hand and 2000 and 7000
22 series on the other.

23 MS. ROTH-ROFFY: Yes, just one thing. Mr.
24 Shor indicated that they are used for the same
25 application sheet and plate. Would you describe, you

1 know, what an application sheet is used for as opposed
2 to plate?

3 MR. LEIBOWITZ: Well, in aluminum there is
4 actually three thicknesses. There is plate, sheet,
5 and foil.

6 MS. ROTH-ROFFY: Right.

7 MR. LEIBOWITZ: We are all familiar with
8 aluminum foil, I think. And I think there are
9 significantly different end uses.

10 Leighton, perhaps you can talk about it from
11 the 6000 perspective if you have sheet and plate uses
12 and what their differences would be.

13 MR. COOPER: Yes, 6000 in particular again
14 would be going into a wide variety of industrial
15 applications or sheet as it is, or plate. And again a
16 clear distinction between industrial applications
17 because of the physical attributes of the product
18 versus two and 7000 series sheet, which again
19 typically goes into aerospace applications because of
20 the requirements and the end use needs for aerospace
21 versus industrial.

22 MR. WETHERBEE: If it's okay, could we add
23 one practical, it might be easier to understand it.

24 In the 6000 series sheet in the United
25 States, if you drive a Ford F-150, Nissan Maxima,

1 Ultima, the hood material, and we call it the deck,
2 but the rear back, the side of the auto over the
3 truck, that's aluminum sheet. So it has the same
4 properties as 6000 series plate because of the alloy
5 and the heat treating process give it that process.
6 But it has a different end use application. You
7 wouldn't put plate on a hood or a truck of a car.

8 By the same token, Leighton had talked about
9 where does 6000 series go. Well, it goes, if you are
10 going to go see how PET bottles are made, it's a mold,
11 it's machined out of it, and it's on a mold machine.
12 You can't use sheet for that.

13 So yes, they have the similar properties and
14 similar product attributes, but radically end uses.

15 Is that your question?

16 MS. ROTH-ROFFY: Yes, I think you have
17 answered the question. I appreciate it if you would
18 discuss the six like products with respect to plate
19 and sheet in your post-conference brief because I'm
20 very aware it will be an issue brought up by the
21 respondents.

22 MR. LEIBOWITZ: We'll be happy to.

23 MS. ROTH-ROFFY: One more question. With
24 respect to heat treatable and non-heat treatable,
25 could you explain the differences between the two?

1 MR. WETHERBEE: You know, Leighton, do you
2 want to take a stab, or do you want to Greg to do
3 that?

4 MR. COOPER: Greg can do that.

5 MR. WETHERBEE: Okay.

6 MR. VENEMA: Typically, your heat treatable
7 alloys, your two and 7000 series alloys, we're adding
8 copper, zinc and mag at levels that are considerably
9 higher than the aluminum really wants to accept. So
10 we refer to those heat treatable products
11 supersaturated.

12 In other words, it's sort of like putting
13 sugar in ice tea. You can't get all the sugar go into
14 the solution if you put too much sugar in, so you heat
15 the tea up, the sugar will go into solution. Now, if
16 you leave the glass on the counter, the sugar will
17 precipitate back out. If you put the glass of tea in
18 the freezer, then the sugar will freeze and stay in
19 solution.

20 That's what we do with our heat treatable
21 alloys. We put considerably more copper, zinc and mag
22 in the aluminum than it's willing to dissolve in short
23 elevated temperatures, so we take these alloys up to
24 elevated temperatures, dissolve them, and then we
25 spray quench them, and by spray quenching we are

1 freezing and locking the copper, and mag and zinc in
2 solution. And in the case of 6061, it would be
3 silicon and magnesium in solution.

4 Then by subsequent heating, as Bob had
5 mentioned, with artificial agent, we control the time,
6 the temperature of heating that material off, and that
7 controls size, shape and distribution of how these
8 particles come out of solution which then determine
9 your corrosion resistance, your mechanical properties
10 for strength, toughness, fatigue behavior.

11 That isn't possible in 5000 series alloys.
12 You don't have to -- you don't have more mag in
13 solution than the alloys are willing to accept so you
14 don't heat treat them. You get the strength of 5000
15 series or non-heat treatable alloys from the inherent
16 content of the case of 5000 magnesium, and then when
17 you work the material if it's cold-rolling or
18 stretching, it's the particles in there that generate
19 micro stresses in the material that give it a tight
20 string.

21 So there is a very different, very
22 different, very different process. Heat treating a
23 5000 or a non-heat treatable alloy won't buy you
24 anything. It will make it softer, not give you the
25 ability to make it harder later.

1 MS. ROTH-ROFFY: What would you use heat
2 treatable as opposed to non-heat treatable aluminum?

3 MR. COOPER: That would be -- again,
4 everything is in the application specific. Customers
5 have a problem or a product attribute that they are
6 looking for an aluminum product to meet. And
7 depending upon what strength levels they are
8 requiring, what corrosion resistance, whether they
9 need damage tolerance in terms of, you know, Bob had
10 mentioned about the pressurization and thermal cycling
11 that goes on in fuselage material. Depending upon the
12 application is what drives you to an alloy family or
13 to a solution of how to get the properties you are
14 after.

15 You can't achieve -- you cannot achieve with
16 a non-heat treatable alloy the strength levels that
17 you can achieve with heat treatable alloys. They are
18 just in a -- they are a very different radar. They
19 are not even in the same -- it's not even the same
20 game.

21 MR. WETHERBEE: Yeah, maybe I'll take a non-
22 technical perspective to your question. Your question
23 was what are the applications for a non-heat treated
24 product and give me some examples of where I would see
25 it on my way home tonight.

1 On your way home tonight if you see the road
2 signs that say exit here, you know, Reagan National
3 Airport, a lot of those are aluminum. They are in
4 5000 series. They are there for stiffness reasons.
5 They don't want to be wobbling in the wind, but there
6 is absolutely no structural strength to that sign.

7 Another good application is when you get
8 blown off the road by a big truck, a Class A truck
9 made by Freight Liner or Peter Built. The cab
10 assembly that covers the hood and the driver's cab is
11 5000 series material. The strength of the cab is not
12 in the skin, it's in the shell and the underpinnings
13 of that.

14 And also a lot of these van trailers, the
15 big semi-trailers that will be attached to the Class A
16 truck when you get blown off the road are aluminum in
17 terms of the box, and again it's not about strength.
18 It's about stiffness and rigidity.

19 When you see them driving down the road
20 every once in awhile you see them fluttering in the
21 breeze, and that's just because they have taken all of
22 the last element of stiffness out of that material and
23 they are trying to increase the payload.

24 So those would be three really good examples
25 of where you would see 5000 series or non-heat

1 treatable alloys. They are used for things that have
2 to be stiff, but not necessarily strong.

3 Does that kind of answer your question?

4 MS. ROTH-ROFFY: That answers my question.

5 Also, what channels of distribution do they
6 go through, the heat treatable? Do they go through
7 the same channels of distribution, Mr. Cooper?

8 MR. COOPER: The question was do the heat
9 treatable or non-heat treatable also go through the
10 same distribution channels?

11 MS. ROTH-ROFFY: Yes.

12 MR. COOPER: Yes. Some of the distributors
13 who also purchase 6000 series will also purchase 5000
14 series through distribution, through the end use. But
15 I would say for the most part there is a -- I guess a
16 similar percentage that would go through distribution
17 for 5000 series that also go through for 6000 series.
18 So there is both an OEM and a distribution channel
19 that is used.

20 MR. WETHERBEE: Can we ask a question that
21 amplifies your question, which is if you think about
22 it, break that between sheet, that's certainly
23 definitely true that a lot of the distribution product
24 in the sheet side goes through distribution.

25 When you think about the plate side, though,

1 I think, Leighton, I think when you start talking
2 about the applications and the dimensions and the
3 sizes that go into armored plate or the shipbuilding
4 industry that goes into the coast guard ships that you
5 see in the Potomac, and other big cruisers, a lot of
6 those are aluminum, the superstructure constructed of
7 the big naval ships, so they tend to be dimensionally
8 different, and as the dimensions grow they don't tend
9 to go through distribution, so it is dimension and
10 market destination-specific.

11 Is that fair?

12 MR. COOPER: Yes, there would certainly be a
13 larger percentage of sheet 5000 through distribution.
14 And Bob is exactly right, because of the size
15 requirements typically the 5000 series plate, there
16 will be more of an end OEM purchase than a direct
17 basis.

18 MS. ROTH-ROFFY: Okay, thank you for that.
19 That's been very helpful, and just one thing for your
20 post-conference brief with regard to the statutory
21 threat factors, if you could please go through those
22 for us, we would greatly appreciate it. Thank you.

23 MR. WETHERBEE: We'll be happy to.

24 MR. CARPENTER: Mr. Fetzler.

25 MR. FETZLER: I would like to thank the panel

1 for coming out this morning and for their testimony.
2 It's been very helpful, and I have a few questions but
3 you have answered about half of them so far, so that's
4 good.

5 I guess I would start with Mr. Wetherbee and
6 Mr. Venema. Just sort of a follow up on the use of
7 the equipment. You talked a lot about whether it can
8 be switched to produce other grades, like 2000 and
9 7000, and 5000.

10 Is there anything else that -- other goods
11 you can use that equipment for pretty readily? Any
12 other products, any other?

13 MR. WETHERBEE: And let me see if I
14 understand the question. You're talking about the
15 equipment such as the question about the heat treat
16 furnace?

17 MR. FETZER: So if you can't make, for some
18 reason let's say all of your demand for 6000 sheet
19 dries up, can you use that equipment for anything else
20 in the short run?

21 MR. WETHERBEE: I actually don't think so,
22 but --

23 MR. VENEMA: What we would have to do is
24 make the upgrades on the equipment, and then go
25 through product qualification in order to be able to

1 produce aerospace two or 7000 series material.

2 You have equipment that can make two and
3 7000, it can make 6000, but it's not true going the
4 other way. If your equipment is capable of making
5 6000 series alloys, it's not necessarily true that you
6 would be able to produce two and 7000 series products
7 because of the mil spec, the temperature requirements
8 are very different.

9 MR. FETZER: Have you recently had any
10 fluctuation in your raw material costs? I'm assuming
11 most of it's probably pure aluminum. Say since 2000,
12 has it been pretty steady or have there been
13 fluctuations?

14 MR. WETHERBEE: That's the base aluminum
15 that would be traded on the LME, is that the --

16 MR. FETZER: Well, whatever you use to make
17 the 6000.

18 MR. WETHERBEE: Yeah. Well, I think the
19 basis of our raw material is a fungible traded
20 contract on the London Metal Exchange which we refer
21 to P1020, which is a grade of aluminum that almost
22 every smelting process in the world can produce, and
23 it's actually a terminal end market, so it's a logical
24 break point because there are people who are
25 vertically integrated that you would see in the steel

1 mills, and then you will see which there are
2 fabricators alone that are not vertically integrated.

3 So in terms of pricing and how the prices
4 are determined, that's a good break point.

5 I would say that under the rules of supply
6 and demand that's what is really driving those prices.
7 So as the economy has picked up here in the last three
8 or four months, we have seen an increase in the P1020
9 price, but I think we could provide the data in our
10 post-conference brief. That would probably be the
11 best way to handle it, but it's been relatively flat
12 to stable for the period, I believe.

13 Would that be helpful to provide?

14 MR. FETZER: No, that would be very helpful.

15 MR. WETHERBEE: Okay.

16 MR. FETZER: Thanks. And I guess moving
17 onto demands, the general sense I'm getting from your
18 testimony too is that demand is generally down till
19 possibly early this year, and sort of rebounded going
20 with the economy. That would have been similar with
21 the trends with your pure aluminum.

22 MR. WETHERBEE: Well, I think the market
23 that we're talking about here with 6000 series
24 aluminum plate, it goes into so many different
25 applications across the economy. Leighton talked

1 about semiconductors, and we have talked about
2 automotive parts, and we've talked about plastic
3 injection molding, so it has a very broad segment.

4 There are other segments of the aluminum
5 industry like rigid container sheet which a lot of
6 people just call the stuff we make cans out of that is
7 a very stable demand, and people drink Coke, and I
8 guess, colas and beer on a fairly routine basis, and
9 the demand is relatively stable.

10 So I think it depends on the market segment.
11 Automotive for us during this period of time has been
12 relatively flat. Aerospace is in a decline, and the
13 general economy exacerbated by imports is showing that
14 too.

15 Does that answer your question?

16 MR. FETZER: Yes, that answers my question.
17 Thanks.

18 I guess, Mr. Cooper might best be able to
19 answer the next couple of questions on dealing with,
20 I guess, marketing and substitute products.

21 Are there any substitutes for 6000 sheet
22 such as tool steel, aluminum or steel in some of the
23 end uses? I know there are a lot of end uses out
24 there, so I'm wondering if there are, and to what
25 degree does this affect your pricing? Do you actually

1 track prices of let's say tool steel or other things
2 in determining what price you're going to sell to
3 distributors?

4 MR. COOPER: Yes, there is a number of
5 different competitive materials that are out there
6 that we compete against for tool, tooling plate
7 products in particular. P20 tool steel is one of
8 them, and we run into that on occasion because that's
9 what we are typically competing with from a
10 competitive standpoint.

11 But that price point and pricing that those
12 are being pointed out, we do not price against that.
13 It's a price against other aluminum products, not
14 against other competitive products.

15 MR. FETZER: Are there aluminum products
16 such as?

17 MR. COOPER: Other aluminum products that
18 are being imported.

19 MR. FETZER: Oh, okay, those are the same
20 grades, the 6000.

21 MR. COOPER: Right.

22 MR. FETZER: Okay, so you're just mainly
23 looking at what's the price of 6000, not other goods
24 that --

25 MR. COOPER: Right, right.

1 MR. FETZER: -- that possibly could be
2 substitutes.

3 MR. COOPER: Correct.

4 MR. FETZER: Okay. Have you had any
5 difficulty providing product to customers recently, or
6 have your lead times increased at all?

7 MR. WETHERBEE: Yeah, I think the
8 fundamental of our output is based on the productivity
9 of our workers. And as the economy has come down, and
10 as the changes required to meet the competitive forces
11 have increased, we have had a productivity issue in
12 our Davenport plant based on morale and the changes
13 that we have had.

14 And I can tell you that a lot of the changes
15 were made, we talk about schedules, we talk about work
16 hours, layoffs, those kind of things, and so the
17 morale issue did affect us for productivity for a
18 period of time. Since August our productive rates
19 have been at or above what we need to meet our
20 customer needs, so we believe that most of those
21 problem, if not behind us today, will be behind us in
22 the next 30 days, although we can always discuss and
23 it's helpful to do it on a case-by-case basis because
24 we have different situations with different customers
25 certainly.

1 MR. FETZER: I'm sure it varies. Is there
2 any particular time period when this occurs like 2002,
3 2001 also?

4 MR. WETHERBEE: You can look back in history
5 and see different periods of time where productivity
6 has not been what we have been looking to or
7 expecting. One of the challenges we have is looking
8 forward to think what's our productivity of our people
9 going to be 12 weeks from now, or eight weeks from
10 now, and that's really where we get into some of the
11 challenges that we have had.

12 And because of the significant number of
13 changes we have had to make to remain competitive, it
14 has been some continual morale impact that we have
15 been dealing through. At the end of the day it's the
16 art of leadership that we are trying to work through
17 and keep our people focused on what's right for the
18 customer and how responsive we have to be.

19 MR. FETZER: Okay. And do you have any
20 sense of how much your lead times have gone up as a
21 result of this?

22 MR. WETHERBEE: The lead times will move
23 around. I would say today our lead times, it depends
24 on the product, and it depends on what our
25 relationship with the customer is. If you just walk

1 in off the street today, I would say our lead time for
2 some products could be eight to 12 weeks.

3 And I can also tell you in the 6000 series
4 plate market we maintain depot stocks for immediate
5 shipment. So it depends on the market and it depends
6 on, you know, what the current demand is for that. So
7 if you would like to buy some 6000 today, I can ship
8 today compared to -- in aerospace products, part of
9 the reason for lead time is driven by raw materials.
10 When you get into some of the aerospace products you
11 end up having to buy some higher purity metal, and
12 that has a lead time of its own, so we actually have
13 to go back into a supply chain. So that's part of the
14 reason you will see lead time shift.

15 MR. FETZER: So for the past, you know, have
16 you always been able to ship immediately on the 6000,
17 or a year ago was it -- was there a longer lead time?

18 MR. WETHERBEE: One hundred percent of the
19 time we would not ship, you know, with 100 percent of
20 our depot items. We stock 225 depot items for our
21 customers, and at any given time, it's kind of like
22 going to the grocery store, there is no guarantee that
23 all the items are going to be there because it's spot
24 sales and people come in and take three of these and
25 five of those.

1 So I would say we have been able to meet the
2 majority of the demand over the period of time. There
3 has never been a time when we are unable to supply any
4 6000 series plate.

5 Is that your question? Do we get out of the
6 business or --

7 MR. FETZER: No, no, no, no. I'm just
8 wondering if, for example, there may have been some
9 difficulties with transactions in a particular period,
10 let's say in 2002, where you may not have been able to
11 deliver --

12 MR. WETHERBEE: Right.

13 MR. FETZER: -- in time. Maybe a customer,
14 you know, choose to, you know, switch sources as a
15 result of that.

16 MR. WETHERBEE: Yeah, okay. Well, in early
17 2002, we were shipping on time, relatively on time.
18 The industry standard is not the same as automotive,
19 but we were shipping much better in the center part of
20 the year. We had had to make some of the dramatic
21 changes in our manufacturing process around our cost
22 structure, and that's when we had some morale issues
23 in the mid-2002. We had some again in early 2003.

24 MR. FETZER: This was a result of the
25 imports you had --

1 MR. WETHERBEE: I would say the imports were
2 contributing, a significant contributing factor. I
3 think it's the double whammy effect that Mr.
4 Malashevich referred to.

5 MR. FETZER: And did you have to lay people
6 off?

7 MR. WETHERBEE: Yes, we have gone through
8 significant layoffs. When I arrived back in the
9 business, we could get the exact numbers for you, but
10 we're down, we laid off about 150 people permanently
11 due to work redesign, and a significant number of
12 those were in our plate mill.

13 MR. FETZER: Okay. Do you sell aluminum
14 plate just to anyone or any distributor, or do you
15 have any restrictions on who you sell to at all?

16 MR. WETHERBEE: Leighton, do you want to
17 make that comment?

18 MR. COOPER: Yes, we have specific customers
19 that we will sell 6061 plate to exclusively for them.
20 We do not offer it to all distributors that are in the
21 United States. So we have Alcoa-appointed
22 distributors that we sell 6100 plate to.

23 MR. FETZER: Okay. And do you have to meet
24 some kind of specifications? What are the usual
25 requirements for that?

1 MR. COOPER: Yes, there is requirements
2 around the volume that they will commit to, the
3 equipment that they need and need to have to saw the
4 material capabilities, and general way of doing
5 business into their markets, so it's around
6 capabilities and volume commitment that they will make
7 to us to be an Alcoa-appointed distributor.

8 MR. FETZER: I mean, is it sort of -- you
9 want somebody who is basically going to buy over time
10 and not just come and go? Is it more of a consistency
11 type of --

12 MR. COOPER: Yes, it's somebody who we know
13 is committed to the market, and who has the equipment
14 capable of servicing the end OEMs to the level that we
15 feel is necessary to support the market.

16 MR. FETZER: And could you give an example
17 of that?

18 MR. COOPER: Well, to take plate and to
19 provide some of the dimensional tolerance required to
20 service say some of the semiconductor manufacturers.
21 You have to have a certain level of capability on your
22 machinery to take that product and service it. So we
23 want to make sure that that distributor is capable of
24 servicing that customer, and then also has the
25 resources and capability to service it at the volume

1 levels we feel is necessary to be an Alcoa-appointed
2 distributor.

3 MR. FETZER: Okay. So you said it's a
4 commodity product, but the people know they are buying
5 Alcoa 6000 series when they get it, and you're afraid
6 maybe that -- you want make sure, you know, they get
7 it right; is that sort of what this is getting at?

8 MR. COOPER: You're talking about the final
9 OEM?

10 MR. FETZER: I'm sorry?

11 MR. COOPER: The final customer?

12 MR. FETZER: Yes.

13 MR. COOPER: Do they always know that they
14 are buying Alcoa plate?

15 MR. FETZER: Yes.

16 MR. COOPER: I cannot say that they always
17 do, no.

18 MR. FETZER: I'm just wondering what's the
19 motivation for making sure that the equipment,
20 equipment issue.

21 MR. WETHERBEE: I think your question is
22 around if what Leighton said was, hey, you've got
23 special machining, so we want to make sure --

24 MR. FETZER: Right.

25 MR. WETHERBEE: -- that you buy the plate as

1 a distributor, that the end customer actually gets
2 what they want.

3 I think you're talking specifically about
4 the semiconductor industry, which is a subset of the
5 6000 series plate market, and the issue there is by
6 the time that they end customer gets the product there
7 is a significant, significant investment in -- I'd
8 call it like post-processing.

9 I know that's their job. They wouldn't
10 probably appreciate if I called it that, but the
11 machining, the tolerances, and you really want to make
12 sure that if it has the Alcoa name on it, which it
13 would at that point, that that person doing the
14 machining or the further fabricating actually
15 understands what it takes to meet those tighter
16 tolerances.

17 Is that a fair assessment?

18 MR. COOPER: Yes.

19 MR. WETHERBEE: But that represents a
20 smaller percentage of the total overall market.

21 MR. FETZER: How often do you add new
22 customers or drop old ones? Is it a pretty consistent
23 list of distributors?

24 MR. COOPER: We review our appointed
25 distributors, I would say infrequently, every maybe --

1 I would say every year we take a look at that. Are
2 there changes? Occasionally, there are changes to
3 that, restricting some, adding some, so we do review
4 that on a periodic basis.

5 MR. WETHERBEE: And the review, I think your
6 question goes to even the extent of the credit
7 worthiness of the distributor, and, you know, are they
8 growing, shrinking, are they trying to be bigger in
9 aluminum versus copper or stainless? Or is it a
10 strategic product to them?

11 So there are a lot of different factors that
12 go into it. Lately they spend more, you know, credit
13 than anything else.

14 MR. FETZER: Right. I mean, do you care if
15 they are buying product from other sources at all?
16 Does that go into it?

17 MR. WETHERBEE: No, it's not an exclusive
18 relationship in any way.

19 MR. FETZER: Okay. Do your customers
20 typically buy from multiple sources, to your
21 knowledge?

22 MR. COOPER: Do our customers buy from
23 multiple sources?

24 MR. FETZER: Yes.

25 MR. COOPER: Yes, they do.

1 MR. FETZER: Yes.

2 MR. COOPER: Yes, they do.

3 MR. FETZER: Okay. And let's see, I think
4 that's about it.

5 One thing I would like in the post-
6 conference brief, the exhibits that were provided
7 here, if you could -- particularly on Exhibits 2
8 through 4 -- put some numbers to the index and the
9 percent. It's difficult to interpret what's actually
10 going on without numbers.

11 MR. MALASHEVICH: I understand. Obviously,
12 it was dictated only by the need to protect the
13 confidential information. But I just want to make
14 sure you understand that for purposes of the hearing
15 we used the estimates in the petition.

16 What I would like to do with your
17 concurrence is to use such actual data as we now have
18 from the questionnaire exercise rather than simply
19 reproduce what were estimates from the petition. Is
20 that --

21 MR. FETZER: You're free to state --

22 MR. MALASHEVICH: The same format, but the
23 actual data, if you will.

24 MR. FETZER: Okay.

25 MR. MALASHEVICH: And we have it.

1 MR. FETZER: And even if it's bracketed, you
2 know, as necessary.

3 MR. MALASHEVICH: Oh, of course.

4 MR. FETZER: Yes.

5 MR. MALASHEVICH: Of course, we will produce
6 confidential versions and public versions.

7 MR. FETZER: Okay. Thanks. That's all my
8 questions at this time. Thank you.

9 MR. CARPENTER: Mr. Yost.

10 MR. YOST: Good morning. First of all,
11 thank you very much for coming here today and
12 providing us with very valuable and useful testimony.
13 I would also like to thank you for answers to the e-
14 mail that I have sent out to the various people. I do
15 have some further questions to those, but they are
16 confidential so I will have to send them out after
17 this conference.

18 I had a couple of follow ups that I wanted
19 to ask about, and what's the effect of restructuring
20 on your operations? I mean, you mentioned McCook
21 going out of business, for example, and I assume that
22 you or other people have ended up with those assets.

23 MR. WETHERBEE: You're talking about the
24 restructuring of the --

25 MR. YOST: Of the aluminum industry.

1 MR. WETHERBEE: -- industry from a --

2 MR. YOST: With specific reference to the
3 6000 series.

4 MR. WETHERBEE: What's the effects of the
5 restructuring? I think that's a good question.

6 From your perspective, Leighton, and you
7 look at the -- what's the most significant piece? I
8 can speak to my piece.

9 Part of it is that I think McCook is a
10 reaction to the tightening margin issue, and what
11 usually happens, as margins tighten people try to
12 upscale their product mix, and what happened is, for
13 McCook, my belief is that they upscaled themselves
14 into a shrinking part of the market base, and as the
15 Hulett imports came in there wasn't enough market base
16 to support them.

17 Part of the dilemma with aluminum is
18 capacity comes in humongous increments. When I buy a
19 rolling mill, I have to produce somewhere in the
20 neighborhood of, you know, 200 to 300 million pounds,
21 and so I need a variety of different markets to be
22 accessing to be able to fill that up and make it an
23 economical decision.

24 So the biggest impact for us is the
25 combination of -- the biggest impact was the declining

1 market demand for our products in the U.S. market net
2 of imports, and then the extreme challenge to be more
3 and more cost competitive on a daily basis.

4 I don't know if that answers your question.

5 MR. MALASHEVICH: I simply wanted to -- Mr.
6 Wetherbee, please confirm that the McCook assets were
7 purchased by Pechiney; is that correct? And do you
8 know the status of them at the moment?

9 MR. WETHERBEE: Yeah. I'm sorry. The
10 Pechiney assets -- the assets were primarily -- the
11 big assets, rolling mills, stretchers were purchased
12 by Pechiney, and our understanding is they are still
13 stored in a box somewhere in the vicinity of Ravens
14 Wood, West Virginia.

15 We actually did buy two pieces of equipment.
16 They happened to be ultrasonic tanks, and small sob,
17 but you know they are readily available in the
18 marketplace.

19 What that your question? What happened to
20 the assets?

21 MR. YOST: Yes, thank you very much.

22 You just referred to big incremental
23 increases in capacity. Is this what you were
24 referring to when you discussed synergy between the
25 6000 and the other products that you produce at Raven

1 -- sorry, at Davenport?

2 MR. WETHERBEE: We'll forgive you for that.
3 But the answer is yes, that's what we're referring to
4 in the synergies. And I think it goes to Mr.
5 Cassise's question around similar processes and
6 production paths, and different equipment comes in
7 different capacity increments.

8 And so a rolling mill may be the biggest
9 chunk of capacity. A heat treater might be a 20
10 percent as it relates to that, so you need five heat
11 treat furnaces for one rolling mill. So how you
12 balance your mill and the capability is a critical
13 piece, but you're right, the core rolling capacity
14 comes in big chunks.

15 MR. YOST: Let me clarify one thing. Mr.
16 Fetzner asked a question about raw materials, and you
17 went on to discuss the PT1020. You are an integrated
18 mill in the sense that you smelt bauxite or alumina,
19 and make your primary aluminum.

20 Just for the record, are the raw materials
21 that you have put in the questionnaire response, are
22 they at cost or are they based on a transfer price
23 based on this P1020?

24 MR. WETHERBEE: I wouldn't characterize it
25 as a transfer price. I think it's the market price

1 for P1020, and I think it would be helpful if we gave
2 you some additional amplification on why that's an
3 appropriate price in our post-conference response.

4 And the reason for that is that the U.S.
5 aluminum industry that smelts -- you know, it all
6 begins with dirt. You dig it out of the ground, and
7 then you refine it from a bauxite, this reddish thing
8 that you find in places like Arkansas, and then you
9 make it into a white powder, which is alumina, through
10 a refining process which in the U.S. still happens at
11 a few places like Point Comfort, Texas.

12 And then we put it through an electrolytic
13 process and smelt it from the white powder to the
14 molten aluminum.

15 One of the challenges in the U.S. today is
16 increasing electrical prices. So a lot of the
17 refining and smelting capacity in the United States is
18 actually leaving the United States, and as an
19 integrated company when we have moved further
20 offshore, most of our arrangements deal in joint
21 ventures. You will find us with partners in almost
22 every region of the world.

23 So once you have partners, you're not as
24 vertically integrated as we once would have been in
25 the fifties and sixties. And so based on those joint

1 venture agreements, and there is a terminal market for
2 P1020, it's very important to judge your fabricating
3 assets on the ability to take raw materials from a
4 terminal market and fabricate it into an end product
5 because if we didn't fabricate it there would still be
6 an end product -- end market for that product.

7 But I think it would be helpful to give you
8 a little more explanation in the post-conference brief
9 if that's acceptable to you.

10 MR. YOST: That's fine. I would just note,
11 however, the questionnaire asked for transfers of raw
12 materials coming into a plant to be at cost, your
13 actual historical production costs --

14 MR. WETHERBEE: Okay, and the reason --

15 MR. YOST: -- rather than a transfer price.

16 MR. WETHERBEE: Yeah, and the reason that we
17 went with the transfer price is that we are not 100
18 percent integrated.

19 Okay, I shouldn't debate with you, but I
20 understand your request. I'm sorry.

21 MR. YOST: Okay.

22 MR. LEIBOWITZ: Yes, I just wanted to make
23 sure we don't get too deeply into proprietary
24 information here. We will certainly do it in the
25 post-conference brief.

1 I also wanted to just add one point of
2 clarification to make sure everybody is clear. Alcoa
3 is, as everybody knows, historically a vertically
4 integrated company from dirt to finished product, sold
5 into a lot of OEM applications, but the Davenport mill
6 that produces 6000 series plate is not vertically
7 integrated. It doesn't smelt aluminum. It receives
8 that from outside. I just wanted to clarify that
9 point.

10 MR. YOST: Okay. Final question. I think,
11 Mr. Leibowitz and Mr. Malashevich, you were making a
12 survivor bias argument; is that correct?

13 MR. MALASHEVICH: With respect to McCook,
14 yes.

15 MR. YOST: Okay. All right. Thank you very
16 much. That ends my questions.

17 MR. CARPENTER: Ms. Webster?

18 MS. WEBSTER: Well, I just have to say that
19 my colleagues have pretty covered everything, so I
20 have no further questions. Thank you.

21 MR. CARPENTER: Ms. Noreen?

22 MS. NOREEN: In 2000, on the pricing charts
23 that you had, you had rising prices and then they are
24 higher and then you've got them coming down as the
25 South African material is coming in. I guess my

1 question was what was so low? Why were they so low or
2 was that historically where they were earlier, at
3 these low prices in early 2000?

4 MR. WETHERBEE: I can answer that or,
5 Leighton, if you want to talk about it, we could go
6 there as well.

7 First of all, to answer the second part of
8 your question, were those prices the historical prices
9 and we just had an increase but now we've come off,
10 no, that's not the case. We've had prices over a
11 normal business cycle. A normal business cycle in
12 aluminum is about a ten-year cycle. You'll see the
13 demand for different products converging at different
14 times, but the prices in early 2000 represented not
15 the norm, but a lower period of pricing. But if we
16 extended that, and we could do that, we could extend
17 the price back, if that's the request, but, no, those
18 are the lower point compared to historical levels.

19 MS. NOREEN: Okay. I guess I would like you
20 to do that, if you don't mind, because when I look at
21 this, I know the story you want to tell is really from
22 2001 on.

23 MR. WETHERBEE: Right.

24 MS. NOREEN: You know, in terms of these
25 pictures where you have high prices and then, oh, my

1 gosh, the stuff's coming in from South Africa and it's
2 driving your prices down, but because of that first
3 period, I look at that I don't see it. I look at the
4 very first quarter that you've got and then I look
5 over here and I say, well, you know, it got a little
6 bit better, but it sure isn't very much.

7 MR. WETHERBEE: Okay.

8 MS. NOREEN: Russia, then. Now, we're going
9 to look at our questionnaire data, I don't know that
10 I have too much hope for getting good enough
11 questionnaire data to go with that, and if we don't,
12 we try to go with official statistics, if they're at
13 all reasonable. And we might be reasonable in terms
14 of the thickness, so we're talking plate versus
15 talking sheet, but maybe not reasonable at all in
16 terms of is this project 6000 versus 7000 versus 2000
17 versus 5000.

18 So from the petition, from this affidavit of
19 Robert Marino, he says "To the best of my knowledge,
20 all or nearly all of the imports from Russia consist
21 of 6000 series aluminum plate," but you folks today to
22 man, I think, said you don't see any Russian
23 competition with Alcoa aluminum plate in the 6000
24 series. Or did I misunderstand what you were saying?

25 MR. COOPER: No, that is correct. We do not

1 see much at all -- me, personally, I do not see much
2 Russian plate at our distributor accounts. Is it
3 being purchased at other distributors who we do not
4 service? That's a possibility, but at the appointed
5 distributors that we sell to, we see very little
6 Russian plate.

7 MS. NOREEN: Okay. Then I would just ask,
8 Mr. Leibowitz, if you could have maybe Mr. Marino
9 expand a little bit on this.

10 When I see "To the best of my knowledge, all
11 or nearly all the imports from Russia consist of 6000
12 series aluminum plate," that implies he knows -- he
13 has a good strong reason to believe that they really
14 are, so if you could just expand on that a little bit
15 more, considering that Russia is really the biggie in
16 the non-subject ones.

17 MR. LEIBOWITZ: Certainly, Ms. Noreen. We'd
18 be glad to expand on that point. I believe that the
19 testimony here about the Russian imports relates to
20 the unevenness of the quality. I think one of the
21 statements reflected that the quality is uneven,
22 you're not sure if it really competes. There are
23 distributors that are not customers of Alcoa 6000
24 series. They may be stocking it. There may be others
25 who stock it, but Alcoa doesn't notice their presence

1 so much because it hasn't affected Alcoa's own sales
2 to those distributors. So it's a complicated story,
3 we'll do the best we can to elaborate on it.

4 MS. NOREEN: No, I understand that. It's
5 not necessarily a discrepancy, but I just would --
6 since this may be the best information we have on
7 this, I'd just like a little bit more of an
8 elaboration from Mr. -- because he is your employee,
9 right?

10 MR. LEIBOWITZ: Yes, he is.

11 MS. NOREEN: Maybe there are other employees
12 who would have other information on this, but we would
13 like to have the best we can on this.

14 MR. LEIBOWITZ: Of course. That's
15 absolutely true. We'll get you whatever we can on
16 that point.

17 I also wanted to clarify that I believe it's
18 fair to infer from that testimony that the Russian
19 imports that we see are not in the aerospace grades.
20 The idea is that the Russian material tends to be of
21 low or perhaps uneven quality and therefore it's not
22 likely they'd make airplane wings out of it.

23 MS. NOREEN: But they could be having 5000
24 series or they could be having some other non-heat
25 treatable series, couldn't the?

1 MR. LEIBOWITZ: Yes.

2 MS. NOREEN: Aren't those all in the same
3 tariff classification?

4 MR. LEIBOWITZ: Yes, they are.

5 MS. NOREEN: Okay.

6 MR. WETHERBEE: Now you've hit on the
7 dilemma. The reason you look at the importing
8 strategy and almost every manufacturer today is
9 running as humanly possible with less inventory and
10 wanting as the economy comes back to jump on the
11 economic up tick and get material to make things from.

12 So what happens, and I'm sure you guys are
13 more familiar with it, you see it every day, is the
14 standardized products that can be stocked en route,
15 whether they're stocked in a warehouse on the East
16 Coast or stocked in a port in Russia somewhere, they
17 are standardized products and so therefore they can
18 position them closer to the marketplace.

19 So part of the dilemma is do we have reason
20 to believe that they're predominantly 6000, we do
21 because they're the most easily imported and when you
22 look at the demand for 5000 series plate and the types
23 of specifications and dimensions, you can't pre-stage
24 that kind of stuff because it's specific to the end
25 customer and what happens in aluminum is that you

1 don't want to produce a big plate and then cut a
2 smaller plate out of it because there's a huge amount
3 of value that's retained in the scrap and the
4 recycling of that scrap.

5 So a producer will want to get to the
6 nearest end customer need prior to shipping it because
7 the best place to handle the scrap is in their
8 facility where they can remelt it and reprocess it.

9 So the standardized dimensional products
10 that can be stocked en route from someone who is,
11 I would use the term, logistically challenged, the
12 ports in St. Petersburg were frozen over this winter,
13 that was widely reported, so they've had their
14 logistics challenges. So the standardized products
15 tend to be those things that flow more globally.
16 That's a true statement. That's why we believe there
17 are 6000, but we don't have access to the level of
18 detail. I don't think we're going to be able to
19 answer your question here, but we understand what
20 you're looking for.

21 MS. NOREEN: No, that does explain a lot, as
22 a matter of fact.

23 That makes me think of something else. You
24 said that the 61 -- what was it, 6061 or something, is
25 like 90 percent, right, of the 6000 series? Is that

1 just for your company or is that product consumption,
2 including all imports from all sources and what not?
3 Would you guess it be about 90 percent?

4 MR. WETHERBEE: And for clarification, we're
5 talking about 6000 series plate?

6 MS. NOREEN: Just 6000.

7 MR. WETHERBEE: In the U.S. market.

8 MS. NOREEN: In the U.S. market.

9 MR. WETHERBEE: We would say that it is --
10 that's for the industry, we believe.

11 MS. NOREEN: Okay. So it wouldn't be, for
12 example, that the Russian plate would be coming in,
13 but it would all be 6000 something else?

14 MR. WETHERBEE: No. Oh, no. I understand
15 your question. Part of the challenge here, and
16 Mr. Venema talked about that they want six or seven
17 different specifications on it because they don't know
18 where it's going to go, we as an aluminum company
19 would love to see differentiated products into this
20 industry, but they really like a standardized product
21 because it gives them the least amount of inventory to
22 serve the greatest number of customers with these
23 common specifications.

24 MS. NOREEN: Okay. I have only one more
25 question and this is really from when I was reading

1 the petition. Why are we in the United States 6061
2 and apparently the rest -- isn't it the rest of the
3 world that's this 6082 something? What's the deal?
4 Why are we so odd?

5 MR. WETHERBEE: There is an alloy that's
6 widely used elsewhere in the world, I believe, in
7 Europe certainly, I'm not sure about Asia, but in
8 other regions of the world of 6082. 6082 and 6061 are
9 quite similar. We are prepared to discuss the
10 similarities, but it's simply -- it's like the British
11 drive on the left side and we drive on the right side.
12 It's just they evolved slightly different recipes and,
13 again, the norm seems to be pretty much around the
14 world, that for 6000 series plate, there's a desire to
15 have sort of a uniform set of ordinary specifications
16 and it just evolved into these two slightly different
17 specifications around the world.

18 MR. WETHERBEE: It would be helpful to
19 elaborate. I think the Aluminum Association in the
20 United States handles the registration of alloys
21 because what you don't want is to have alloys where
22 I call it 6061 and somebody else calls it 6062 so
23 there's a standards body that says, hey, these are the
24 predominant alloys and the customers that are involved
25 and the Aluminum Association, an independent trade

1 body, is responsible for doing that.

2 In Europe, they have the European Aluminum
3 Association, it has basically the same accountability
4 and until recently most of the production or a huge
5 percentage of the production was in those two regions,
6 so they started to talk through what are the alloys,
7 but let me give you a perspective of what we're
8 talking about. There's more difference between white
9 bread and wheat bread than there is between 6061 and
10 6082. If you had a 10,000-pound batch of aluminum,
11 which is kind of about the size of this table, this
12 table sequence, about eight inches thick, and we said,
13 well, let's change this from 6061 to 60812, what would
14 we have to do?

15 We'd have to add about 20 pounds of silicon
16 and about 20 pounds of manganese to get relatively
17 close, so although they have different designations,
18 they have the same product performance at the end use
19 and they have generally the same composition and over
20 time the Europeans went with standardization of 6082
21 and the Americans went with 6061 and because the
22 distributors are the primary source of supply, they
23 like to have a standardized stock, and we have tried
24 to differentiate the alloys over time, but it's really
25 not something that the industry requires. So I don't

1 know if that answers your question.

2 MS. NOREEN: Thank you very much.

3 I have no more questions.

4 MR. CARPENTER: I just have a few follow-up
5 questions.

6 Once again getting back to the like product
7 to start with, you spent a good bit of time
8 contrasting the 2000 and 7000 series to the 6000 and
9 to some extent the 5000. Are there any other series
10 that you produce in Davenport?

11 MR. WETHERBEE: Yes. You'd find us
12 producing -- there aren't too many other series in
13 aluminum. There's the 1000 series, which tend to be
14 applications that go into lithographic printing plates
15 and then we also have what we call 3000 series alloys,
16 which tend to go into the general sheet products. But
17 in plate, I can't think of any other alloys in the
18 plate side, those are all on the sheet side, because
19 1000 and 3000 from an alloy perspective, and I'm not a
20 metallurgist, but thee guys are, you're not alloying
21 for strength, you're actually alloying to a high
22 degree for softness and formability and that kind of
23 thing.

24 But to answer your question specifically,
25 1000 and 3000 on the sheet side in Davenport is what

1 we would have.

2 MR. CARPENTER: In the plate thicknesses,
3 which of the series do you think is closest in terms
4 of physical characteristics and uses to the 6000
5 series?

6 MR. WETHERBEE: Let me see if I understand
7 the question. You're saying when I think about 6000
8 versus 2 and 7 versus 5000?

9 MR. CARPENTER: Right.

10 MR. WETHERBEE: Which series is closest in
11 terms of physical --

12 MR. CARPENTER: In terms of physical
13 properties, end uses.

14 MR. WETHERBEE: End uses. I'll defer to
15 those guys.

16 MR. COOPER: I guess some of the attributes
17 of 5000 may be similar to 6000 and others will be
18 completely different and likewise some of the
19 attributes of 2 and 7 could be similar to 6000 and
20 others will be completely different, so that's not an
21 easy question to answer in terms of which one --
22 I cannot say that 5000 is closer to 6 versus 2 and 7.
23 It's a combination of the end use application
24 strength, corrosion, weldability, machinability, so
25 that's not a yes or no answer.

1 MR. WETHERBEE: It's a combination of two
2 things and we're happy to provide any additional
3 details. It's a combination of what's the end use and
4 what problem are you trying to solve and then what is
5 the most economic way to do that. If you don't
6 include the economic equation, which is the practical
7 thing all of our customers do, you can get the
8 theoretical answer, but, as Mr. Shor encouraged us to
9 do, to deal with the reality of the marketplace. So
10 it is a combination of capability as well as price.
11 Does that answer your question or get close?

12 MR. CARPENTER: Do you have price lists for
13 these various series, the 6000 as well as the other
14 series?

15 MR. WETHERBEE: Do we have price lists that
16 are effective in the market that people use everyday?
17 The answer is no. Do we have a price schedule that
18 has evolved that really shows reference pricing that
19 may have been relevant some time ago and that shows
20 our capabilities? They're used predominantly today to
21 show capability of range and tolerances, but they're
22 not in any stretch of the imagination an effective
23 price schedule that you'd see in other marketplaces.

24 MR. CARPENTER: Okay. Thank you.

25 I just wanted to get back again also to the

1 plate versus sheet issue. First of all, are there
2 nominal thicknesses? And you said the distinction is
3 one-quarter-inch in thickness; are there nominal
4 thicknesses above and below that that tend to be
5 purchased in significant quantities or is this more of
6 a customer preference?

7 MR. WETHERBEE: And your question is as to
8 the 6000 series whether it's sheet or plate?

9 MR. CARPENTER: Yes.

10 MR. WETHERBEE: And the question is are
11 there nominal dimensions that are typical that
12 customers would stock in their distribution chain?

13 MR. CARPENTER: Well, that you would produce
14 or is this more of a customized product where a
15 customer says we want a thickness of exactly this
16 dimension?

17 MR. WETHERBEE: Leighton, do you want to
18 talk about that? I can certainly answer that
19 question, too. I think the answer is yes, there are
20 dimensions that people stock. They tend to be in the
21 coil form. One of the key issues as we talked about,
22 people who stock things versus distributors who become
23 service centers is what kind of further processing
24 equipment do they have and in the 6000 series sheet, a
25 significant part of our business is in the coil form,

1 so we sell a great big coil, it might be 60, 70 inches
2 in outer diameter and then they take it to their line
3 and basically unwind it and cut it up. And so the
4 predominant issue there is gauge.

5 The other thing is that they do a lot of
6 post-processing and they like to have a standard
7 stock, so I guess the answer to your question is, yes,
8 there are some standard gauges, but each distributor
9 based on the equipment that they have, unlike plate,
10 which is just a plate, you'll see a lot more people
11 stocking plate than you would sheet. Is that fair?

12 Do you have anything you want to add to
13 that?

14 Does that answer your question?

15 MR. CARPENTER: Partly, but I'm trying to
16 look for the bright line distinction in terms of
17 thicknesses between sheet and plate and I'm just
18 wondering is it in fact a continuum, as the
19 respondents say, or is there a significant gap between
20 the largest sheet product and the smallest plate
21 product?

22 MR. WETHERBEE: I think the process that we
23 make them on is significantly different, the plate
24 process being everything that gets handled in the flat
25 sheet form, and in the below 250 gauge, almost

1 everything is handled inside our plant in coil form if
2 form is possible, so there is a process, an equipment
3 differential on that.

4 The other thing is the tempers are different
5 in terms of -- it's a technicality, but the T651
6 versus the T6 and we also sell a lot of 6061 that is
7 heat treatable, which means somebody would buy it from
8 us, bend it into whatever shape and then they
9 subsequently heat treat it so locks in the properties.
10 So I think, again, it goes a little bit to the end use
11 conversation. We don't sell any 6061, we call it 0
12 temper, it's like blood designations of 0 temper being
13 the universal donor. We don't sell -- I would bet, 99
14 percent of the 6061 plate we sell is a heat treated
15 finished product. When you move to sheet, you see a
16 lot more heat treatable, which means we put it in a
17 condition that after forming could be subsequently
18 heat treated.

19 Is that a fair statement?

20 MR. VENEMA: Yes, that's exactly right. You
21 won't find sheet ordered as 6061 T651 because the
22 processing is very different, so that distinction
23 would be .249 and less.

24 MR. LEIBOWITZ: That said, I understand your
25 question to be what's the largest sheet thickness and

1 what's the smallest plate thickness and is there a gap
2 between them. We'll find out and get you the
3 information post-conference.

4 MR. WETHERBEE: I would say there is, but
5 we'll get you the data to prove it.

6 MR. CARPENTER: And partly I'm going back to
7 your analogy, Mr. Leibowitz, to steel which I'm a
8 little bit more familiar with. My impression in the
9 steel industry comparing sheet versus plate is that
10 the differences are more in terms of the uses where as
11 the thickness in a sense drives the use, whereas from
12 a production standpoint if you're rolling sheet or
13 you're rolling plate you can roll it on the same
14 equipment. I'm trying to find out if that's similar
15 here for aluminum or if it's different.

16 Can you actually roll the two on the same
17 equipment by making just minor adjustments?

18 MR. WETHERBEE: I would say that's actually
19 more difficult. There's a significant amount of
20 material, I'll use my English metrics of like 050
21 gauge, 063 gauge, 080 gauge. Those are very
22 significant, maybe up to like an eighth-inch, 125
23 gauge. A lot of volume in there. And in the
24 industrial plate area, it's 250 gauge and up, so there
25 is kind of a dead spot. And from a production

1 processing standpoint, on plate, we go from our hot
2 mill, you hot roll it back and forth on a reversing
3 mill to a heat treat furnace a lot of times. In the
4 sheet side, we take it across a continuous hot mill
5 where we turn it into a coil and the coiling operation
6 is actually limited based on the horsepower of the
7 motors and the gauge that you can actually coil up, so
8 it forces you to a different production path based on
9 the gauge.

10 We will coil right at that 250 gauge,
11 depending on the alloy and the hardness, but that's
12 pretty much the limit, so it drives a different
13 process but then you subsequently cold roll through a
14 standalone cold rolling mill, very similar to what you
15 have in steel. Our hot line is actually -- I think
16 it's well known in the trade, CRU seems to have a
17 pretty good handle on what mills we have as we report
18 it, but we actually have four mills -- when we talk
19 about a hot line, it's four individual pieces of
20 equipment running in tandem, so we go from 20 inches
21 to one inch, one inch to half inch, so each mill does
22 a different purpose, but once it becomes a sheet
23 product, they go through a specific mill and through a
24 specific different post processing. I don't know if
25 that helps or not.

1 MR. CARPENTER: Yes. Definitely.

2 Also, just one final question on that area.
3 Roughly, what percentage of your sheet product is sold
4 in coil form versus plate product? If you need to
5 look that up --

6 MR. WETHERBEE: I will look it up, but it's
7 generally -- it depends on the customer's preference
8 and what equipment they have, but we'd be better off
9 providing that information to you.

10 MR. CARPENTER: That would be great. Thank
11 you.

12 MR. WETHERBEE: I hate to be my lawyer here,
13 but is that for the entire period of investigation?

14 MR. CARPENTER: Just for a representative
15 period, say, the most recent year, for example.

16 MR. WETHERBEE: He's not going to pay me to
17 be my own lawyer either, but --

18 MR. CARPENTER: In terms of substitute
19 products, Mr. Fetzer asked some questions about that
20 and, Mr. Cooper, you indicated that you do not price
21 against non-aluminum substitutes, but yet I more or
22 less got the impression that there are non-aluminum
23 substitutes out there and I'm trying to understand why
24 you would not consider the prices of these other
25 substitute products in terms of pricing your own

1 product.

2 MR. COOPER: It was specific the 6061
3 because we're selling 95 percent of our product to a
4 distributor, we really don't know what the prices are
5 on some of those other competitive materials. I mean,
6 in terms of some of the public data, it's out there,
7 but all the markets and so forth that you see at the
8 end customer we really don't have clear knowledge of
9 that. So we're selling our product to a distributor,
10 who is using 6061 and other people's 6061, so when it
11 really gets down to the pricing standpoint it's a
12 competitive situation of 6061 at that distributor and
13 not to the final end customer because we don't have
14 complete knowledge of what those prices are, but there
15 are competitive materials out there, but because of
16 the distribution relationship, we don't fully
17 understand or know what those final prices are.

18 MR. CARPENTER: I see. Thank you.

19 Also, is stainless steel a competitive
20 product to the 6000 series aluminum?

21 MR. COOPER: There would be some injection
22 molded applications that do use a fair amount of
23 stainless steel that aluminum could not compete in
24 because of the lower strength requirements.

25 MR. WETHERBEE: I think to your question

1 that Layton was trying to answer about how you price
2 against aluminum versus tooled steel is a good
3 example. Unfortunately, I spent part of my Alcoa
4 career in the plastic injection molding business and
5 we had to make those decisions about aluminum molds
6 versus steel molds and it all comes down to the end
7 use and the estimated life, the number of parts you're
8 going to make. So if you believe you're going to
9 produce an automotive platform that might be good for
10 a year and you need to hurry up and get it done,
11 you'll probably use an aluminum mold because it's
12 highly machinable, readily available, but you can't
13 make ten years' worth of parts on it, so it has a
14 shorter life span. So that's cost number one.

15 But if you're making a part for the --
16 I won't refer to my customers parts, but a midsize car
17 that is high volume production, they're going to make
18 that car for ten years, you might invest in tooled
19 steel because you want it to last for a lot longer, so
20 there are economic reasons at the end user application
21 that would drive aluminum versus steel, regardless of
22 the price that we would be willing or able to charge.
23 It's an economic decision based on life of the mold,
24 not the cost of the raw material, so that's part of
25 the dilemma that faces Layton as I drive him hard to

1 increase applications in this area.

2 MR. CARPENTER: Is there a general hierarchy
3 in prices among these different products? For
4 example, does tooled steel tend to be more expensive
5 than aluminum?

6 MR. WETHERBEE: I'm not that familiar with
7 steel pricing. And anything we would say would have
8 more subjectivity to it than fact, I think.

9 MR. COOPER: From a per pound basis, it
10 would be through the product life cycle. There's
11 applications where aluminum will be more competitive,
12 but again it gets back to the specific end
13 application.

14 Thank you very much. And I think that's all
15 the questions I had. Just one housekeeping point. Mr.
16 Miller showed us for your charts you provided we'll
17 make an exhibit to the transcript.

18 MR. MILLER: Please do, yes.

19 MR. CARPENTER: Any other staff questions.
20 Ms. Noreen?

21 MS. NOREEN: I'm sorry. I just have one
22 follow-up question. You're not excluded from the scope
23 of your investigation is Extruded Aluminum Products
24 and Tread Plate. Can you explain to me a little about
25 what is this Extruded Aluminum product and what is

1 that tread plate?

2 MR. WETHERBEE: Yep, we can do that. Lynn,
3 you want to talk about the extruded product? Or? You
4 want me to --

5 MR. KAMARCK: I'm not --

6 MR. WETHERBEE: You've done some research
7 there as well. Why don't you go first?

8 MR. LEIBOWITZ: Well, I don't think anybody
9 here is involved with extruded product day to day, is
10 that right?

11 MR. WETHERBEE: Yes, that's right. We do
12 not market the extruded product ourselves. Extruded
13 product tends to be something that you'll find and I
14 won't get this exactly right, but it's orders of
15 magnitude, in the range of 12 to 18 inches wide. It
16 resembles more of a bar and a bar stock than it does a
17 plate. The products we're talking about here tend to
18 be 48 inches wide, 60 inches wide, 72 inches wide. So
19 the biggest single differentiator is the width of the
20 product and that's probably true on the extrusion
21 side.

22 Does anybody want to add --

23 Does that answer your question on the
24 extruded side?

25 MS. NOREEN: And Alcoa doesn't even make it,

1 right?

2 MR. WETHERBEE: On the extruded side, we
3 have a facility, I think, in the United States that
4 does make some.

5 MR. LEIBOWITZ: There's one in Pennsylvania
6 that does make extruded product, but it's made by a
7 completely different process and the widths are very,
8 very narrow compared to the 6000 series plate.

9 MS. NOREEN: Okay.

10 MR. WETHERBEE: And we market it as a bar
11 product, I think. A different group of marketeers.

12 MR. LEIBOWITZ: We can get you additional
13 information on it. There is some extruded material
14 that is made with the 6000 series alloy, but it's a
15 different product. That's why we excluded it from the
16 scope, it doesn't really cross-compete.

17 MS. NOREEN: In other words, you just really
18 consider that to be a bar product.

19 MR. WETHERBEE: It's made through totally
20 different dimensions and a radically different
21 process. It's like when you used to put Play-Doh in
22 the thing and, you know, you'd pull out the form, so
23 it's not a rolled product, it's an extruded product.

24 MR. LEIBOWITZ: I can't wait to read the
25 transcript.

1 MR. WETHERBEE: I'm sorry. I apologize.
2 Did I answer your question about -- the other question
3 you asked is about tread.

4 MS. NOREEN: I think you had a picture some
5 place on the tread plate. It looked like it was
6 thinner than the quarter inch. Is that correct, that
7 it is less than the quarter inch? Or is there some
8 that's over the quarter inch?

9 MR. WETHERBEE: Yes. The challenge with
10 tread plate is it's usually a cold rolled product and
11 what you get is you actually take a roll from our hot
12 mill or cold mill, mostly our cold mill, I think, on
13 the products we're talking about here, and you
14 actually cut that diamond pattern into the roll and
15 then you roll it on specialized equipment. So it's
16 actually part of the rolling process that puts those
17 buttons on it.

18 Usually, what you'll see -- and are you
19 talking specifically about 6000 series tread? It's a
20 very small market segment for us and it's used a lot
21 in chemical industries where you need a 6000 series
22 alloy specifically for corrosion resistance and it's
23 all slip protection. You'll see some different alloys
24 depending on what kind of environment that it's in,
25 but 6000 I would think for the most part we would see

1 in that kind of environment. It's not a big market
2 and it is a very unique niche product.

3 MS. NOREEN: But you do produce it?

4 MR. WETHERBEE: We are capable to produce
5 it, yes.

6 MS. NOREEN: Capable, but do you produce it?

7 MR. WETHERBEE: 6000 series tread? Some.

8 MS. NOREEN: Some?

9 MR. WETHERBEE: I would say 3 to 5 percent,
10 probably, at the most.

11 MS. NOREEN: And so this rolling step that
12 you do is you take it off of your regular hot area
13 where you're making the 6000 series, lay it over some
14 place and then subsequently cold roll it on another
15 machine, so if you do produce any of that you would be
16 considering it to be 6000 series plate that you then
17 company transfer to produce a non-subject product? Am
18 I right?

19 MR. WETHERBEE: I think we've confused you
20 on that, probably because 6000 tread is not a
21 significant piece of our business. We should probably
22 provide a little more explanation in our
23 post-conference brief to give you a sense of how big
24 it is and what we do with it. It is gauge dependent,
25 we do produce it, it tends to be heavier gauges, not

1 lighter gauges. so we'd probably do you justice to do
2 that after the conference.

3 MS. NOREEN: Okay. Great. Thank you.

4 MR. LEIBOWITZ: Just to be clear, though, it
5 is definitely excluded from the scope.

6 MS. NOREEN: Oh, yes. I understand as far
7 as the scope is concerned.

8 MR. LEIBOWITZ: In part, because of all the
9 questions you're asking, it's --

10 MS. NOREEN: No, no, no. I understand
11 it's --

12 MR. LEIBOWITZ: It's a separate issue.

13 MS. NOREEN: Yes.

14 MR. WETHERBEE: And it wouldn't have any of
15 the common same end uses. That's why we excluded it.
16 It's a product that you can pretty much cut up into
17 the size that you want, in a stairway, in a pathway,
18 in a building, to provide skid resistance and so it's
19 a radically different end use.

20 MS. NOREEN: No, I understand that.

21 MR. WETHERBEE: Okay.

22 MS. NOREEN: My only concern was that if it
23 otherwise would be subject product, up until the point
24 where you were cold rolling this to get the tread
25 pattern in it, then it's subject product that you're

1 inter company transferring or internally consuming to
2 produce a non-subject imports.

3 MR. WETHERBEE: Okay.

4 MS. NOREEN: I would have thought.

5 MR. WETHERBEE: Okay. I understand,
6 I think, better your question. We can provide a
7 better -- it doesn't inter company transfer. It's
8 part of a continuous process and we'd only make it
9 specifically with a specific customer order. It's
10 just not a huge percentage which is probably, again,
11 why we left it out, but we can provide some backup
12 information for that.

13 MS. NOREEN: Thank you very much.

14 No further questions.

15 MR. CARPENTER: Mr. Cassise?

16 MR. CASSISE: One more. And this is just a
17 general question and I preface this by saying I know
18 Pechiney is not here, but, Mr. Wetherbee, I wanted to
19 give you the opportunity to comment on whether or not
20 the Alcan-Pechiney merger changes the character of the
21 U.S. aluminum plate market in any way?

22 MR. WETHERBEE: I haven't studied it
23 immensely, but I don't believe so. I only know what
24 I read in the public domain and everything we
25 understand and what they've told customers, they

1 believe that and they will continue to operate. So I
2 guess I don't. Did that answer your question?

3 MR. CASSISE: Well, someone had mentioned
4 something about the Pechiney plate mill being on the
5 auction block.

6 MR. WETHERBEE: Perhaps I can broad -- on
7 that. Recently, there a merger approved by the U.S.
8 and the European Commission, an acquisition by Alkane
9 of Pechiney. Pechiney is headquartered in France,
10 they have some plants in the United States, one of
11 which is in West Virginia. The Justice Department in
12 the United States has required that the plant in
13 Ravenswood, West Virginia be divested by the merged
14 entity, the Alcan-Pechiney merged entity for reasons
15 having nothing to do with 6000 series plate, although
16 6000 series plate happens to be made there. I think
17 it's a product called razor sheet that was the focus
18 of the Justice Department's concern. And we don't
19 know at this point, I think the offer period is in
20 place right now, it may be one reason why Peshine is
21 not here. I think it expires the end of November or
22 close to the end of November and what happens to that
23 plant depends on whether the merger goes through, if
24 it does, what the conditions of sale would be and so
25 forth. It's really highly speculative to say what

1 might happen.

2 I think at the moment, the only thing we
3 know is that the Justice Department has required that
4 that particular plant be sold, that the reasons
5 they've required it had nothing to do with 6000 series
6 plate production at that plant, and it's still there
7 and it's still making plate. So at the moment, the
8 circumstances haven't changed.

9 MR. CASSISE: Okay. That's very helpful.
10 And only one last thing would be is in the
11 post-conference brief, I think that the commission
12 would find it relevant if Alcoa initiated negotiations
13 to buy those Pechiney assets, so that's all I have.

14 Thank you very much.

15 MR. WETHERBEE: We'll get back to you on
16 that.

17 MR. CARPENTER: Well, thank you very much
18 for your detailed responses to our questions.

19 We'll take a brief recess of about ten
20 minutes until about 12:10 and then we'll ask
21 respondents to come forward and present their
22 testimony.

23 Thank you.

24 MR. LEIBOWITZ: Thank you very much,
25 Mr. Carpenter and staff.

1 (Whereupon, a recess was taken from 12:04
2 p.m. until 12:13 p.m.)

3 MR. CARPENTER: Mr. Shor, please proceed
4 whenever you're ready.

5 MR. SHOR: Good afternoon and thank you,
6 Mr. Carpenter.

7 Again, my name is Michael Shor from the law
8 firm of Arnold & Porter. I'm appearing today on
9 behalf of respondents. With me is Frank Bradford of
10 Hulett Aluminium; Nathan Kahn, President and CEO of
11 Empire Resources; and Seth Kaplan of Charles River
12 Associates. We will provide testimony in that order
13 and I will conclude with some concluding remarks.

14 Frank?

15 MR. BRADFORD: Good afternoon, ladies and
16 gentlemen. I'm the Executive Director of Sheet and
17 Plate Products at Hulett Aluminium. I'm responsible
18 for both the manufacture and marketing of sheet and
19 plate product produced by Hulett at it's one and only
20 manufacturing plant located in South Africa.

21 I have 11 years experience in the aluminium
22 industry in South Africa. I'm an engineer by training
23 and I also have an MBA.

24 I'm here to present Hulett's perspective on
25 the Alcoa antidumping petition and my remarks this

1 morning will focus on three issues. First, I'll
2 discuss Hulett's place in the global aluminium
3 business in relation to Alcoa specifically and the
4 U.S. industry in general. Secondly, I'll address the
5 like product issue and, third, I'll address the threat
6 issue, most notably Hulett's intention to reduce its
7 exports to the United States and its inability to
8 increase exports to the United States.

9 Firstly, I'd like to talk about Alcoa, the
10 global giant of aluminium. It's a vertically
11 integrated company across every stage in the aluminium
12 production process from the mining of bauxite to
13 aluminum production, primary metal production, flat
14 rolled products, extruded products, extruded foils and
15 forgings with plants on all inhabited continents
16 except Africa. We've got but one rolling mill located
17 in South Africa.

18 As indicated in my Exhibit No. 1, Alcoa's
19 annual turnover in 2002 was over \$20 billion, ours was
20 0.29 billion. Alcoa shipped 5.2 million metric tons
21 of aluminium product, we shipped 119,00 tons. Alcoa
22 has 127,000 employees, we've got 1900.

23 Why, then, have they filed this dumping
24 petition against us with a commercially unreasonable
25 like product definition relating to such a small

1 sector of the rolled products industry?

2 Certainly not because they're injured by
3 imports of 6000 series plate. Simply put, Alcoa seeks
4 to further increase its global dominance and eliminate
5 or reduce competition.

6 The aluminium rolled products industry in
7 the global context is dominated by three giants,
8 namely, Alcoa, Alcan who has now acquired Pechiney or
9 about to, and Norskeedra, who recently acquired BOW,
10 another major producer. And they're striving through
11 their dominance to make it very difficult for small
12 competitors and even customers to operate.

13 These global giants use various strategies
14 to weaken small competitors and this antidumping
15 petition should be seen in that context. Alcoa is not
16 using the law for its intended purpose as a shield
17 against injury to a properly defined domestic
18 industry.

19 Additionally, industry must be assessed in
20 the context of Alcoa's global operations, Alcoa's
21 rolling mills not only in the U.S. but in Asia,
22 Australia, Europe and South America. We know from our
23 customers in Asia that Alcoa is pricing 6061 plate
24 from its Italian plant into Asia at \$1.22 per pound.
25 This price is substantially less than Alcoa's price

1 for exactly the same price in the U.S. market and
2 suggests that Alcoa might have production advantages
3 elsewhere.

4 We believe one cannot look at 6000 series
5 plate in isolation and that the appropriate like
6 product is indeed the full spectrum of sheet and plate
7 product. Nevertheless, to illustrate how ludicrous
8 the Alcoa attempt is to define the industry as 6000
9 series plate, we will make reference to that product
10 group in some of our presentations.

11 Hulett's imports into the United States of
12 6000 series plate are insignificant against the
13 shipments of the U.S. aluminium sheet and plate
14 industry, around 0.2 percent, according to Aluminium
15 Association published statistics. Our imports cannot
16 be the cause of injury to United States domestic
17 producers if injury exists at all as Nathan and Seth
18 Kaplan will explain in detail.

19 It's important that the commission
20 understand that our 6000 series products compete in a
21 very small niche of the United States sheet and plate
22 market. We sell only 6061 alloy and only in gauges
23 from three-sixteenths of an inch to two inches.
24 Domestic producers sell at gauges from 0.025 inches to
25 six inches and thicker.

1 We note that the petition does not target
2 imports from Russia, China or Rumania, yet those
3 imports are priced at levels between 7 up to 20
4 percent below United States domestic producer prices
5 in this marketplace and well below our prices. As
6 indicated by CRU pricing data, the highest priced
7 imports which are generally ours are not the cause of
8 declining domestic prices and Seth will focus on that.

9 But why focus only on South Africa?

10 On September 23, the Associated Press
11 reported that Alcoa was negotiating the purchase of a
12 stake in a Russian producer of flat rolled product.
13 It is also well published that Alcoa has a growing
14 equity investment in China. It is clear that they
15 intend to deal with competitive threats from these
16 regions in a different way.

17 Yesterday, the Wall Street Journal reported
18 that Pechiney had signed an agreement with an
19 aluminium producer in China for a \$280 million joint
20 venture to produce sheet and plate. This is further
21 evidence of the fact that we're dealing here with a
22 global issue of a few dominant players doing
23 everything possible to extend their dominance of the
24 industry. Let me illustrate this point.

25 In the steel industry, which you are more

1 familiar with than I am, the biggest steel company in
2 the world, we understand, has a global market share of
3 less than 5 percent, maybe as little as 1.5 percent.
4 In the aluminium industry by comparison, the big three
5 giants I referred to have a combined market share of
6 an estimated 60 to 70 percent of the global demand for
7 sheet and plate product.

8 In my view, with what my lawyers tell me,
9 you call the like product issue, we do not see any
10 basis for the petitioner's opportunistic attempt to
11 limit your investigation only to 6000 series plate.
12 There exists a U.S. sheet and plate industry but there
13 is no U.S. company producing only 6000 series plate
14 and there is no 6000 series plate industry. Indeed,
15 there is no such thing as a 6000 series aluminium
16 plate plant. The Aluminium Association differentiates
17 aluminium plants as a primary aluminium ingot plants,
18 recycled ingot plants, sheet and plate plants, rolling
19 stock plants, et cetera. The like product properly
20 should be all aluminium rolled product.

21 Let me first explain the production
22 facilities for the process of aluminium sheet and
23 plate. In our view, aluminium sheet and plate
24 products comprise a spectrum of products along a
25 continuum and individual products are not

1 distinguished by a definitive line or bright lines, as
2 you referred to them.

3 Different alloys, i.e., different series,
4 have overlapping physical properties. They are
5 essentially produced in the same production
6 facilities, distributed through overlapping channels
7 of distribution with overlapping applications in the
8 market. Supply and demand for one product fixes the
9 supply and demand for others.

10 Let me explain in more detail. 6000 series
11 plate along with other sheet and plate products except
12 for cast plate are produced in an aluminium rolling
13 mill. The process is as follows. First, we must
14 produce the rolling ingot. In a remelt facility, one
15 melts pure aluminium, aluminium scrap and various
16 alloying elements to achieve the desired metal
17 composition. Four-digit Aluminium Association
18 nomenclature reflects the different alloys. Different
19 series of aluminium products reflect different
20 alloying elements. For example, 2000 series are the
21 copper alloys, as we've heard; the 5000 series are
22 magnesium alloys; while the 6000 series are silicon
23 and magnesium.

24 The production of the different alloys
25 occurs in the same remelt facility using the same

1 equipment and the same employees.

2 Thereafter, the rolling ingot is prepared
3 for hot rolling. The ingot is sawn, the surface is
4 machined and the slab is pre-heated. The rolling
5 ingot is then passed through a series of rollers to
6 achieve the final desired gauge. At this stage,
7 virtually all material costs and the majority of the
8 processing costs have been incurred.

9 After hot rolling, the material is
10 transferred either for cold rolling and finishing into
11 thinner gauge sheet or directly for finishing into
12 plate and thicker gauge sheet, which does not require
13 cold rolling.

14 Importantly, the Aluminium Association
15 distinguishes between sheet and plate solely on gauge.
16 Plate is a thickness of a quarter inch and more and
17 sheet is less than quarter inch down to 0.006 inches.
18 This precise cutoff may have had some historical
19 significance, but now is an arbitrary distinction.

20 Higher gauge sheet can be and is produced
21 using the same process as plate and not necessarily by
22 cold roll presses. Nathan is going to give you the
23 detail on that.

24 On the plate line, the material is first cut
25 to length, a certain alloy such as 2, 6 and 7, then

1 pass through the solution heat furnace, which
2 strengthens the alloy. Other alloys do not require
3 this step because they are strengthened by cold
4 working.

5 In terms of cost and time, heat treatment is
6 a minor step in the production process relative to the
7 other steps I've described.

8 The next step in the process for all plate
9 and thicker gauge sheet product is stretching. This
10 flattens and further strengthens the metal and removes
11 residual traces. Some products are then edged and
12 cooled before the final steps of plate marking and
13 packing.

14 The point of this description is that there
15 is no unique production process for 6000 series plate.
16 6000 series sheet generally at and over
17 three-sixteenths of an inch, which we also sell into
18 the United States, is produced exactly the same way.
19 The 2000 and 7000 series plate and thicker gauge sheet
20 will be produced on the same equipment. Note that the
21 petitioner fudges this issue by suggesting that
22 different technical capability and not equipment or
23 workers is required to produce 2000 and 7000 series
24 product.

25 Hulett currently manufactures both 6000

1 series and 7000 series plate on the same equipment
2 using the same workers. Our equipment specifically
3 our solution heat treater is capable of doing 2000
4 series plate.

5 Furthermore, our 6000 series plate and 6000
6 series sheet are sold in the United States through
7 exactly the same channels of distribution to the same
8 customers for the same applications at the same price.

9 Other aluminium alloys sold in various
10 gauges of sheet and plate falls in a spectrum of
11 rolled products with overlapping physical
12 characteristics, distribution and applications. For
13 example, our 6061 plate in the United States can be
14 used for general engineering applications, just as
15 5083 plate can be used in general engineering
16 applications.

17 The market for one particular series affects
18 the market for another, not only because of
19 overlapping demand, but also because of production
20 efficiencies. For example, we've heard 2000 and 7000
21 series are ideally suited for aircraft construction.
22 When the aircraft manufacturing industry declines, as
23 it has over the period of this investigation, demand
24 for these alloys declines. Manufacturers then seek to
25 maintain efficient use of the equipment, specifically

1 the solution furnace, and increase the production and
2 supply 6000 series which puts down the pressure on the
3 price of this series alloy.

4 I'll now turn to the issue of threat. As
5 the provided in our questionnaire response
6 demonstrates, Hulett poses no future threat to any
7 domestic U.S. industry. First, as Nathan will
8 discuss, the demand in the United States is beginning
9 to rebound and we anticipate that prices will trend
10 upwards. Recent trade publication, in fact, one we
11 saw yesterday, support this view.

12 Second, Hulett has no ability and no
13 intention to increase the exports of the subject plate
14 to the United States. We receive no export subsidies,
15 we have no unused production capacity to produce more
16 6000 series plate, and we've got no plans to increase
17 our capacity. Our solution heat treat furnace, which
18 is the bottleneck in our production, is operating at
19 maximum output around the clock every day that our
20 plant is open, that's 24 hours a day, seven days a
21 week, 51 and a half weeks a year.

22 There's no potential for product shifting,
23 either. Although we do produce 6000 series gauge
24 aluminium sheet, as I've noted, all of our production
25 of that product is already exported to the United

1 States. We have no significant inventories of 6000
2 series plate, we do not maintain inventories in the
3 United States. Moreover, during this year, our
4 inventories in South Africa have been declining, not
5 increasing. Indeed, as we have reached our production
6 capacity, our exports to the United States have been
7 at steady levels month on month since February 2002, a
8 period of 20 months now. Certainly we increased
9 exports in prior years as we've ramped up production
10 following the expansion project which we installed in
11 1999, but we anticipate no increase in 2003 year's
12 exports over 2002, an expectation borne out by actual
13 shipments in the first three quarters of this year and
14 actual orders which have been confirmed for quarter
15 four, which we are in.

16 Finally, while our exports to the United
17 States have leveled off, our exports to third
18 countries have been increasing dramatically in
19 percentage terms because we came off a zero base.
20 This trend will continue consistent with our business
21 strategy.

22 Our business plan for 2004 includes a focus
23 on growing ourselves in other regions and reducing our
24 dependence on the United States market. This reflects
25 our strategy to diversify our currency and market

1 risk.

2 Prior to this case having been filed, our
3 shareholders approved at our September 18 board
4 meeting the 2004 to 2006 business plan, a plan which
5 reflects a 9 percent reduction in 6000 series plate
6 export volumes to the United States.

7 Finally, I would like to comment on price
8 reports which correctly refer to Hulett's growing
9 exports internationally. We heard the petitioner talk
10 about this. I hope it is now clear to you that the
11 volume growth which will take place in other sheet
12 products and not at all on 6000 series plate, simply
13 because we have no more capacity available for this
14 product.

15 Thank you for your time. I'll now turn to
16 Nathan, President of Empire, who is our importer for
17 North American Sales.

18 MR. KAHN: Good morning. My name is Nathan
19 Kahn. I'm the President and CEO of Empire Resources,
20 Inc. Empire Resources is an importer and distributor
21 of a wide range of semi-finished aluminum products.
22 We sell principally to distributors in the United
23 States, Canada, Australia, and New Zealand. Empire is
24 a publicly held company with headquarters in Fort Lee,
25 New Jersey. We are privileged to be the importer of

1 aluminum plate and other products from Hulett
2 Aluminium. I appreciate the opportunity to provide
3 you with our views on the antidumping petition brought
4 by Alcoa against imports of series 6000 aluminum plate
5 from South Africa.

6 I have been involved in the aluminum
7 semi-finished product industry for about 20 years,
8 having been substantially on the importing side of the
9 business for that entire period. No doubt perhaps the
10 single biggest trend that we have witnessed in this
11 industry over this period is the increase in
12 consolidation within the industry. We have witnessed
13 this first-hand at Empire, as many of our foreign
14 suppliers have been acquired by the large vertically
15 integrated multi-national aluminum companies. For
16 example, Alcoa acquired Enespal of Spain, the assets
17 of Alumix of Italy, both of which were previously
18 suppliers of ours.

19 This consolidation is occurring at all
20 levels of production and distribution. In fact, a few
21 years ago, Alcoa held discussions with Empire
22 Resources to discuss the possibility that Alcoa might
23 wish to acquire Empire and use it as an importer for
24 its international sourcing.

25 This consolidation is occurring worldwide

1 with the result that the global rolled product
2 industry is now dominated by three major players,
3 name, Alcoa, Alcan and Norskeedra, and Alcan is
4 currently in the process of acquiring Pechiney, who
5 were one of the four major players. In addition to
6 the sharp reduction in the number of rolled products
7 businesses in the United States, Alcoa has become the
8 sole producer in Australia and Alcan has effectively
9 acquired the total rolled products industry in Korea.

10 These major producers are able to use their
11 positions of dominance to further weaken their
12 remaining competitors, even if it relates to only a
13 very small sector of their business. At the same
14 time, they continue to relentlessly pursue further
15 growth through acquisition.

16 I would like to address three issues this
17 morning: first, the definition of like product and
18 why it is not appropriate to isolate series 6000
19 aluminum plate from other plate and sheet products;
20 second, considerations that should be taken into
21 account when assessing the conditions of the domestic
22 industry; and, third, the reasons why imports of
23 series 6000 aluminum plate from South Africa are not
24 the source of any injury to the domestic industry.

25 Because of their dominance of the industry.

1 Alcoa realizes that a small company like Hulett cannot
2 compete with them across the full range of rolled
3 products. They have therefore chosen to target a very
4 small sector in which we are active and to then claim
5 that the global giant is being injured in this sector.

6 Let's put this matter in context. As
7 I mentioned, Empire distributes a wide range of rolled
8 aluminum products. In my view, these products
9 represent a continuum, sometimes with nothing more
10 than a millimeter separating one form, say, plate,
11 from another, such as sheet.

12 To help illustrate this, I brought along
13 some samples of the sheet and plate products that we
14 distribute. Here, for example, is a sample of 6061
15 plate and 6061 sheet. They are virtually
16 indistinguishable. These products are produced in the
17 same mill and are sold through the same channels of
18 distribution. They have overlapping end use
19 applications and the same physical properties such as
20 elongation, yield strength and hardness.

21 As a second example, we have series 5000
22 sheet and 6000 series plate, also virtually
23 indistinguishable to the naked eye. These products
24 are produced in the same mill and are sold through the
25 same channels of distribution. They have overlapping

1 end use applications and physical properties, such as
2 elongation, yield strength and hardness.

3 To illustrate just how unrealistic
4 petitioner's definition of like product is, I would
5 like again to return to the concept of these products
6 existing along a spectrum both within the alloy
7 series, across the alloy series and across product
8 form, such as plate and sheet.

9 Within 6061 plate, for example, there are a
10 variety of products. A thin gauge 6061 plate such as
11 a quarter inch gauge cannot be substituted for heavy
12 gauge, say, a two-inch plate. In contrast, however,
13 the marketplace now tells us that it is possible to
14 substitute a half-inch 5083 plate for a half-inch 6061
15 plate. There are also overlapping channels of
16 distribution for the various rolled products. For
17 example, as I mentioned, we import and sell plate and
18 sheet and most of our distributor customers sell more
19 than one series or form of semi-finished product.
20 Although we do not have the supplier base to sell
21 series 2 and 7000 products, many of the distributors
22 to whom we sell 6000 series products also sell 2 and
23 7000 series product.

24 Because we sell a number of rolled products,
25 we know that supply and demand for one product can

1 affect supply and demand for other products. For
2 example, industry publications are routinely reporting
3 an increasing trend in Europe in which end users are
4 substituting 5083 plate for series 6000 plate in
5 certain applications. Several of our distributors in
6 the U.S. have been hearing about this and we have now
7 seen that occurring here.

8 Specifically, in August 2001, one of our
9 larger customers advised us that it intended to
10 substitute alloy 5083 for alloy 6061 for all of its
11 orders unless we could lower our price on 6061. We
12 ultimately reduced our price on 6061 to satisfy this
13 customer and at the same time completed their order
14 with 5083. We will provide documentation on this sale
15 in our post-conference submission.

16 While I am firmly of the view that Alcoa's
17 attempt to confine its action to 6000 series plate as
18 distinct from the full spectrum of rolled products is
19 ludicrous, I will nevertheless make some reference to
20 6000 series plate in the balance of this submission in
21 order to illustrate some specific issues.

22 I was surprised by the filing of this
23 petition by Alcoa for many reasons. First, trade in
24 aluminum has generally been characterized by the
25 openness of global markets. The industry is dominated

1 by large global players and even the major domestic
2 producers have been known to bring in product from
3 overseas. Second, heat treatable plate, including
4 6061 plate is more profitable than the non-heat
5 treatable common alloys that we sell, including
6 product in the 3 and 5000 series. Third, in our
7 experience, Alcoa has not been active as a competitive
8 force in the series 6000 market that we serve. It is
9 our understanding from our series 6000 distributors
10 that Alcoa has been far more focused on production of
11 series 2 and 7000 plate for the aerospace industry and
12 consequently is often perceived by these customers as
13 ignoring its series 6000 customer base. We also know,
14 for example, that some of our customers cannot buy
15 series 6000 plate from Alcoa because Alcoa refuses to
16 qualify those distributors to market Alcoa plate
17 products, as Mr. Cooper confirmed earlier this
18 morning.

19 It is possible that Alcoa's views have
20 changed after it made a substantial investment in
21 expanding its heat treat plate mill just as the demand
22 in the aerospace industry crashed, meaning that the
23 demand for series 2 and 7000 has dropped off. Alcoa
24 may be seeking to shift its production from the other
25 heat treated products to series 6000 plate, as I heard

1 Mr. Venema say in response to Mr. Fetzer this morning
2 that 2 and 7000 equipment can also be used to make
3 6000 series product.

4 When assessing the condition of the domestic
5 industry, it is absolutely critical to appreciate the
6 impact of general economic conditions on the industry.
7 Conditions in this market, and when I refer to market,
8 I mean the market for aluminum rolled product in which
9 we are accustomed to dealing, is first and foremost
10 dictated by general conditions in the economy. Our
11 customers are very sensitive to general economic news.
12 For example, when they see reports that consumer
13 spending is slower, they significantly curtail their
14 purchases of rolled product. This cycle has persisted
15 for as long as I've been in the business.

16 Specific industry trends can also
17 significantly impact demand. For example, one of
18 series 6000's most common end use applications is in
19 the semiconductor equipment industry. Based upon what
20 we understand, 6061 plate is used to produce the
21 vacuum chambers in which semiconductors are made. In
22 the last few years, as demand for semiconductors has
23 declined sharply, we have had some customers,
24 particularly on the West Coast, who have dramatically
25 curtailed their order placement from us for 6061

1 plate.

2 Once demand falls off, prices have no choice
3 but to follow, thus, although there was a general
4 decrease in demand and prices for series 6000 plate,
5 in 2001 and 2002 that decline closely tracked the
6 conditions of the U.S. economy. I should note that in
7 the past two months we seem to be seeing some
8 indicators that demand for series 6000 and other
9 aluminum plate may be increasing. There seems to be a
10 perception that the market may have turned around. We
11 observe this by the fact that some distributors seem
12 to be considering investing in inventory or entering
13 into long-term commitments, most likely in an effort
14 to lock in current prices and escape potential price
15 increases. Pricing does indeed appear to be going up.

16 I strongly disagree with the allegation in
17 the petition that imports of series 6000 plate from
18 South Africa are a source of injury to the domestic
19 producers. First and foremost, our sales of product
20 from South Africa do not set or influence the U.S.
21 market price. Hulett and Empire are not the price
22 leaders in the U.S. market for 6061 product, nor are
23 we the price floor. We try to price Hulett products
24 equivalently to prices for domestic product, taking
25 into account that the market demands a discount for

1 longer lead times.

2 In my experience, imported product with its
3 longer lead time has always generally sold at a
4 discount to domestic products. This is not a new or a
5 recent phenomenon. Although Hulett and Empire have
6 worked hard to reduce lead time, they are still
7 generally longer than the lead times for domestic
8 mills. Our lead times are now between 10 and 12
9 weeks. By contrast, we understand the domestic lead
10 times, particularly those of Kaiser, have been
11 shorter.

12 Price for series 6000 plate tends to be
13 bounded by domestic prices at the top for the reasons
14 outlined and prices for product from third tier
15 producers such as Russia, China and Rumanian on the
16 bottom.

17 There are also reasons other than price that
18 U.S. customers choose to buy either domestic product
19 or imported product. For example, as I mentioned
20 earlier, some of our customers are not qualified by
21 Alcoa to buy from them and thus seek out other sources
22 of supply, including imports from South Africa.

23 As another example, in 2002, Alcoa acquired
24 a 50 percent ownership in Integris, a large
25 distributor. We had other of our distributors contact

1 us at that point because they were hesitant to source
2 product from Alcoa due to concerns that Alcoa had
3 become both a source of product and a competitor on
4 the distribution side of the business.

5 In conclusion, I believe this petition is a
6 critical case as it may set a precedent or the
7 industry. The decision in this case is not only about
8 the import of 6000 series plate, but rather about
9 whether there will be reasonable competition in the
10 rolled products industry.

11 I would like to again express my
12 appreciation for the opportunity to provide you with
13 my views. Thank you.

14 MR. KAPLAN: Good morning. I'm Seth Kaplan.
15 I head the international trade practice at Charles
16 River Associates, an economic consulting firm. I was
17 asked by the South African respondents to examine
18 within the conditions of competition for each product
19 the performance of domestic producers of series 6000
20 alloy aluminum plate and alteratively series 2000,
21 6000 and 7000 aluminum plate. You should note that
22 I do not use the word industry and, as I shall
23 discuss, that was intentional.

24 In conducting my analysis, I relied on the
25 confidential record contained in the petition, the

1 questionnaire responses, public and proprietary data
2 sources, industry trade publications, newsletters,
3 financial disclosure statements, interviews with
4 market participants and other sources.

5 While I will present a more thorough
6 analysis in the post-conference brief, I would like to
7 offer several observations regarding causation and
8 threat and I'll conclude with some thoughts on the
9 economic foundation for petitioners like product
10 argument.

11 The price of 6 series plate has followed the
12 general business cycle, like all aluminum products,
13 but it has been particularly sensitive to changes in
14 the demand for semiconductor equipment. The CRU
15 Monitor for Flat Rolled Aluminum Products, a monthly
16 publication, referred to by both parties here,
17 repeatedly refers to the semiconductor equipment
18 industry as a driver of 6 series plate prices. For
19 example, in the March 2001 issue, the Monitor notes
20 the easing in demand for engineering plate "is mainly
21 due to the slowing of the vacuum chamber business for
22 the semiconductor market combined with a general
23 softening in the economy.

24 I'll point to some figures now to show how
25 strong this relationship has been.

1 Figure 1 shows the relationship between 6
2 series plate and semiconductor equipment billings.
3 There is an association of semiconductor equipment
4 manufacturers that collects billings and bookings of
5 equipment orders and they're published monthly. The
6 correlation between the plate prices and the billing
7 is over 90 percent.

8 I have rescaled the plate prices in Figure
9 2. Notice it starts at zero here. Now that I've
10 rescaled it, it looks a little more dramatic, a little
11 bit like what Bruce handed out. Clearly, you didn't
12 start out with zero at the bottom. This shows how the
13 series correspond and, as you can see, the billings in
14 red and the plate prices follow each other pretty
15 closely. They follow the same general trend because
16 they are both driven by economic conditions.

17 In Figure 3, I have plotted 6 series plate
18 and coil, so you can see that 6 series plate is a
19 little more volatile than coil, but the general
20 economic conditions drive both. The fact that there's
21 a little more semiconductor action going on than plate
22 shows that there was a little more price volatility.

23 I now turn to petitioner's allegations of
24 underselling and price suppression. Petitioner claims
25 that South African plate prices have driven down

1 domestic prices. I would offer Figure 4. This graph
2 shows domestic 6061 plate prices and the price of
3 Russian imports. Note the Russian underselling
4 increased in the period when prices fell.

5 When the commission looks at these series,
6 sometimes they draw the conclusion that the steeper
7 price decline is the cause or the leader of the
8 downward price effect and I have not shown the South
9 African prices here, but needless to say they are much
10 above the Russian prices and closer to the domestic
11 prices and do not show the same turning point or with
12 the same steepness as the Russian market.

13 The South African prices are not shown, but
14 that is the point I want to make about them, once
15 again, close to the domestic prices and not having the
16 same decline.

17 The fact that South African prices are
18 slightly below domestic prices has to do with the
19 shipping lags discussed by Mr. Kahn. They are common
20 in many metal markets and they have occurred long
21 before there any allegations of any types of unfair
22 behavior.

23 While the observed price changes in the 6
24 series plate have been driven by demand fluctuations
25 and non-subject imports, if imports at all, the

1 ability of South African imports to affect pricing in
2 the domestic market is also limited by a variety of
3 factors. As a threshold matter, a significant share
4 of domestic production does not compete with imports
5 at all.

6 South African imports are all two inches or
7 less in thickness, while American mills can produce
8 plate up to six inches, so there's no overlap there.
9 And you might want to look at prices above and below,
10 which we'll discuss later to see if there's any effect
11 and I think you'll find none. This is not true of
12 non-subject imports, which are capable of entering the
13 whole range of thickness.

14 Second, the inability to supply product over
15 two inches hinders under two inch sales to
16 distributors that want to source from a full product
17 line supplier.

18 Third, some domestic producers offer types
19 of 6 series plate not produced or imported by Hulett.

20 Fourth, a small but significant number of
21 sales have Buy American restrictions and, as discussed
22 by both Mr. Kahn and earlier by petitioners, there are
23 distributors that cannot carry or that don't carry
24 Alcoa plate and Alcoa will restrict their distributor
25 base, forcing people to source from abroad.

1 The threat case is equally weak. I will
2 comment only on the expected future demand condition.
3 From all accounts, demand for the aluminum is
4 increasing and demand and prices are expected to rise
5 further. This was discussed in some detail in a
6 Financial Times supplement devoted to aluminum. That
7 was conveniently published yesterday.

8 The U.S. economy grew at 7.2 percent last
9 quarter and growth is expected to continue at a high
10 but somewhat less fevered pitch. This will buoy
11 domestic prices and lead to increasing domestic
12 shipment. The picture is particularly bright for 6
13 series. This is because the outlet for semiconductor
14 equipment is particularly strong.

15 As noted, semiconductor demand is
16 particularly highly cyclical because it's a capital
17 product. So you have computers that are cyclical and
18 then you have the chips on top of them that are even
19 more volatile, then you have the equipment on top of
20 the chips that are way more volatile than that.

21 I'm going to ask to put up Figure 5 now and
22 then quickly Figure 6. Figure 5 is the semiconductor
23 stock index, along with aluminum plate prices. And
24 what it shows is the volatility of the stock index.
25 You think things have happened in the market from

1 January 2000, it was at 1200, it bottom out at about
2 200. It lost well in excess of 80 percent of its
3 value. It has since doubled.

4 The point you could tell from the next graph
5 is that if you look at how the stocks predict prices,
6 there's about an eight or nine-month lag before you
7 could see it. Now I've moved it over. I've moved
8 over what's been happening with the stocks and you can
9 see the red line and that's the forecast of what will
10 happen to aluminum prices in the 6 series if in fact
11 they follow.

12 Now, why is the stock a good predictor?
13 Well, people predict in these stock prices, the
14 companies, the semiconductor companies, tell what
15 their orders are, what their order books look like.
16 And then people jump on the stock before the actual
17 revenues come in. And it's been fairly accurate.

18 So as demand for semiconductor equipment is
19 going up, and I'd ask you to look at this, it's just
20 going really strongly now. Intel, the Taiwanese
21 producers have increased capital expenditures and so
22 to the extent that we could look forward to 6 series,
23 it's going to actually pick up more than aluminum in
24 general because it's tied more to the semiconductor
25 industry which is more volatile.

1 I'm going to just mention what happens to
2 injury and threat if you expand to the 3 alloy series,
3 the 2 and the 6 and the 7. Clearly, there's less
4 competition, clearly there's a broader industry,
5 clearly there's less import penetration. Competition
6 becomes more attenuated, the financial condition
7 improves. There is no injury or threat there.

8 And, finally, just momentarily, let me touch
9 upon the like product from an economic and
10 institutional perspective. The commission within the
11 context of the law has approached the like product
12 question with common sense and a strong understanding
13 of the economic underpinnings of what at the end of
14 the day it must include as an industry producing a
15 product. Metals account for more trade disputes than
16 any other industry before the ITC. The way this case
17 was filed was extremely unusual.

18 The commission has historically and
19 typically and sensibly looked at the supply side of
20 substitution and also demand overlaps. I could have
21 brought in an ASTM book for steel that would have been
22 four inches thick and contain an enormous number of
23 alloy and alloy grades. There's equipment at many
24 steel mills, vacuum degassers, heat treating
25 facilities, that limit what products could be produced

1 or instill certain types of properties in the steel.

2 The commission has looked at these types of
3 issues, recognized the substitution within the mill,
4 recognized the continuum across products and
5 oftentimes doesn't even distinguish between carbon or
6 alloy, much less defined between alloy. The
7 commission has looked at magnesium and the commission
8 has looked at metal products and I think that the
9 signal sent by the commission would be quite against
10 its tradition and tell people how they should look in
11 the future to what it means to be a like product in a
12 metals industry.

13 Finally, it troubles me somewhat that
14 someone could defy tradition so much, bring a case
15 that's so untraditional and rely on the fact that the
16 commission which has to get questionnaires out in two
17 days or three days can't expand the product in way
18 that would cover what would traditionally be the case.
19 And then there's 13 months of investigation to come to
20 a conclusion that that was known from the start.

21 I think there's enough information here that
22 you could find the three alloy industry and go
23 negative. You could find the one alloy industry and
24 go negative, but the notion that we're forced in any
25 every case from an unusual, untraditional,

1 unconventional approach to like product that forces 13
2 months of investigation solely because of some lamb
3 type standard I think is against the interests of the
4 commission and it seems to me somewhat of a gaming of
5 the traditional way that trade cases are brought.

6 Thank you.

7 MR. SHOR: Thank you, Seth. I'd like to
8 conclude our presentation by just summing up our
9 position on several critical issues, as well as
10 suggesting several areas in which we think the
11 commission staff should probe further.

12 First, with respect to the like product
13 issue, I don't think our position will come as any
14 surprise. Our position is that the like product
15 should be defined as all aluminum sheet and plate.
16 What you heard from the petitioners this morning was
17 admissions of overlap. The production equipment that
18 is used to produce 2 and 7 series aluminum plate can
19 also be used to produce 6, exactly the same production
20 equipment and workers. The channels of distribution
21 mainly overlap. Every product they discussed, more
22 than 50 percent of the volume goes through
23 distributors. Even as to particular applications, 2
24 and 7 go mainly to aerospace applications but not
25 exclusively. I think the figure we heard today was 20

1 percent goes to distributors where they don't know the
2 end use.

3 Similarly, 6 series plate is used in
4 aerospace applications. The fold down trays that you
5 put those little awful meals on are 6 series plate.
6 The cart that the flight attendants roll down the
7 aisles is made from 6 series aluminum plate. There
8 are overlaps in virtually every application along the
9 spectrum.

10 In listening to the petitioners and their
11 continued references to plywood and other wood
12 products this morning, I couldn't help thinking of the
13 analogy with the soft wood lumber case and it's an
14 important analogy. There is a whole spectrum of soft
15 wood lumber products. Certain soft wood lumber
16 products are machined to specific applications. They
17 make bed frames components that can only be used to
18 manufacture bedframes. There are certain machine
19 stress rated lumber that is used in the horizontal
20 applications while some are used in applications that
21 are not load bearing.

22 It's just like the signs made of the 5
23 series. There is a whole spectrum of applications,
24 certain types of lumber can only be used for certain
25 uses, but they run across the whole spectrum. It's

1 exactly the same with respect to aluminum plate.

2 On the injury issue, our basic contention
3 there is that as the statute requires the commission
4 to do, when properly analyzed in the context of the
5 business cycle, there is no material injury to the
6 domestic aluminum plate and sheet industry. Even
7 focusing just on all heat treated plate, which is the
8 broadest category for which you have gathered data, we
9 think the evidence will show that there is no injury
10 that can be attributed to imports from South Africa.
11 In this regard, we have requests for the accountants
12 in the case.

13 We think when you look at the questionnaire
14 responses for the three companies, you will see three
15 different stories and in addition to aggregating the
16 data, which will detract from those stories, you need
17 to provide the commission with an analysis of each of
18 different company's situation because it's different.
19 And in this respect there's one fact that hasn't been
20 mentioned this morning that needs to be mentioned and
21 that is the fact that Alcoa went through a significant
22 plant expansion at its Davenport mill during the
23 period of investigation. How those costs are
24 accounted for is critical to understanding Alcoa's
25 profitability during that expansion phase.

1 As we put in our questionnaire response,
2 when you expand an aluminum plate plant, there is a
3 big learning curve. It takes a while to get new
4 equipment running, to improve yield, so your costs are
5 going to be high during the expansion phase. We think
6 the commission needs to make adjustments or ask Alcoa
7 for the information to make adjustment to normalize
8 those production costs so that the high production
9 costs, the after-plan expansions, are not unfairly
10 attributed to imports.

11 We heard this morning that Ravenswood was
12 struggling and the suggestion was made that that was
13 because of imports and that that's why Pechiney was
14 looking to sell the plant. That was later proven to
15 be untrue; they had to sell the plant because of
16 Justice Department antitrust concerns.

17 On the causation issue, one thing we haven't
18 really focused on this morning, is that all of the
19 charts that Mr. Malashevich showed you this morning
20 are based on import levels that are erroneous. We
21 pointed out in our questionnaire response the problems
22 with the import statistics. There are stable imports
23 from Hulett in the last 20 months. This is not a case
24 where they're steadily increasing imports over the
25 period of investigation.

1 As was mentioned, South Africa imports are
2 not the lowest priced imports in the market and are
3 not the price leader in the market.

4 Here, petitioners seem to be wanting to have
5 it both ways. On the like product issue they contend
6 that the 6000 series is a commodity product. That it
7 differs from more specified applications for other
8 series products. But yet when it comes to the
9 causation issue, the Russian product, Romanian product
10 and Chinese products at lower prices are no longer a
11 commodity product. Those are all differentiated by
12 certain characteristics.

13 We also heard this morning that there's a
14 misperception from Alcoa on the nature and timing of
15 Hulett's plant expansion. One of Alcoa's witnesses
16 talked about the plant expansion beginning in 2001.
17 In fact, that expansion was completed in 1999, it was
18 begun in 1996, fully installed by 1999 and in the last
19 20 months has been operating at capacity. There's no
20 room to increase their production of certain aluminum
21 plate.

22 Finally, we also ask the question where are
23 Pechiney and Kaiser today? Why is it just Alcoa here?
24 We will have certain explanations for this in our
25 briefs that are confidential but it's notable that

1 only one domestic producer out of three even bothered
2 to appear at the Commission's conference today.

3 Another causation issue, as Mr. Yost alluded
4 to, is that there is a problem with the way the
5 petitioners prepared their cost data. It's well-
6 recognized, every lawyer in town that practices in the
7 trade area knows this, when you complete the
8 questionnaire data on financial performance you have
9 to value inputs at cost, not transfer price. And
10 that's true even for joint ventures that are out of
11 the country. The commission should insist that Alcoa
12 correct those data and do so promptly, prior to the
13 commission's preliminary determination.

14 We'd also like to suggest that the
15 commission gather some additional pricing data as the
16 staff alluded to. As was testified to this afternoon,
17 Hulett only imports 6061 plate in a narrow gauge
18 range, from quarter-inch to two-inches. We
19 specifically suggest that you gather two and a half
20 inch, three-inch and four-inch pricing data from Alcoa
21 and plot those against the prices for the product
22 where we compete with them. We would expect that
23 there would be no material difference in the price
24 trends for those products as opposed to our products,
25 further demonstrating that whatever price decline took

1 place during the period of investigation resulted from
2 general economic conditions and not imports. Indeed,
3 that was the point of the coil charts that I think
4 Seth showed as Figure 3.

5 I just wanted to clarify that when we were
6 plotting coil prices, 6000 series coil prices against
7 6000 series plate prices, Hulett does not import into
8 the United States, that 6000 series coil. So we're
9 showing the comparability of the price trends of very
10 similar products, one of which is subject to import
11 competition and one of which was not and the price
12 trends were overlapping.

13 Finally, with respect to threat, this is not
14 a threat case. Hulett has no increase, no capacity to
15 increase its imports of series 6000 plates into the
16 United States. Import levels have been constant for
17 the last 20 months. Demand is recovery, prices are
18 expected to increase. There is no expansion that was
19 started in 2001 that is still on line to come into the
20 future. Expansion of Hulett's plant was finished in
21 1999.

22 Unless anyone has any other comments, I'll
23 finish seven minutes early. Thank you.

24 MR. CARPENTER: Thank you very much for your
25 testimony.

1 Mr. Kaplan, do you have copies of your
2 charts that we could attach to the transcript?

3 (Pause.)

4 MR. CARPENTER: Thank you and we will submit
5 those for attachment to the transcript as well as
6 Mr. Bradford's chart.

7 We'll begin the questioning with
8 Mr. Cassise.

9 MR. CASSISE: The first thing I'd like to
10 do, Mr. Shor, is to clarify your like product
11 argument. Are you stating that you believe the like
12 product should included all the series that we've been
13 talking about today, including the non-heat treatable
14 but the 1000, 3000, 5000, 6000, 7000, do you want the
15 whole spectrum? What exactly are you arguing to be
16 the like product?

17 MR. SHOR: We will be making several
18 arguments in the alternative. Our first argument is
19 that the like product includes all series sheet and
20 plate. All we've been talking about this morning.
21 Yes, 2000, 7000, 5000, and 6000.

22 Alternatively, our second alternative
23 argument is that it is all plate, excluding sheet. And
24 the third alternative argument is that it would be all
25 heat treatable plate, the 2000, 7000, 6000 series.

1 MR. CASSISE: Okay. So you're going to
2 present a variety of arguments in your post-conference
3 brief.

4 MR. SHOR: That's right. The closest
5 analogy I would make is to the certain cold rolled
6 steel products from Australia, India, Japan, Sweden
7 and Thailand case. As I read that case, an argument
8 was made that there should be a separate domestic like
9 products for hardened and tempered strip, as opposed
10 to being the cold rolled strip. The only distinction
11 between the two products was that one went through a
12 heat treatment process. Everything went through the
13 heat treatment process here. The commission rejected
14 that argument. Similarly, treated lumber goes through
15 an additional process that regular dimension lumber
16 does not because that was not enough to cause a
17 separate like product. This is just a very small step
18 in the production process that Mr. Bradford can
19 testify more, not the most expensive step, still the
20 same facility, it occurs the same plant with the same
21 workers, it's just an additional step that doesn't
22 occur for the 5 series.

23 MR. CASSISE: So you would like to see the
24 commission present data in a way that would broaden
25 the like product as much as possible, thus including

1 the 2000 and the 7000 indoor 6000 data.

2 MR. SHOR: That is correct. We understand
3 that you haven't gathered all that data and our
4 argument will be that even based on the data you have
5 there's not enough to establish a material indication
6 of injury, but let me just put it in the broader
7 context.

8 If the like product is defined as all sheet
9 and plate, they found the data that's available in the
10 Aluminum Association statistics publication, you will
11 see that our imports account for 0.20 percent of total
12 domestic shipment. An insignificant percentage. Even
13 if you narrow that definition of the like product, to
14 just all plate, we're under 5 percent, so we think
15 that there's a bases for the commission to conclude on
16 a proper like product definition, imports from South
17 Africa, are negligible.

18 MR. CASSISE: Okay. I'd like to ask Mr.
19 Bradford a few questions, if I may. One, I'd like to
20 give you the opportunity to talk a little bit more
21 about the like product issue and the
22 interchangeability of 2000, 7000 versus 6000. I guess
23 I can begin by saying, do you even make those in the
24 South African plant? Is 6000 the only heat treatable
25 plate that you make in your facility?

1 MR. BRADFORD: That's correct. I said
2 earlier, we make 7000 series plate. That particular
3 alloy is not heat treatable. But, it just illustrates
4 the point about the continuum.

5 MR. CASSISE: Well, 7000 is not heat
6 treatable?

7 MR. BRADFORD: 7000 is the series of alloys
8 that we make. And there are two different 7000 series
9 of alloys we manufacture, and we do not put them
10 through the heat solution furnace. But, they go
11 through all the other machines in our plate plant.

12 MR. CASSISE: Okay. So, would a downstream
13 end-user heat treat it; is that --

14 MR. BRADFORD: No. What happens, we
15 actually use that in further value adding in what we
16 call brazing alloy. So, we actually use that plate to
17 make brazing sheet.

18 MR. CASSISE: Okay. And does that go to the
19 aerospace industry?

20 MR. BRADFORD: No. It goes into the
21 automotive industry.

22 MR. CASSISE: Automotive industry. Mr.
23 Bradford, what would it entail to convert, and this is
24 -- your point you made, it would be very hard to shift
25 products in your plant. But, I'd like you to

1 elaborate on that and maybe just discuss what would it
2 entail for you to convert your 6000 to a 2000 or 7000
3 and vice versa? What would be the product shift?
4 Actually, strike all of that. What I really want is,
5 because I know you make a lot of non-heat treatable in
6 that facility, what would it take to go from a non-
7 heat treatable to the series 6000 and increase your
8 capacity in series 6000?

9 MR. BRADFORD: We'd have to buy a new
10 furnace. And that's got a long lead time, probably
11 two-and-a-half years by the time you start the project
12 feasibility through until commercial production.

13 MR. CASSISE: Okay. So, all of your
14 capacity for all of the series don't start with, say,
15 the one furnace. Can you shift production after it
16 comes out of the furnace, from non-heat treatable to
17 heat treatable?

18 MR. BRADFORD: No. As I said, a few times,
19 the heat treat furnace is running at full capacity.
20 We can't get another ton out of the machine.

21 MR. CASSISE: I'm just saying that you're
22 making other products besides the series 6000. The
23 shift after the furnace, can you shift the product
24 after it comes out of the furnace from making, say,
25 less 5000 to more 6000? It's a product shift question

1 is what I'm asking you.

2 MR. SHOR: I think he's having trouble with
3 the question, because you're basing your question on
4 an erroneous premise. 6000 series plate must go
5 through the heat treatment furnace. So, you can't
6 take 5 series and then turn it into something else
7 without putting it through the heat treatment furnace.
8 You're not talking about the actual smelting furnace;
9 you're talking about the heat treatable furnace?

10 MR. CASSISE: No, the heat treatment
11 furnace.

12 MR. SHOR: I understand. Up to that stage,
13 everything is the same. It's kind of the last stage.
14 The 5 series, for example, would not go to the heat
15 treatment furnace. The 6 series does. So, as long as
16 you're running your heat treatment furnace at
17 capacity, the only way you could produce additional 6
18 series from what they're presently producing the 5
19 series is to buy another heat treatment furnace.

20 MR. CASSISE: I understand now. I thought
21 we were talking about smelting furnace.

22 One other question I had, Mr. Bradford. I
23 have an article here from Business Day, dated March
24 14th of this year, that states that Hulett is looking
25 to expand its rolling mill capacity. I don't know if

1 you're familiar with this article. It's just, Hulett
2 is weighing a number of possible locations for new
3 aluminum processing plant, as part of an expansion
4 drive. South Africa is one of the sites considered;
5 Mozambique another one. Are these plans still on
6 their way or have any decisions been made? Or does
7 this even include this product?

8 MR. BRADFORD: There are no plans on the
9 table for consideration about any expansion in our
10 rolling facilities at all, at this point. Just a bit
11 of background: there's been a lot of investment in
12 smelting capacity in southern African, mainly
13 Mozambique and in South Africa, itself, in recent
14 years. And as a result, we've got about six percent
15 of the world's capacity production of primary
16 aluminum. Yet, we consume, as you can see, a tiny
17 volume of that in South Africa, in the rolling
18 business. The government is trying to encourage
19 investment and we, obviously, want to -- they're
20 focusing on trying to put pressure on us. But, right
21 now, we've got zero plans.

22 MR. CASSISE: Okay.

23 MR. BRADFORD: The facilities, little heat
24 treat facilities.

25 MR. CASSISE: Okay. So, this rolling mill,

1 this is just a complete misinformation in the press?

2 MR. BRADFORD: I think there's a political
3 link to that.

4 MR. CASSISE: Well, if you could explain
5 that in your brief, that would be helpful.

6 MR. BRADFORD: Sure. We'll give you a
7 response to that.

8 MR. CASSISE: Mr. Kahn, I have a question
9 for you. In your business as a distributor for this
10 product, have you encountered the Russian product at
11 all?

12 MR. KAHN: Yes, we have.

13 MR. CASSISE: Could you elaborate on that,
14 since the Petitioners seem to have never seen the
15 Russian product in the market?

16 MR. KAHN: Many of our distributor
17 customers, although not all, do stock both Russian,
18 domestic, and South African, as well as other imported
19 plate in their business.

20 MR. CASSISE: And would you comment on the
21 quality issues, whether real or perceived, in relation
22 to the Russian plate versus the American plate, and
23 even the South African plate versus the American
24 plate?

25 MR. KAHN: I think I'm not as familiar with

1 the quality issues directly, because we don't buy any
2 plate from Russia, so my information is based on
3 market feedback that we receive from our customers.
4 The information that we receive is that the Russian
5 plate is adequate in quality. The issue principally
6 that causes it often to be sold at a discount is the
7 unreliability of delivery. But once it's here, it's
8 in the market, as you see from the statistics, and
9 it's certainly evident and acts as a price floor.

10 MR. CASSISE: Does it gravitate toward one
11 or very few end uses?

12 MR. KAHN: I'm not familiar with the end use
13 of Russian plate, other than my estimate is that the
14 end uses for Russian plate mirror those of U.S. and
15 South African plate, probably substitutable.

16 MR. CASSISE: Okay. Another thing that Mr.
17 Kaplan has brought up, and if anyone has any comment
18 on this would be helpful, is that you were saying that
19 the semiconductor industry drives part of this market.
20 Does anyone have a sense of kind of the market
21 segment, the percentage share of where this series
22 6000 plate goes? What percentage goes to
23 semiconductors? What percentage goes to -- that would
24 be helpful information.

25 MR. KAPLAN: I have not seen percentage

1 numbers, but I found it interesting that the CRU
2 always mentioned that as a driving industry. And when
3 asked to discuss what industry's products went to this
4 morning, the first industry raised was the
5 semiconductor industry. But, I don't know the shares
6 that they're going through the distributor base.

7 MR. CASSISE: Right.

8 MR. SHOR: Yes, Mr. Cassise, if I can add
9 something. I mean, obviously, we understand one of
10 the Commission's factors is end use application and we
11 spent the last week trying to gather as much
12 information as we could on end use. The problem we
13 have with the gentlemen in this room is they're too
14 far removed from the end user. They're selling to an
15 importer to a distributor. It goes from a distributor
16 to somebody else and somebody else. So, we don't have
17 direct contact with the end users and we're unaware of
18 any public information on end use.

19 But, as the staff mentioned, the major
20 industry publication, CRU and Metal Bulletin, do have
21 some information and they tend to talk about
22 aerospace. They tend to talk about semiconductors as
23 being primary users of certain series of aluminum. I
24 think everyone in this room would acknowledge that
25 aerospace is a primary user of 2 series and 7 series.

1 Semiconductor is a primary user of 6. But, in terms
2 of percentages, we have not seen anything. We don't
3 think they're available.

4 MR. CASSISE: Okay. Well, just, you know, a
5 ballpark figure, maybe, and just amount of overlap,
6 that would be helpful. That's all I have right now.
7 Thank you, very much.

8 MR. CASSISE: Ms. Roth-Roffy?

9 MS. ROTH-ROFFY: Yes. Thank you for your
10 testimony. With respect to the domestic like product,
11 particularly plate and sheet and expanding it to that,
12 you talk about there's an overlap between plate and
13 sheet. Exactly where does it occur? In different
14 thicknesses, in terms of plate and sheet, or where
15 exactly does this overlap, in terms of applications,
16 occur?

17 MR. KAHN: What we find is that the margin
18 on the top end of the sheet range and the bottom end
19 of the plate range often overlap. In those samples
20 that I provided, you've got 6061 heavy sheet in 3/16th
21 of an inch, and that's -- I think it was a quarter of
22 an inch, those at the top end of the range is really a
23 continuum. I've heard Petitioner mention, it's a
24 bright line. But, in fact, what we find, in the top
25 end of the range, it's not a bright line. It can go

1 from 3/16th on an order, including -- a typical order
2 might include 3/16th, quarter, 3/8th, and half inch.
3 And I'm not familiar with the applications enough to
4 say that, other than our distributor customers stock
5 that, included often in the same order, and carried on
6 their floor in parallel length.

7 MS. ROTH-ROFFY: Is the sheet at that range
8 priced lower than the plate around there or are they
9 comparable? Because, you're talking about, in one
10 instance, where your customers decided to purchase the
11 sheet product -- was going to use the sheet rather
12 than plate, based on price.

13 MR. KAHN: It varies. It's an answer that
14 actually moves with the market. Typically, the
15 pricing for sheet tends to be a bit lower. But, if
16 it's an item, which is included in an order, it may
17 not be. It may be priced very close to or at par with
18 the rest of the items in the order.

19 MS. ROTH-ROFFY: Thank you.

20 MR. BRADFORD: Maybe if I can add something
21 about prices? As I said in my testimony, we price
22 exactly the same, at 3/16ths sheet and often sheet --
23 plate, sorry, same prices.

24 MS. ROTH-ROFFY: Okay, thank you. Mr.
25 Cassise asked a number of the questions that I was

1 going to cover. I would like the Petitioners to make
2 sure, in their post-conference brief, that they cover
3 the same range of arguments, shall we say, as domestic
4 like products, as the Respondents will be arguing.
5 And I would appreciate it, in your post-conference
6 brief, if you could discuss the statutory threat
7 factors. That's all the questions I have, at this
8 moment.

9 MR. CARPENTER: Mr. Fetzer?

10 MR. FETZER: Thanks for your testimony. I
11 have a few questions. I'll start off with Mr. Shor.
12 In your closing comments, you're arguing that the
13 Commission should collect additional pricing data.
14 And I just wanted to clarify, were you suggesting just
15 domestic pricing data for a couple of -- I didn't
16 catch all of the specifications, but it sounded like
17 2-1/2 inch --

18 MR. SHOR: To be precise, we requested that
19 the Commission gather pricing data for 2-1/2, 3, 3-1/2
20 gauge 6061 plate. Hulett doesn't produce that, so
21 there is no South African plate. We were saying, look
22 at domestic prices for that and you can gather a full
23 price series with the monthly prices, not just for
24 quarterly prices. And plot that against domestic
25 prices for 6061 plate and the gauge range, in which

1 there is import competition from South Africa. And we
2 suggest that when you plot the non-import competing
3 gauges against the import competing gauges, you will
4 not see different price trends. That will establish,
5 in our view, that the price declines to which the
6 Petitioners point is not attributable to imports.

7 MR. FETZER: That is attributable to?

8 MR. SHOR: The decline in the market. Put
9 up any 10K or annual report from Alcoa and just about
10 on page one, they will say, aluminum is a cyclical
11 industry that responds to general decline in the
12 business cycle. We are in, over the period of
13 investigation, that general decline. What's
14 remarkable to me is that Alcoa can come in here with a
15 straight face and say, we would expect prices to
16 increase or prices to remain stable over this period.

17 There is no industry more in the proverbial
18 toilet than the aerospace industry. Orders for new
19 planes just fell off out of the sky on 9/11, along
20 with other things. That erased demand for a huge
21 segment of the market. Prices have to follow. Prices
22 cannot be stable. Prices cannot increase when that
23 happens. That's why you're seeing the downward trend
24 in prices, not because of imports from South Africa.

25 MR. FETZER: Okay. I guess I'll move on to

1 Mr. Kaplan and the semiconductors. First of all,
2 before I forget, if in your post-conference
3 submission, you could provide all the data you used in
4 the graphs for that. And, also, for the Petitioners,
5 if you could provide the data -- the aluminum price
6 data we talked about earlier, actually, in electronic
7 form, a spreadsheet, that would be very helpful.

8 But, the argument about semiconductors, I
9 guess, driving the aluminum price with an eight-month
10 lag. Does that just apply to the 6000 series or to
11 the whole aluminum industry?

12 MR. KAPLAN: It's my understanding that the
13 semiconductor industry, from my discussions and from
14 the trade publications, uses just 6000 in the vacuum,
15 and that they're contemporaneous with their orders,
16 which is why the billing numbers. And they're kind of
17 forecast by the stock prices of these companies,
18 because they reflect advance orders and understanding
19 of the industry that demand will pick up. So, I used
20 it as both a predictor of future prices for purposes
21 of threat and an explainer of current prices for
22 purposes of describing the contemporaneous trend.

23 MR. FETZER: Okay. So, would you say that
24 the 6000 series follows the semiconductor industry
25 more than it would general economic conditions?

1 MR. KAPLAN: I would say that it's kind of a
2 combination. And I would say that the 6000 series
3 could show more volatility than other aluminum series,
4 because one of the components is more volatile than
5 the economy as a whole. So, certain end uses follow
6 the economy as a whole and machining that was
7 discussed. But, one particular end use is
8 particularly volatile. So, if you look at the price
9 trends of 6000, let's say, and the price trends of
10 others, they will generally stay in line; but, you
11 might see a little more volatility and that's because
12 one of it's end use is entirely volatile.

13 MR. FETZER: So, it's not necessarily
14 predicting the trend, but just the volatility of
15 short-term movements?

16 MR. KAPLAN: Well, it's a combination of
17 other end uses, in itself. If the sole purpose of
18 that product was for semiconductors, you could look
19 there. But, it's also used for other things. So, you
20 know, kind of a blended average of the trends of
21 economy as a whole, in that industry, will produce
22 more volatility than similar trends to the industry as
23 a whole.

24 MR. SHOR: Let me add something on that. We
25 heard the argument this morning that if you look at

1 the pricing of 6 series aluminum plate in the domestic
2 market and compared it to 2 and 7 series, you'd see
3 different trends. And the suggestion was made that 6
4 series would be declining downward more than the
5 others, if they do, because there's import competition
6 there. But, you can appreciate more than I can, it's
7 more complex than that. If you look at the primary
8 uses, for example, of 2 and 7 series and say it's
9 aerospace, that is not an industry I would expect that
10 it's going to be particularly -- I'm going to use an
11 economic term that I may not understand -- demand
12 elastic. Boeing is not going to build more planes
13 just because you lower your price of aluminum a little
14 bit. They're going to build whatever planes they need
15 to satisfy customer orders, for its demand in the
16 aerospace sector.

17 So, I would expect that what happens, as
18 airline orders decline, you produce and sell less
19 aluminum, but prices probably don't drop as much. The
20 6 series is more demand elastic, because it's the
21 nature of the demand for that product. So, I'd expect
22 there to be more of an attacking of prices to demand.

23 MR. FETZER: Okay. I think in response to
24 Mr. Cassise's question, you're not sure of the exact
25 share of the percentage the conductors make up, in

1 terms of purchases of aluminum. But, do you have any
2 sense of the importance of aluminum to -- basically,
3 you cannot make semiconductors without aluminum,
4 because that would also -- you could have some
5 information regarding that would make it -- if
6 semiconductors need aluminum series 6000, then --
7 there are no substitutes, for example, then it's
8 possible that would help explain why that helps drive
9 that price. Do you have any sense of that?

10 MR. KAPLAN: It's my sense that that -- and
11 these are very large machines that make the
12 semiconductors that are millions of dollars, that go
13 in a facility that -- the new ones run about two
14 billion dollars now. So, these are just very big
15 capital machines used to make semiconductors and giant
16 semiconductor plants. It's my understanding that
17 that's the material used to make -- technically to
18 make part of the vacuum chamber. But, it's that area
19 I suspect that would be a lot of price sensitivity,
20 given the share of the total value.

21 But, in many of the other areas of end use
22 that track the economy, there would be, because they
23 involve general economic use and tooling issues. And
24 there's more of a margin for substitution and more of
25 an effect of substitute products.

1 MR. FETZER: So, you're saying, maybe not
2 too much substitution in semiconductors, but in some
3 of the other end uses, that --

4 MR. KAPLAN: It was discussed earlier that a
5 firm could figure out, on a tool, for example, whether
6 to use steel or aluminum, based on how long it lasts,
7 and there's a margin somewhere. You know, you figure
8 out the cost over time and if the price moves relative
9 to the price of tool steel, you'll switch from to the
10 other, at some point. I don't know how big that
11 margin is, but that margin, it doesn't exist in the
12 semiconductors and it certainly, my understanding is
13 it doesn't exist in the airplane industry. They
14 aren't going to go, okay, we're going to make it out
15 of steel now; the price dropped enough.

16 MR. FETZER: Right. Mr. Kahn, on that
17 issue, in your experience, have you ever tracked
18 prices of possible substitutes, when you're pricing --
19 when you're selling the aluminum plate?

20 MR. KAHN: No. We, typically, do not, nor
21 do we track alternative material that are non-
22 aluminum.

23 MR. FETZER: Okay. So, you're just focused
24 on what's going on in the aluminum market?

25 MR. KAHN: Yes; correct.

1 MR. FETZER: Okay. Do you have anything to
2 add to the substitution stories or something maybe
3 that, because you're only selling to distributors,
4 you're not really aware of?

5 MR. KAHN: I think the continuum across
6 alloy and I think that Ms. Noreen's comment, perhaps,
7 as it relates to extrusions, is the only area of
8 substitution that we see.

9 MR. FETZER: Okay. So, there is
10 substitution with the extruded product?

11 MR. KAHN: Only in narrower, as the
12 Petitioner testified. Extrusions are typically sold
13 as bar products. But, in some applications, in which
14 the rolled product tends to be sawn into narrower
15 sections, within the overlap range of a bar, it could
16 be substitution. We don't often see it, but it's out
17 there.

18 MR. FETZER: Okay. How important is price,
19 in determining the sale? I think we heard testimony
20 this morning from the Petitioners that price was very
21 important, if you qualified, if you got the specs
22 down. So, in your opinion, how important is price in
23 the aluminum plate market in the U.S.?

24 MR. KAHN: I think as our 10K indicates, all
25 of our public filings indicate, we typically like to

1 compete on service and quality, which is what we try
2 to do, and that is how we are able to keep our pricing
3 fairly close to the domestic. The only area for
4 discount really is due to the longer lead times that
5 we offer, compared to the domestic lead time.

6 MR. FETZER: So, you price a discount
7 because of longer lead times?

8 MR. KAHN: Our customers demand a discount,
9 because of the longer lead time, particularly against
10 the background of weak economic conditions and the
11 prospect of continued weakness. They ask us to
12 provide a discount for the longer lead time.

13 MR. FETZER: And, typically, how much is
14 that discount? Or does it depend on the lead time?

15 MR. KAHN: It ranges. Typically, if I had
16 to generalize, I'd say probably three percent, five
17 percent, in that range.

18 MR. FETZER: Okay.

19 MR. THOMPSON:

20 MR. KAHN: It varies.

21 MR. FETZER: So, you're saying price isn't
22 the only factor, that service matters a lot, and
23 quality. I mean, I guess, the Petitioner were saying
24 quality matters; but, once you get to a particular
25 specification, then it's just price, for the most

1 part.

2 MR. KAHN: I think if price were the only
3 consideration, everybody would be at the Russian
4 pricing.

5 MR. FETZER: And you consider the Russian
6 pricing to be comparable with what you're selling the
7 South African product and the U.S. product?

8 MR. KAHN: Our customers tell us that they
9 carry it in their inventories, that they put it out
10 the door, and when it gets there, they use it.

11 MR. FETZER: Okay. Mr. Bradford, you said
12 earlier that you're using the same equipment for
13 producing different series. But, you're only -- I
14 think Mr. Cassise asked a similar question earlier --
15 you're just producing the 6000 series right now and
16 you're at full capacity and you couldn't really expand
17 production at all. Could you, if demand conditions
18 change, switch over to producing 2000 and 7000; and,
19 if you could, what would it entail? Would it entail
20 requalifying your equipment? Would it take a year or
21 two? Could it be done in a shorter period of time?

22 MR. BRADFORD: To be honest, we don't really
23 know enough about the marketplace to make a decision
24 how long it would take to enter that marketplace.
25 But, our understanding of the aerospace market, you've

1 got two huge customers and it's going to be a lengthy
2 demand and qualification process. It's not our high-
3 tech product and it will take us quite some time.

4 MR. FETZER: I guess I wasn't asking so much
5 in terms of getting to market, but just being able to
6 produce it; just, technically, being able to produce
7 it. Or is that --

8 MR. BRADFORD: Technically, we could produce
9 it next winter.

10 MR. FETZER: You could switch from 6000 to
11 2000 or 7000?

12 MR. BRADFORD: But, it wouldn't be fit for
13 use.

14 MR. FETZER: Because, it's not --

15 MR. BRADFORD: We would have to go through a
16 huge qualification. As you heard the Petitioner say,
17 it's a demanding product. We know that. But,
18 physically, we could produce it, but it wouldn't be
19 fit for use.

20 MR. FETZER: So, the limitation isn't
21 physical; it's more just qualifying for -- if you
22 haven't been qualified, you really can't sell it.

23 MR. BRADFORD: As I say, we don't really
24 know enough about the total demand.

25 MR. FETZER: Okay. You made a comment about

1 how a business plan by your company right before the
2 case was filed, you guys were going to ship less to
3 the U.S.; nine percent less, I believe. What was the
4 reasons for that?

5 MR. BRADFORD: The reason we stated in the
6 case committee was just to reduce our dependency or
7 our risk, with respect to both market and currency
8 risk.

9 MR. FETZER: Okay. Mr. Kahn, I think in
10 your testimony, you made a comment about how -- and I
11 think we heard something this morning about Alcoa
12 restricting who they sell to. Do you have any sense
13 of how big of a market that is or how many of the
14 South African imports are purchased by purchasers that
15 are not qualified to purchase from Alcoa?

16 MR. KAHN: There are probably people in my
17 office that can answer that better. But, clearly, a
18 number of our customers are unable to buy from Alcoa,
19 not being franchised to do so.

20 MR. FETZER: If you could provide an
21 estimate in the post-conference submission, I'd
22 appreciate that. A follow-up to that. Do you, in
23 your sales, do you sell to just anyone or do you,
24 also, qualify people, who purchase, distributors? Do
25 they have to qualify with you? Do you limit who you

1 sell to?

2 MR. KAHN: We, typically, do not sell -- we
3 use more broader qualification that relates to general
4 suitability, from credit risk point of view. But, we
5 don't have a distribution network, in that sense, like
6 Alcoa. The answer would more likely be, we would sell
7 to anyone that is capable of using the product, that
8 has a need to buy it; yes.

9 MR. FETZER: Like earlier this morning, we
10 heard something about the distributor having to have
11 certain machineries in places. You don't have any
12 kind of requirement for that?

13 MR. KAHN: None, no.

14 MR. FETZER: Okay. That's all the questions
15 I have for now. Thanks for your responses.

16 MR. CARPENTER: Mr. Yost?

17 MR. YOST: Thank you, very much, for your
18 testimony. I don't have any questions.

19 MR. CARPENTER: Ms. Webster?

20 MS. WEBSTER: I'm still a little bit caught
21 up on this like product issue. Without getting too
22 deep into the total compositions of all the different
23 series, I'm still a bit -- I don't want to say
24 confused, but with all the different mechanical
25 properties of all the different series, I don't quite

1 understand how when you're saying that for the like
2 product issues, that they can all be used
3 interchangeably. It doesn't seem that that's really
4 the case. I mean, if you look even between like the
5 2000 and the 6000 series, I mean, copper is
6 significantly more coarse than silicon and magnesium.
7 And so, I'm a bit concerned and would like some
8 response from you, how and in what applications do you
9 see any of these being used interchangeably?

10 MR. SHOR: Let me give you the legal answer
11 first and then I'll let people, who understand things
12 to speak.

13 MS. WEBSTER: Okay.

14 MR. SHOR: When you talk about the physical
15 characteristics being different, it's first important
16 to recognize --

17 MS. WEBSTER: Well, not physical, but the
18 mechanical characteristics.

19 MR. SHOR: I don't even know if mechanical
20 is the right word.

21 MS. WEBSTER: I'm sorry.

22 MR. SHOR: But, it's different properties.

23 MS. WEBSTER: Okay.

24 MR. SHOR: Okay. Each different series, you
25 would look at different physical properties. We heard

1 this morning, one that you've mentioned, corrosion --

2 MS. WEBSTER: Right.

3 MR. SHOR: -- resistance, workability --

4 MS. WEBSTER: Right.

5 MR. SHOR: -- hardness, strength. Those are
6 different characteristics.

7 MS. WEBSTER: Exactly.

8 MR. SHOR: What we're basically saying on
9 the legal side is whichever characteristics you look
10 at, you would find the same characteristic overlap
11 with other grades.

12 MS. WEBSTER: But, when you put all five or
13 six of them together, that's where you start to get
14 the variation.

15 MR. SHOR: That's right.

16 MS. WEBSTER: Okay.

17 MR. SHOR: Because if they were all the
18 same, they wouldn't be different.

19 MS. WEBSTER: Right.

20 MR. SHOR: So, there are differences
21 overall; but, they kind of run from one to the other
22 and physical characteristics overlap and, therefore,
23 uses overlap.

24 MS. WEBSTER: But has there ever been an
25 instance, then, and maybe this is something that you

1 could supply, and, Mr. Kahn, maybe something that you
2 can answer, is there ever an instance where a customer
3 comes to you and says, I need something for a machine;
4 I don't care what it is.

5 MR. SHOR: We can talk about the instance
6 where the customer said, I want either five or six,
7 tell me what you can get for the price.

8 MR. KAHN: Yes. I think Petitioner's
9 testimony -- I'm not sure which individual spoke to
10 this, but I think the comment was repeated. The
11 application drives the specification.

12 MS. WEBSTER: Right.

13 MR. KAHN: And we have found, in the
14 instance I related during my testimony, of a customer
15 that said, I need a plate with this hardness and
16 whatever is the cheapest and works. And they, this
17 particular account, went to market, looking for either
18 5083 or 6061, which, in this case, can overlap.

19 MS. WEBSTER: So, your example was, in your
20 instance, out of, let's just say, the five mechanical
21 properties, he was only looking for one?

22 MR. KAHN: No. They were looking for
23 hardness, for tensile strength, and longation.

24 MS. WEBSTER: Okay. So, they were just
25 looking for --

1 MR. KAHN: The three properties --

2 MS. WEBSTER: Okay.

3 MR. KAHN: It's the application, not the
4 mixture -- not the recipe, but the application.

5 MS. WEBSTER: Right. I understand that.
6 So, they weren't looking for, say, all of them; they
7 were looking for three of them and the three happened
8 to carry over between the 5 and the 6.

9 MR. KAHN: Right. It's not the chemistry or
10 the alloy in the instance that I related to you.

11 MS. WEBSTER: I understand that.

12 MR. KAHN: It's suitability for the
13 purposes.

14 MS. WEBSTER: Right.

15 MR. KAPLAN: I just kind of want to work
16 back to Mike's point. To the extent -- and you can
17 have more than five characteristics. You can have 100
18 characteristics.

19 MS. WEBSTER: I don't want to overdue it on
20 the chemistry. That's why --

21 MR. KAHN: None of us want to talk about
22 that.

23 MR. KAPLAN: No, but let's say they are.

24 MS. WEBSTER: Right.

25 MR. KAPLAN: And to the extent that someone

1 needs particular specification out of this hundred
2 characteristics and nothing else will work, you will
3 have thousands and tens of thousands of like products,
4 if you divide it that way. And the point of the like
5 product exercise, not even a legal point, the economic
6 point of it, is to get something that kind of
7 resembles an industry. And to use the notion of
8 interchangeability in a way that you get something
9 when you look on the supply side and the demand side,
10 that the people that practice that, economists looking
11 at it, investigators done a lot of times, say, yes,
12 that looks right about an industry. And we know what
13 that looks like in metal and it doesn't look anything
14 like that. And it, also, says, if this is the way we
15 look at it, everything is going to have to look
16 different in the future.

17 MR. SHOR: That raises an important point on
18 the practical aspect of this, which we haven't focused
19 on. I mean, if you're using your plate plant to
20 produce 3, 6, 7, 5 series, you can only measure
21 capacity for all those products together. So, if you
22 define a like product as anything other than what the
23 plant is producing, you have issues with respect to
24 defining capacity, defining capacity utilization,
25 allocating expenses, allocating interest expenses,

1 allocating depreciation, deciding profitability of one
2 product versus another. The like product definition
3 has to, in some respect, resemble the production
4 process and resemble the plant, and that's what
5 defines the industry.

6 As I said in my introductory remarks, you
7 look at the titles of everybody, who was here today.
8 There's nobody here that works, is vice president of
9 6000 plates. They're all vice presidents of sheet or
10 mill products, because that's the industry.

11 You look at the aluminum association listing
12 of plants and categorization of plants. They talk
13 about sheet and plate plants. They don't talk about
14 6000 series plants, because there is no such thing.
15 They're trying to define an industry that just doesn't
16 exist and you're going to have tremendous practical
17 difficulties in assessing injury to that industry
18 under your factors.

19 MS. WEBSTER: Okay. Going along the same
20 line, my next question is, I heard on a couple of
21 occasions, and I may be wrong here, that there were a
22 couple of comments saying that if you broaden trade
23 statistics, there is a plateau, that the last 20
24 months said about the same with the South African
25 imports into the United States for plate and sheet.

1 And by my kind of research and studies into this, I
2 was under the impression that it's actually the
3 opposite; that when Russia had its port problems
4 during the winter of last year, there was actually
5 kind of a switch, that South Africa kind of came up a
6 little bit and Russian went down. And so, I don't
7 know, if I'm mistaken or there's an explanation for
8 that, could you speak about it?

9 MR. SHOR: Well, we were talking about
10 specifically on imports being constant or stable over
11 the last 20 months, was imports of 6000 series plates
12 comes from South Africa.

13 MS. WEBSTER: Okay. So, when you broaden
14 the categories -- you've been talking about wanting to
15 broaden those categories. Have you looked at that at
16 all, or what happens then?

17 MR. SHOR: My understanding is you wouldn't
18 broaden that category. The subject imports are just
19 6000 series plate. That's the scope of the petition.
20 So, you would never broaden --

21 MS. WEBSTER: Right; exactly.

22 MR. SHOR: -- that category of imports in
23 kind of a numerator, just to put it in those terms.
24 When you broaden the like product definition, that's
25 only how you look at the domestic industry. It

1 wouldn't change your analysis of imports.

2 MS. WEBSTER: Okay. And, then, my final
3 question I have is, you talked briefly about the lead
4 time being the reason that the South African prices
5 are lower. But, I was curious, again, reading some of
6 the kind of information that I have from industry
7 contacts and everything, is there any other reasons,
8 maybe efficiency issues, productivity issues, or even
9 raw material issues that would cause the South African
10 plate to be less expensive than U.S. plate?

11 MR. SHOR: Let me answer it this way without
12 -- I don't know if I want to get into --

13 MS. WEBSTER: I mean, again --

14 MR. SHOR: -- confidential information.

15 MS. WEBSTER: -- you can just put that in
16 your --

17 MR. SHOR: But, I'll make an observation.
18 The petition doesn't allege that they were below
19 costs.

20 MS. WEBSTER: Okay.

21 MR. KAPLAN: If I can just say, having met
22 Mr. Kahn recently, that he is selling everything at
23 the highest prices, with a great degree of certainty.

24 MS. WEBSTER: Right. That's all I have; I'm
25 sorry.

1 MR. CARPENTER: Ms. Noreen?

2 MS. NOREEN: I have no questions. Thank you
3 for your testimony.

4 MR. CARPENTER: Just a couple of questions.
5 Mr. Kahn, you gave the example of specific grades 5083
6 and 6061 that were substitutable, at least for one
7 particular customer. In your post-conference brief,
8 could you provide the name of the customer and the
9 end-use application that it was being used for?

10 MR. KAHN: Of course.

11 MR. CARPENTER: Okay. And, also, if you
12 have any other specific examples of a 6 series grade
13 and a non-6 series grade, other examples that were
14 used substitutably, if you could provide similar
15 information, the specific grades involved, the
16 customers involved, and the end-use applications, that
17 would be helpful.

18 MR. KAHN: Certainly.

19 MR. CARPENTER: For Mr. Kahn, you indicated
20 that it's common for some of your customers to receive
21 products that are, say, from 3/16th inch to a half
22 inch thickness, in the same order. Are they used for
23 the same purposes, though? For example, to get fairly
24 precise, could a 3/16th inch product be used for the
25 same application as a quarter inch product?

1 MR. KAHN: I really am not close enough to
2 the end uses. I don't believe so, but I don't have
3 enough information. I'm not close enough to the end
4 use.

5 MR. CARPENTER: Okay. If you become aware
6 of any information, as far as common uses for the
7 different thicknesses -- Mr. Kaplan?

8 MR. KAPLAN: I think that also applies in
9 the difference between a quarter inch and a 5/8th, the
10 same grade.

11 MR. CARPENTER: Right.

12 MR. KAPLAN: So, as I say, it's a continuum.
13 You can say, everything above can, but then there's
14 this little break here below. You know, if it's
15 3/16th, a quarter, 5/16th, you can or can't to the
16 same extent.

17 MR. SHOR: You're not going to use 5-inch
18 plate for the same thing you can use quarter-inch
19 plate.

20 MR. CARPENTER: Obviously, right. But, I'm
21 trying to get to the extent to which the thickness
22 actually drives the end use. Maybe, it's in reverse.
23 For a particular thickness, there is specific end uses
24 and you really don't have the situation where even a
25 product -- even between -- if you compare a quarter

1 inch to 3/16 or 5/16, you're talking about roughly a
2 25 percent difference in the weight of the aluminum of
3 the product, which seems pretty significant.

4 MR. SHOR: I see. So, your question is
5 really is there a bigger difference between a quarter
6 inch and 3/16th than, say, a quarter inch and 5/16th,
7 that's a bigger difference --

8 MR. CARPENTER: Well, my real question is,
9 is there an overlap in the uses among the different
10 thicknesses, or do the end uses tend to go
11 specifically along with the thickness?

12 MR. SHOR: And the end use, you mean the
13 specific application or specific --

14 MR. CARPENTER: The specific application,
15 yes.

16 MR. SHOR: Okay.

17 MR. CARPENTER: If you have any information
18 on that, that you can provide in your brief, I would
19 appreciate it.

20 Mr. Kaplan, just a quick question for you.
21 On your figure four, you mentioned in your testimony
22 that you did not include the South African prices in
23 that chart. I'm not sure why that is.

24 MR. KAPLAN: It's confidential.

25 MR. CARPENTER: Okay. In your post-

1 conference brief, could you provide a similar chart
2 that has the South African prices for this 6061 plate?

3 MR. KAPLAN: We figured the Petitioners
4 would do that. We'll be happy to.

5 MR. CARPENTER: Okay. I mean, I would just
6 like one common source for all three series of prices.
7 And in connection with that, Mr. Kahn, I guess maybe
8 for you, do you have any evidence that the South
9 African and Russian products are being used for
10 similar applications, similar end uses?

11 MR. KAHN: My sense is they are, yes.

12 MR. CARPENTER: Okay. Again, if you have
13 any specific information on that, that you can provide
14 in your brief, if you can identify the customers and
15 the applications that overlap, I would appreciate
16 that. Any other questions?

17 MS. ROTH-ROFFY: Mr. Bradford, it was
18 testified this morning that plate is a more finished
19 product and sheet is a semi-finished product, because,
20 I guess, the customer basically finishes it by cutting
21 and splitting it. What's your opinion on that?

22 MR. BRADFORD: That's a misrepresentation.
23 It specifically wasn't intended.

24 MS. ROTH-ROFFY: No, no, no. It was
25 testified this morning. The Petitioners testified to

1 that.

2 MR. BRADFORD: Okay. Well, as you can see
3 from the samples we tabled earlier, we don't see a
4 difference.

5 MS. ROTH-ROFFY: Okay. You, basically, say
6 that 7000 and the 2000 series meet certain
7 qualifications, in order to be used by purchasers.
8 Doesn't that limit the interchangeability between
9 series 6 with those particular other series, series 2
10 and series 7?

11 MR. BRADFORD: For the application, yes.

12 MS. ROTH-ROFFY: Okay, thank you.

13 MR. SHOR: Now, just to be clear, not all
14 7000 and 2000 series plate is used for aerospace
15 manufacturing. When it is used for aerospace
16 manufacturing, there are very stringent testing
17 requirements that are put in place, because I'm sure
18 the FAA requires that if anything fails on a plane,
19 they have to be able to tell exactly what's produced
20 by whom. There's much traceability and probably
21 testing and sonar testing and things of that sort.
22 But, that's only for that application. The 7000 and
23 2000 series plate can, also, be used in other
24 applications.

25 MR. KAPLAN: As a general rule, in any kind

1 of critical application, that cross all the industries
2 the Commissioner has seen, you know, autos, airplanes,
3 whatever product is going in that can cause a failure
4 is qualified extensively. So, in all your metal
5 grades, some of the rubber products you've seen
6 before, things that are commonly incorporated in the
7 like product, parts of it, depending on the
8 manufacturer and the critical nature of the end use,
9 are qualified and tested extensively; where other
10 parts of the same like product going into a different
11 end use, that's less critical or after-market end use,
12 rather than an OEM end use, is not.

13 MS. ROTH-ROFFY: Thank you.

14 MR. BRADFORD: If I could just expand on
15 that. Hulett Aluminium hasn't a part in the
16 manufacture activity of heat treat plates for the
17 mining industry in South Africa. We subsequently
18 exited that market. So, we have had a bit of
19 experience there.

20 MS. ROTH-ROFFY: Thank you. No further
21 questions.

22 MR. CARPENTER: Thank you, again, for your
23 helpful testimony and responses to our questions. We
24 will take another recess, until about 10 minutes after
25 2:00, and we'll have a 10-minute closing statement and

1 rebuttal from each side, beginning with the
2 Petitioners. Thank you.

3 (Whereupon, a brief recess was taken.)

4 MR. CARPENTER: You're ready, Mr. Leibowitz?

5 MR. LEIBOWITZ: Yes, sir.

6 MR. CARPENTER: Okay.

7 MR. LEIBOWITZ: Good afternoon. Lewis
8 Leibowitz, counsel for Petitioner, Alcoa. Thank you
9 for the opportunity for rebuttal and closing
10 statements.

11 After listening to the testimony of this
12 morning and this afternoon, I feel compelled to
13 return, as we always should, to the statute that we're
14 operating under in this preliminary injury
15 investigation. I guess you can compare it to walking
16 into a room, finding an elephant in the room, and a
17 bunch of broken dishes. Is there a reasonable
18 indication that the elephant broke the dishes; or is
19 there clear and convincing evidence that the elephant
20 did not break the dishes? Maybe, you walk in the room
21 and you find two elephants and you can conclude that
22 one of them broke the dishes, both of them
23 participated in breaking them, or that neither broke
24 them; something else happened.

25 That's where we are in the preliminary

1 injury phase. And here, I think the evidence, as I
2 said this morning, I repeat that remark, the evidence
3 is clear that rising imports of very low priced South
4 African material, 6000 material, caused and threatens
5 to cause further injury to the domestic industry.

6 Now, let's turn to the like product issue.
7 I think like product is of interest to everyone here.
8 The industry that is to be examined are the producers
9 in the United States, not around the world, but in the
10 United States, as a whole, of the domestic like
11 product. And what is the domestic like product? It
12 is the product, which is like the article subject to
13 an investigation under this subtitle. So, it is like
14 6000 series plates from South Africa. In the absence
15 of like, you go to products that are most similar in
16 characteristics and uses. But, here, we don't need to
17 reach that, because we have a product that is like the
18 imported product that is subject to investigation.

19 The Commission has a very well established
20 six-part test for determining whether to expand a like
21 product. Respondents spent virtually all of their
22 time arguing about one of those six factors, which is
23 common production facilities. I would point out,
24 Alcoa happens to have them, as Respondents indicated.
25 Alcoa is a major company, worldwide, and they make a

1 lot of things out of aluminum. And we don't deny
2 that.

3 Hulett, I would point out, does not make
4 2000 and 7000 series plate. They do not make other
5 product that they would like to include in the like
6 product, because they want to dilute the impact of the
7 subject imports on the domestic industry. We did not
8 choose 6000 series plate, as the subject product for
9 this case. Hulett did. That's the product they ship
10 here. And Alcoa noticed and we noticed, in looking at
11 this case, that it affected a particular industry, a
12 particular product that Alcoa makes and it's very
13 important to their operations in Davenport and, of
14 course, by extension to the company. That is why
15 we're here. That is the product that Hulett chose to
16 ship to the United States.

17 The pricing, the characteristics of the
18 market, and so forth are going to be developed in
19 response to questionnaires and in our post-conference
20 brief.

21 There were efforts made to equate the 6000
22 series market to the manufacture of semiconductor
23 machinery. There are multifarious end-use markets for
24 6000 series plate. Semiconductor equipment is one of
25 those markets. That's not clear and convincing

1 evidence that injury was caused by some other factors.
2 It is very traditional for Respondents to argue that
3 injury is caused by something other than their own
4 imports. We don't have any clear and convincing
5 evidence of that, at this preliminary stage.

6 There was one reference made to a 7000
7 series product for the automotive industry. That is a
8 sheet product, not a plate product. I point out
9 again, there are very good reasons to differentiate
10 plate from sheet. For one thing, plate is the product
11 that is like the imported product. That is what's
12 within the scope. For another, that particular
13 product is not sold in the marketplace. It is used as
14 a precursor for another automotive product, a clad
15 product. We'll go into that further in our post-
16 conference brief.

17 There are many other points I could make. I
18 can't rebut everything that was said. We'll do our
19 best to do so in our post-conference brief. I must
20 say, when Mr. Kaplan was alluding to some correlation
21 between stock prices for semiconductor companies and
22 prices for 6000 series plate, I felt that was a bit of
23 a stretch. Perhaps, that was somewhat untraditional.
24 I think that is not clear and convincing evidence, by
25 any means. I don't think it's particularly relevant

1 or pertinent evidence of predicting or tracking
2 prices.

3 The fact remains that we have an importation
4 of 6000 series plate from South Africa, increasing
5 volumes accompanied by declining market prices in the
6 United States, and other indicia of injury to the
7 domestic industry; not just Alcoa, but to the domestic
8 industry. For a preliminary determination, that is
9 sufficient, as long as we reach the like product issue
10 correctly. And, again, I point out the statute calls
11 the tune. The statutes says the product is like the
12 product that is subject to investigation.

13 All the cases cited by the Respondent deal
14 with situations where Respondents are trying to make
15 differentiations between product that are within the
16 scope of investigation. This is a different case. As
17 I said before, aluminum is not steel. There are major
18 differences between them. One of the major
19 differences is the characteristics of the aluminum
20 being determined by the outset by the alloy elements.
21 Steel, itself, is an alloy.

22 Certain aluminum alloys can be heat treated
23 and certain ones can't, and that affects their
24 physical characteristics, their end uses, their
25 channels of distribution, customer perception, and

1 price. If prices were determined by the 5083, for
2 example, if there were common interchangeability
3 between 5000 series and 6000 series, then the 6000
4 series prices wouldn't be where they are. They'd be
5 different. You can find perhaps an isolated example
6 or two, but I get back to the like product
7 determination and the bright line test. One exception
8 doesn't eliminate a bright line, nor does it make a
9 bright line.

10 We have, I think, some very clearly defined
11 bright lines here. First, the difference between
12 plate and sheet. It affects the production
13 facilities, the methods, and the other five like
14 product characteristics.

15 Then, we have the difference between 6000
16 series and 2000 and 7000. There, the end uses are
17 entirely different and you will find, I believe, that
18 the price trends will be different, as well, because
19 2000 and 7000 series are so distinct that the price
20 points are sort of built into the product. A lot of
21 the price is determined by exactitude of the
22 specifications and other things that are not relevant
23 to 6000. You will find that prices have declined to
24 historic lows in the recent past in 6000 series that
25 hasn't happened in 2 and 7. So, you'll see

1 differences in price.

2 All of the like product characteristics vary
3 between 6000, on the one hand, and 2 and 7 on the
4 other. It is equally true or it's true to a greater
5 extent on the other series that we've discussed today:
6 5000, 3000, 1000. Those are all different products.
7 This is not the same as the steel case and I just want
8 to make sure that you bear that firmly in mind.

9 Now, our friends from South Africa indicated
10 that they were producing flat out. They've indicated
11 that they intend to grow their volume in other sheet
12 products. Again, it's hard to know where all this is
13 leading. I'll just make two final points.

14 First, if we're all talking about one
15 gigantic like product, everything that's made out of
16 aluminum is flat rolled, then why should we be
17 comforted by Hulett's declaration, they're only going
18 to expand in sheet and not in plate? If there's a
19 like product, they're going to expand where they see
20 the opportunity.

21 Secondly, I was very confused by their
22 reference to -- their speculation about pricing in
23 thicknesses above two inches, where Hulett does not
24 operate. So, are they now claiming that our like
25 product definition is too broad; that the like product

1 ought to be only the plate up to two inches? I'm not
2 sure what they're saying. They seem to be
3 contradicting themselves.

4 Back to the fundamental point, the like
5 product standard is clear. I think the injury indicia
6 in this case are clear. It is a traditional case,
7 certainly in that respect. We look forward to
8 providing further information in our post-conference
9 submission and we look forward to cooperating with the
10 Commission, as you have shown so far. We appreciate
11 the hard work that you're doing and I wanted to thank
12 you, on the record, for that. That concludes my
13 closing statement.

14 MR. CARPENTER: Thank you, Mr. Leibowitz.
15 Mr. Shor?

16 MR. SHOR: Thank you. I will take Mr.
17 Leibowitz up on his offer and if he lets Hulett pick
18 the scope of this case, we take him on. Alcoa didn't
19 pick the scope of the petition -- I'm sorry, Hulett
20 didn't determine the scope of this petition. Alcoa
21 did. And Mr. Leibowitz is mistaken. Hulett ships
22 5000 series sheets to the United States, 5000 series
23 plates to the United States, 6000 series sheets to the
24 United States, and 6000 series plates to the United
25 States. So, the scope of the petition was not defined

1 by the product that Hulett produces. It was defined
2 by the narrow gerrymandered scope on which the
3 Petitioner thought they could get an affirmative
4 injury determination.

5 I have no doubt that if this case had been
6 brought against all aluminum plate and sheet products,
7 which we think is the proper industry, and we were
8 here arguing that 6000 series aluminum plate should be
9 excluded as a separate like product, we would get
10 nowhere. That's been my experience in past cases. As
11 Mr. Leibowitz correctly noted, when the respondents
12 come in trying to narrow the like product definition
13 to exclude their particular product, they invariably
14 do not succeed.

15 But, now, the shoe is on the other foot and
16 the standards should be exactly the same. Alcoa
17 should not be permitted to narrowly define a like
18 product, just to target one particular segment of the
19 market, that nobody in the industry recognizes as an
20 industry.

21 The legal test, as Mr. Leibowitz noted, is
22 the proper starting point. And, here, I think it's
23 perhaps important to clear up some confusion. As the
24 Commission states in many cases, in applying its six-
25 factor test, the Commission looks for a clear dividing

1 line among possible like products and disregard minor
2 variations. In this regard, the Commission does not
3 look for complete interchangeability among products,
4 and I think that was an issue many of you were
5 grappling with today, what is the application for this
6 product; what is the application for that product. In
7 any industry, the end use will drive what's purchased
8 to supply that end use and each specific end use will
9 require a different minor variation in the product.

10 That's not what's at issue here. The issue
11 is whether these are clear dividing line categories
12 with no overlap, or whether it's a range of products,
13 a spectrum, a continuum, to use the Commission's
14 language, in which different physical characteristics
15 of different products meet different end uses, so that
16 you don't see clear dividing lines. Mr. Leibowitz
17 never answered the question I raised this morning, how
18 many different like product would they have the
19 Commission find for plate and sheet. Every series, a
20 different like product? Sheet and plate in each
21 different series a different like product? No. The
22 Commission has never found that in any metal case
23 before and any other case before. They look for range
24 of product that's produced by a plant, because of its
25 substitutability and the production process on the

1 supply side and there's overlap in the channels of
2 distribution. You heard today, 50 percent of all the
3 products we're talking about go through the same
4 channel of distribution, to the distributors.

5 The final point I'd like to make is that
6 whatever like product definition the Commission
7 settles on, there was sufficient information on the
8 record to reach a negative preliminary determination.
9 If the Commission finds that the proper like product
10 is all sheet and plate, as we believe proper, then,
11 plainly, imports of 6 series plates from South Africa
12 are immaterial. If the Commission finds that the
13 proper like product is all plates, excluding sheets,
14 again, imports from South Africa are not material. If
15 the Commission, on the other hand, finds that the
16 proper like product definition is all heat-treated
17 plate, again, there is no reasonable indication of
18 material injury that the condition of the domestic
19 industry is one of injury, in the context of its
20 business cycle, or that the decline in prices of which
21 they complain can be attributable at all to imports
22 from South Africa.

23 It is remarkable the length to which
24 Petitioners must go to point out that it's not the low
25 priced imports that are pulling prices down; it's the

1 high priced imports from South Africa. The Commission
2 has never found that in any prior case before.

3 We agree with the testimony of the Alcoa
4 witness, who started today. Alcoa is a healthy and
5 profitable company. That's our point, as well. There
6 is no material injury here, caused by imports from
7 South Africa. Thank you.

8 MR. CARPENTER: Thank you, Mr. Shor. The
9 deadline for both the submission of corrections to the
10 transcript and for briefs in the investigation is
11 Wednesday, November 12th. If briefs contain business
12 proprietary information, the public version is due on
13 November 13th. The Commission has tentatively
14 scheduled its vote on the investigation for December
15 1st, at 11:00 a.m. It will report its determination
16 to the Secretary of Commerce the same day.
17 Commissioner's opinions will be transmitted to
18 Commerce a week later on December 8th.

19 Thank you for coming. This conference is
20 adjourned.

21 (Whereupon, at 2:28 p.m., the hearing was
22 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Aluminum Plate from South Africa
INVESTIGATION NO.: No. 731-TA-1056
HEARING DATE: November 6, 2003
LOCATION: Washington, D.C
NATURE OF HEARING: Hearing

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: 11/6/03

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) 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 proceeding(s).

SIGNED: Carlos Gamez
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I hereby certify that I reported the above-referenced proceeding(s) 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 proceeding(s).

SIGNED: Mason Edwards
Signature of Court Reporter