UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation No.:
NON-MALLEABLE CAST IRON PIPE FITTINGS FROM CHINA	)	731-TA-990 (Preliminary)
	)	

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Thursday,
March 14, 2002

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

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., before the Director of Investigations of the United States International Trade Commission, LYNN FEATHERSTONE, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

BONNIE NOREEN, Supervisory Investigator
MARY MESSER, Investigator
CHARLES ST. CHARLES, Attorney/Advisor
AMELIA PREECE, Economist
JOHN FRY, Auditor/Accountant
NORMAL VAN TOAI, Commodity-Industry Analyst

APPEARANCES (CONTINUED):

In Support of the Imposition of Antidumping Duties:

On behalf of Anvil International, Inc. and Ward Manufacturing, Inc.:

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Schagrin Associates
Washington, D.C.

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Anvil International, Inc.

WILLIAM E. STROUSS
Vice President - Finance
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BOB KIM
Vice President - Manufacturing
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JOHN E. MARTIN
Vice President - National Accounts
Anvil International, Inc.

TOM GLEASON
Vice President - Marketing and Sales
Ward Manufacturing, Inc.

KEVIN BARRON
Operations Manager
Ward Manufacturing, Inc.

FRANK FINKEL
President
Davis & Warshow

ROBERT CLARK
President
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APPEARANCES (CONTINUED):

In Opposition to the Imposition of Antidumping Duties:

On behalf of Smith-Cooper International:

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I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. FEATHERSTONE: Good morning. Welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigation No. 731-TA-990 concerning non-malleable cast iron pipe fittings from China. My name is Lynn Featherstone. I am the commission's Director of Investigations and I will preside at this conference.

Among those present from the Commission staff are Bonnie Noreen, the Supervisory Investigator; Mary Messer, the Investigator; Charles St. Charles, the Attorney/Advisor; Amelia Preece, the Economist; Norm Van Toai, the Industry/Commodity Analyst and John Fry, the Financial Analyst/Auditor/accountant.

The purpose of this conference is to allow you to present to the commission through the staff your views with respect to the subject matter of the investigation in order to assist the commission in determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded by reason of imports of the merchandise which is the subject of the investigation.

Individuals speaking in support of and in

opposition to the petition have each been allocated one hour to present their views. Those in support of the petition will speak first. The chair may ask questions of speakers either during or after your statements. However, no cross-examination by parties or questions to opposing speakers will be permitted.

At the conclusion of the statements from both sides, each side will be given ten minutes to rebut any opposing statements, suggest issues on which the Commission should focus in analyzing data received during the course of the investigation, and make concluding remarks.

This conference is being transcribed and the transcript will be placed in the public record of the investigation. Accordingly, speakers are reminded not to refer in your remarks to business proprietary information and to speak directly into the microphones. Copies of the transcript may be ordered by filling out a form which is available from the stenographer.

This proceeding is also being shown within the building on closed-circuit television.

You may submit documents or exhibits during the course of your presentations. However, we will not accept materials tendered as business proprietary. All information for which such treatment is requested must be submitted to the secretary in accordance with Commission Rule 201.6. Any

documents that are letter-size and copyable with be accepted as conference exhibits and incorporated into the record of the investigation as an attachment to the transcript. Other documents that you would like incorporated into the record of the investigation should be submitted as or with your post-conference briefs.

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

Finally, we ask that you state your names and affiliation for the record before beginning your presentations.

Are there any questions?

(No response.)

MR. FEATHERSTONE: If not, welcome, Mr. Schagrin. Please proceed.

MR. SCHAGRIN: Good morning, Mr. Featherstone, members of the commission staff. For the record, my name is Roger Schagrin of Schagrin Associates and we are counsel to petitioners, Anvil International and Ward Manufacturing, in this anti-dumping petition on non-malleable pipe fittings from China.

First, I will begin by addressing from a legal

perspective like product issues. I know they have been somewhat difficult, the commission has not had any previous cases on non-malleable pipe fittings. You do have a long history of cases on malleable cast iron pipe fittings.

The like product for the commission in this investigation should be the domestic industry producing non-malleable cast iron pipe fittings with an inside diameter ranging from a quarter to six inches, whether threaded or unthreaded, and regardless of industry or proprietary specifications. These fittings include elbows, Ls, Ts, crosses and reducers as well as flanged fittings and they are known in the industry as cast iron pipe fittings or really more normally as gray iron pipe fittings.

These fittings are normally produced to ASTMA 126 and ASME B16.4 specifications and when threaded they are threaded to ASME B120.1 specifications. And most building codes in the United States require that in order to use these products that they be produced by manufacturers who are certified by Underwriters Laboratory, otherwise known as UL, or by Factory Mutual, which is known as FM.

The scope of the Commerce investigation does not include cast iron soil pipe fittings and we believe that the commission should not include these products in its like product.

Those products are not made by petitioners. Cast

iron soil pipe fittings are made by different manufacturers, Tyler Pipe, Charlotte Pipe, and a company called AB&I. And they are for use in connection with cast iron soil pipe, which are also made by those same manufacturers and are used not in the uses as the subject fittings, which go with fire sprinkler systems and with steam lines, but instead cast iron soil pipe fittings and cast iron soil pipe are used in buildings with removal of wastewater and waste.

Also excluded from the scope and like product are grooved fittings or grooved couplings. These are also very different products from the product subject to investigation and the major U.S. manufacturer of the products, a company called Victaulic, does not produce the subject fittings.

A little bit of show and tell, as you can see, this is a grooved fitting with a grooved coupling and, as I think you can tell, it is very different from the subject products, which I will talk a little bit further.

Now, fittings that are made out of ductile iron that have the same physical characteristics as the subject cast iron fittings are part of the Commerce Department's scope of investigation. However, they are not produced in the United States. If they were, they would obviously be part of the same like product. They are part of your like product, you just won't gather any information on them because they are not produced in the United States. They

are not produced by Anvil and Ward and to the best of our knowledge they are not produced by other U.S. producers.

These ductile fittings which are made by Chinese foundries and marketed by U.S. importers are sold to the same U.S. customers as the subject gray iron pipe fittings. They are made normally to ASME B16.3 specifications and are threaded to ASME B120.1 specifications and are UL certified. And, as we will discuss during this hearing, they have been sold by the Chinese foundries and importers of Chinese products to the same U.S. distributors who purchase gray iron pipe fittings and for the same uses in fire sprinkler systems and in steam lines. However, these ductile fittings don't include -- the scope does not include grooved ductile fittings or grooved couplings and they also do not include a set of ductile cast iron fittings that have mechanical joint ends, push-on ends, or flanged ends which are made to American Waterworks Association specifications.

Once again, those are produced by a different U.S. industry, by companies such as Tyler Pipe and other U.S. producers, and those are for use in major waterworks systems such as those that would carry your drinkable water into this building from the city water supply, a totally different use and totally different manufacturers.

It is somewhat unusual for the commission to have a product within the scope that is not made by the U.S.

industry, however, it has occurred before and here the critical issue for the commission to realize is that the Chinese producers and importers introduced this additional product into the U.S. marketplace, but they introduced it to be used for the exact same uses as the gray iron fittings made by the U.S. industry and, as you will hear from the witnesses today, the products are interchangeable, completely interchangeable, completely fungible with each other, and go to the same uses.

As to the products themselves that are imported, I think you can see very easily and we would be happy to pass these around as samples, I won't make them exhibits because then I know you have to keep them for the next 250 years, but you can see that a one-inch domestic elbow and a Chinese one-inch cast iron elbow are just identical products. I don't think anyone could tell the difference between these two products other than the fact that one is marked USA and the other is marked China.

And so the imported products and the products produced by the domestic industry are completely fungible products, they are made to the same specifications or, in the case of ductile fittings, made to a similar specification that covers ductile iron and, because the building codes require that products be made to these specifications and that they meet UL and all these products

are marked with the UL -- or at least the Chinese product is marked with the UL but obviously Anvil and Ward are UL certified plants, when it comes to distributors and the end users of these products, they are completely interchangeable products, once they meet the specifications.

With that out of the way, I will now turn to the issue of injury. The domestic industry producing cast iron pipe fittings is certainly suffering injury. Because there are only two domestic producers in this industry, I will generalize as to the trends in the industry data.

Production is down. Capacity has been reduced, as you will hear later, by the closing of one foundry and the combination in another foundry of that product line with other product lines. And yet even with domestic industry capacity being reduced in 2001, capacity utilization fell throughout the period of investigation, a period in which we believe that demand was rising throughout the period of investigation.

Shipments for the domestic industry have declined and employment has declined very significantly. Profits and profit margins are down dramatically. And even though prices have been either level or have increased, it is clear that significant cost increases have not been able to be passed along to customers in this industry. And the reason for this price suppression has been the imports from China.

Similar to the commission's recent investigation in foundry coke from China, U.S. foundry producers also face tremendous environmental costs. While in the foundry coke case the commission gathered evidence that showed that compliance with environmental costs for foundry coke producers was in the neighborhood of 30 percent of total cost of production, for the subject U.S. foundries it is a range of 10 to 20 percent. These foundries are subject to very stringent Clean Air Act regulations at both the federal and state levels and they must spend significant amounts of money in complying with those regulations in order to make sure that we have a safe environment.

Unlike the environmental regulations that U.S. producers must suffer under, we believe that the foundries producing these products in China add seriously to pollution of the environment in China and for that matter of the entire globe through global warming. I mean, what is released from foundries if it's not captured and cleaned and put in bag houses is the type of greenhouse gasses that everybody talks about as being so harmful.

So we are certainly put at a significant disadvantage by virtue of the fact that U.S. producers must comply with environmental regulations and Chinese producers if those regulations even exist are certainly not enforced and are not even close to those in the United States.

It is clear from the record gathered thus far and it will be clear from the record that you gather throughout this investigation that it is imports from China that are the cause of the material injury to the domestic industry. Imports of these fittings from China have increased and have increased rapidly, both by absolute volume and in terms of their market share of the U.S. market.

There is significant underselling and we believe that this underselling has been increasing towards the end of the period of investigation and during the current period, even after the end of the preliminary period of investigation.

And therefore because of the increasing Chinese market share and the increasing volume and the significant underselling the domestic producers are unable to pass along cost increases. Environmental costs are increasing, labor costs are increasing. Not only are wages increasing, but producers such as Ward and Anvil face tremendous increases in benefit costs for their laborers, mostly health care costs, and this is something that every U.S. business faces on a day-to-day basis and these producers have not been able to pass along these increased costs. Energy costs have also been increasing significantly.

If the commission does not make a preliminary affirmative determination that there is a reasonable

indication of material injury to the domestic industry, then we believe that the record will support a finding that there is a threat of real and imminent serious injury to the domestic industry.

While the commission is presently lacking information from the vast majority of Chinese producers of foundry coke -- excuse me, of cast iron fittings -- that's what happens, they're related products and it's so recent in time -- that obviously the commission will have to draw adverse inferences for the failure of Chinese industry producers to comply with the commission's request for information.

While not all importers have also filed responses with the commission, it is clear from those filed thus far that imports are increasing rapidly and I think as you will hear from witnesses later, it is our belief that the number of importers of these products in the United States has been expanding significantly over the past 12 months and that the number of Chinese foundries producing these products for U.S. importers has been expanding rapidly over the past 12 months.

Therefore, in the absence of information from Chinese producers and from U.S. importers, the commission must apply adverse inferences and must make an affirmative threat determination if they fail to make an affirmative

injury determination.

And, as Mr. Gleason will explain in his testimony later, the domestic industry does not believe that there is even a market in China for cast iron pipe fittings, nor do we believe that there is a market for these products in Asia, nor in Europe. Those markets only use malleable cast iron pipe fittings, they do not use non-malleable cast iron pipe fittings.

So this industry in China which has been developed over the last several years in foundries in China has been developed in order to supply importers into the U.S. market. And therefore all of the excess capacity in China is essentially targeted on the U.S. market.

Without relief from these unfairly traded imports, the United States will lose yet another domestic industry. These two manufacturers, Ward and Anvil, are the last two foundry manufacturers of these products. A decade ago, we had five manufacturers in this country. Prior to the inception of this period of investigation, three of those manufacturers went out of business; that in spite of the fact that the fire sprinkler industry, as you will hear today, has been an industry that has grown rapidly over the past decade as codes have changed to require more sprinkler systems in more different types of buildings.

We ask the commission to make an affirmative

preliminary determination in order to maintain a viable industry in this country.

At this time, we ask Tom Gleason to present his testimony.

MR. GLEASON: Good morning. Good morning, Mr. Featherstone and commission staff. For the record, my name is Tom Gleason and I am Vice President of Marketing and Sales for Ward Manufacturing in Blossburg, Pennsylvania. I have been in the pipe fitting business for 30 years and have been with Ward Manufacturing since 1989.

Accompanying me today is Mr. Kevin Barron. Kevin is the Manager of Operations for Ward. Mr. Barron has a Bachelor of Science degree from the Rochester Institute of Technology. He is a member of ASME, the American Society of Mechanical Engineers. He is on the committee B16 subcommittee B for threaded fittings. He is a member of MSS, Manufacturers Standardization Society of Valves and Fittings.

Mr. Barron is also the American representative for ANSI, the American National Standards Institute, for the ISO, International Standards Organization, Technical Committee 5, Subcommittee 5 for pipe fittings.

Mr. Barron will not testify today, but he is here to address any technical issues that you may have.

Ward Manufacturing was founded in 1924 in

Blossburg, Pennsylvania as a cast iron or non-malleable pipe fitting producer. Ward added the manufacturer of malleable pipe fittings in the 1930s. Ward has always been a one-foundry operation and employs almost 900 people. Hitachi Metals America purchased the company in 1989.

I want to just explain a little bit about the process. Non-malleable pipe fittings including what we would consider cast iron or ductile iron fittings, these are made in a foundry by melting steel scrap and, in our case, coke, because we are cupola melt, Anvil is an electric melt, so there is a slightly different process. Coke for us is an energy source for cupola melting and contributes carbon.

Alloying materials are added to the liquid iron once the iron is produced. The liquid iron is then transferred into a holding furnace where final adjustments to the iron chemistry are made.

This liquid iron is then poured into molds that are cast in the shapes desired and we use sand cores for the hollow sections of the casting.

After the product is made, it goes to our finishing department where we go through grinding and shot blasting and finally threading operations. Quality control tests are performed throughout and the fitting is packaged for shipment.

The difference between non-malleable and malleable

is chemistry, microstructure and material strength. The products are also different in size and weight because malleable iron pipe fittings have different material strengths. This in combination with the heat treatment process that malleable goes through makes the malleable iron pipe fittings a stronger product than non-malleable.

For example, a one-inch elbow in malleable iron will weigh .69 pounds. A one-inch non-malleable elbow will weigh 1.04 pounds, approximately a 30 percent difference.

Non-malleable pipe fittings are primarily used to connect fire protection sprinkler pipes and in the inner cities you have steam lines which continues to exist in the northeast in some of the older inner cities. These are all non-critical applicable. Malleable pipe fittings, on the other hand, are primarily used for natural gas lines, oil lines as well as furnaces and boiler, more critical applications.

To my knowledge, the United States is the only major market in the world -- in the entire world -- that uses non-malleable pipe fittings. We are the only country.

Ward sells our non-malleable iron pipe fittings through distributors or wholesalers on a nationwide basis. These distributors in turn sell to the fire protection sprinkler contractors or HVAC contractors in the case of steam lines. The Chinese sell using the same distribution

system, only they utilize U.S. agents or brokers to sell to these distributors.

Over the past several years, we have seen almost all of our major customers, most of whom had purchased 100 percent domestic product before Chinese fittings arrived in the marketplace, switch to buying at least some Chinese fittings. We have seen this accelerate over the last nine to 12 months and believe that there is a virtual tidal wave of Chinese non-malleable pipe fittings that is about to be upon us. We have seen our order book and our sales volumes fall significantly.

Our single largest distributor began buying Chinese pipe fittings only recently and we believe that they are presently in the process of greatly expanding their volume of Chinese pipe fittings at our expense. Our business is suffering as a result.

Mr. Tom Fish of Anvil will shortly explain to you that the foundry business is a very capital intensive business and high capacity utilization rates are critical in keeping our costs down. As our volumes suffer in the face of losing business to the Chinese pipe fittings, our per unit costs will greatly increase.

In addition to the normal capital costs such as foundry equipment, operating equipment and the like producers in the United States also face tremendous

environmental costs that we do not believe -- we honestly do not believe -- are shouldered by the Chinese foundries. Ward has always had extensive emission control equipment to comply with the Clean Air Act. If we didn't, we wouldn't be in business. However, with recent changes being made to the Clean Air Act, Ward has been told by the Pennsylvania EPA that we must install a $6.9 million emission control system for our cupola to continue with our compliance with the Clean Air Act.

This significant capital expenditure and the additional expense of complying with the new provisions of the Clean Air Act will again increase Ward's cost of doing business. Without the imposition of dumping duties on Chinese competitors, Ward is greatly concerned about our ability to stay competitive and to continue in the pipe fitting business.

Therefore, on behalf of Ward's nearly 900 employees, I ask that the commission make an affirmative preliminary injury determination. Thank you very much.

MR. SCHAGRIN: Thank you, Mr. Gleason.

Mr. Fish?

MR. FISH: Good morning, Mr. Featherstone, members of the commission staff. For the record, my name is Tom Fish. I'm the president of Anvil, International. I am joined today by several of my key managers from Anvil,

including Bob Kim, who is my Vice President of Manufacturing; John Martin, who is my Vice President of National Accounts, and Bill Strouss, who is my Vice President of Finance.

I have about 20 years of experience with cast iron fittings, having started with Grinnell back in 1982. Grinnell, now known as Anvil, and I will explain that a little later, being sold by one company to another company.

With Anvil, I am responsible for both the supply and manufacturing businesses which package together various products such as pipe nipples, pipe fittings, hangers, roof products and other assorted products for the sprinkler, mechanical and industrial distributor market. We act as both a manufacturer and master distributor.

In August of 1999, we were sold and we were known as Grinnell Supply Sales and Manufacturing at the time by our parent company Tyco, which has been in the news recently, along with a sister company, Mueller Company, to a Donaldson, Lufkin & Jenrette investment fund. So we are currently privately held.

The reason for the divestiture was that we were not viewed by our parent company at the time as an appropriate division for a growth oriented company, not considered a growth company given our business that we are in.

We are in the foundry business and let me tell you about the two foundries that we had at Anvil. The Columbia, Pennsylvania foundry goes back to World War II and our foundry in Statesboro, Georgia was established back in the early '70s. The Statesboro, Georgia foundry had actually been relocated from New England down to Georgia during that period. At the time that Tyco, our former parent, purchased these foundries from ITT Grinnell in 1986, Statesboro's main product line was non-malleable pipe fittings and Columbia's main product line was malleable pipe fittings.

Even before our spinoff in 1999 to become a privately held company, we had been considering either the sale or the closure of the Statesboro foundry. The continued pressure of import cast iron and import ductile iron threaded fittings worked to reduce the available domestic market demand in a market that we saw during this time period was actually growing.

Even with the closure of three of our major competitors during the period of 1992 through 1996 which were U-Brand, Stockham and Stanley Flag, the demand for domestic product continued to erode, making it less and less cost effective to have a separate foundry make cast iron pipe fittings.

In August of 2001, Anvil finalized the sale of its Statesboro, Georgia plant to a company that was interested

in utilizing that foundry only for specialized casting product and Anvil moved all of its molds and patterns for the production of non-malleable cast iron pipe fittings to Columbia, Pennsylvania. Basically, we consolidated two plants into one.

I must emphasize, and Bob Kim will speak to this later, that if market conditions had allowed us to operate two foundries at high utilization rates, we would have preferred to have two foundries. That would be the direction we would have gone in.

However, our business decision based on the extremely high fixed costs of operating a foundry and the increasing environmental costs of operating a foundry was that it was only possible to stay in the business if you can operate at a high rate of capacity utilization. As your capacity utilization declines, your costs per unit grow and that was our problem.

Even with the consolidation of our two foundries into one foundry we at Anvil continue to face capacity utilization issues. We spent about $17 million to effect the consolidation of these two foundries and reduced the number of total molding lines between the two foundries by 40 percent. Yet we are still not at optimum operating levels and are faced with the prospect of volume levels falling even further as more and more Chinese product enters

the market.

We have seen our profitability fall tremendously on non-malleable pipe fittings over the last several years. We have continued to lose market share to the imports from China.

We believe that the pricing data that the commission will gather will show that Chinese prices are as much as 30, 40, possibly, I've heard, 50 percent below our prices. Because the prices of Chinese non-malleable fittings are often at our cost of raw material, much less our cost of production, we can't lower our prices to compete with these products or we would be out of business, we'd have to close the doors.

On the other hand, consistently lost market share to the Chinese means that we've had to rationalize capacity at the cost of profits and employment.

As a foundry company, we are sitting here today and we have nowhere else to retreat. We have gone from two foundries to one foundry. Our next line of retreat is to exit the foundry portion of our business and focus only on the distribution business. We continue to be a very large master distributor of products for the sprinkler, mechanical and industrial distribution markets. We have six regional distribution centers nationwide, including two in the western portion of the United States, and we compete

directly with companies such as Matco-Norco, Smith-Cooper and Star, who are essentially doing the same thing that Anvil does. The difference is that they are doing it largely with imported products.

On behalf of the approximately 1000 employees in our Columbia foundry of which only about 200 unfortunately work on the cast iron portion of our business, we ask that the cm make an affirmative injury determination that we can keep our Columbia foundry operating and continue to reinvest in that foundry so that we can continue to be in compliance with our environmental standards that we need to meet.

Thank you very much.

MR. SCHAGRIN: Thank you, Mr. Fish.

Mr. Kim?

MR. KIM: Good morning, Mr. Featherstone and members of the commission staff. For the record, my name is Bob Kim and I am Vice President of Manufacturing for Anvil, International.

I have been involved in manufacturing for 23 years and I have spent the last nine years with pipe fitting manufacturing foundries. I was the general manager of the Statesville, Georgia foundry from 1997 until its sale in 2001. At Statesville, we manufactured cast iron pipe fittings and specialty castings for automotive, agricultural and other industrial uses. The cast iron pipe fittings

accounted for more than half Statesville's foundry sales. Statesville was an efficient, high quality foundry and has been considered a model in the industry.

The plant was ISO 9002, QS 9000, and a Ford Motor Company Quality 1 certified foundry. Our cast iron pipe fitting quality was outstanding.

The only reason that this foundry was downsized and sold by Anvil was to remove cast iron pipe fitting production because we could not operate the foundry profitably at reduced utilization rates because of increased imports. We had good people with a great work ethic, but we just could not compete with imports from China.

I was sorry to leave Statesville and am very saddened to see all the employees who have made cast iron fittings for many years at the Statesville foundry lose their jobs.

In order to try to maintain profitability in the pipe fitting area our production of cast iron pipe fittings had to be combined with production of malleable pipe fitting in Columbia, Pennsylvania.

Thank you for the opportunity to testify today.

MR. SCHAGRIN: Thank you, Mr. Kim.

At this point, Mr. Featherstone, we are very pleased that we have two of the major distributors of these products in the United States here to give testimony. We

know that for these distributors who are not making the subject products to take time out of their schedules to come to the commission and both support the domestic industry, but most importantly be here to educate the commission on the sale and distribution of these products, is essential in these investigations and we are very appreciative that Frank Finkel and Bob Clark could join us today as distributors.

I would like to ask Mr. Finkel to proceed.

MR. FINKEL: Good morning, Mr. Featherstone and members of the commission staff. For the record, my name is Frank Finkel and I am President of Davis & Warshow, a distributor of plumbing and heating products, pipe valves and fittings. We are located in New York City with eight locations, seven of which are within the five boroughs. Our company was founded in 1925 and I have been with the company for 30 years.

Our business is primarily focused on selling to contractors. Cast iron pipe fittings are among the many products that we carry. The non-malleable fitting products subject to investigation here are sold by us to sprinkler contractors for use in sprinkler systems as well as to plumbing and heating contractors for use with steam lines that provide steam heat in buildings.

Davis & Warshow typically purchases only domestic materials. Nevertheless, we have been regularly offered

Chinese non-malleable and ductile fittings by master distributors of imported products, including some of those importers appearing later today.

The price of Chinese fittings are 30 to 40 percent less than domestic prices.

I am very aware that some of our competitors in the New York area are handling Chinese fittings and are selling them at prices that are significantly less than ours. Having business as long as we have, we are very committed to a strong domestic supply base for our products. At the same time, no one can ignore the commercial realities of the competition being presented by Chinese products across a broad spectrum of products in our business. It is my opinion that unless the U.S. Government acts to impose anti-dumping duties on these products from China Davis & Warshow may have to purchase Chinese fittings in order to stay in business and be competitive. Of course, even if Davis & Warshow becomes the last distributor in America that supplies and buys only domestic product, it is possible that Anvil and Ward will follow Stockham, Stanley Flag and U-Brand as foundries that can no longer stay in the cast iron pipe fittings business.

Thank you for the opportunity to testify here.

MR. SCHAGRIN: Thank you, Mr. Finkel.

Mr. Clark?

MR. CLARK: Good morning, Mr. Featherstone and members of the commission staff. For the record, my name is Robert Clark and I am President of Clark Sprinkler Supply of St. Louis, Missouri. We are founded in 1982 and we are a distributor of fire sprinkler products to the fire sprinkler industry. We have 13 stocking locations around the United States, including Pittsburgh, Fort Wayne, Chicago, St. Louis, Memphis, Dallas, Oklahoma City, Tulsa, Kansas City, Los Angeles, San Francisco, Portland and Seattle.

We are one of the largest independent distributors in the fire sprinkler industry. We distribute steel sprinkler pipe, non-malleable cast iron fittings, pipe hangers, sprinkler heads and valves as our principal products.

We are a large purchaser of non-malleable cast iron fittings. We prefer to purchase and sell domestic products, however, over the last two or three years, we have seen the Chinese cast iron pipe fittings being offered by other distributors to our customers at 30 to 35 percent below our prices. As a result, Clark had no alternative but to begin purchasing Chinese cast iron fittings in order to be competitive.

Anvil, our principal domestic supplier, has lost a significant volume of business with us as we have been forced to shift more of our purchases to Chinese products.

In addition, we are now seeing in certain marketplaces, Chicago as an example, a lot of ductile fittings being sold by our competitors to sprinkler contractors. These ductile fittings are replacing our domestic cast iron pipe fittings in the same applications and costing us business because they are being sold at lower prices than our products.

What has happened to our business over the last couple of years may simply be a precursor of significantly greater volume of imports from China in the future. As the president of our company, I am aware of a number of importers of Chinese products and a number of Chinese foundries being represented by those importers. Without question, both the numbers of importers and foundries have expanded significantly over just the past 12 months.

As I stated earlier, we like to support the domestic industry in all of our product lines. On the other hand, as a privately owned company, we have a huge investment in our 13 stocking locations nationwide and we cannot afford to be uncompetitive with the distributors who handle Chinese products.

I think it is appropriate for the commission and U.S. Government to level the playing field and give our domestic suppliers the opportunity to compete without unfair import pricing.

Thank you very much.

MR. SCHAGRIN: Thank you, Mr. Clark.

And, Mr. Featherstone and members of the commission staff, in view of Mr. Clark's testimony that at his company one of the domestic producers, Anvil, has lost substantial volumes of sales during this period of investigation to his company's increased purchases of Chinese product, I think it is good to explain that in this kind of case, I know the commission in every case focuses on lost sales and lost revenue allegations, but this case has some unique circumstances in that lost sales area.

Virtually all of the imports in the United States come from just one country, the subject country, China. There are only two domestic producers and marketers of the subject products, Ward and Anvil.

I think it is pretty easy to conclude that as imports from China have increased that the two domestic producers have lost sales. Every unit of product from China could be supplied by one of these two domestic producers. You can see from their capacity utilization rates they have plenty of additional capacity. So we think you will be able to verify significant number selecting official lost sales allegations but really in this case all of the units being imported from China are lost sales for the domestic industry. There are no alternatives for U.S. customers.

They are not going to go to producers in other countries because other countries aren't making cast iron pipe fittings to ship to the U.S. market and they are not going to go to other U.S. producers because these are the two producers.

At this point, Mr. Featherstone, we would be happy to answer the commission staff's questions and I think between the six executives and the two distributors that we will be able to answer all of your questions.

Thank you.

MR. FEATHERSTONE: Thank you, Mr. Schagrin, and to all the witnesses for your presentations.

Ms. Messer?

MS. MESSER: I would also like to thank the panel for presenting testimony this morning.

Mr. Schagrin, I would initially like to go to scope. The scope that you read first off in your testimony, is that the latest scope?

MR. SCHAGRIN: It's our latest. As you know, Ms. Messer -- I'm glad you asked this question because I hear Mr. Sailer laughing behind me and Mr. Sailer worked at the Commerce Department, as I think we all know, I believe as Director of Investigations for part of his time there. And I think it is very unfortunate that the Commerce Department won't let domestic industries really have the

scope that the domestic industry knows is the best for the domestic industry.

We are concerned -- the respondents' lawyers behind me, their job is to find a way to circumvent U.S. laws. I mean, that's their job. And everybody is entitled to a job and every foreign producer and U.S. importer is entitled to have counsel but we wanted to have -- this is a perfect product to have an end use oriented scope because the ductile fittings being sold here to U.S. master distributors and then distributors for the sprinkler market and for the steam line market are the products that are competing with the domestic industry.

We hope that in spite of the fact -- and by the way, we have had in other cases, we have found end use oriented scopes to be the most effective for the domestic industry in preventing circumvention and it's just unfortunate that the Commerce Department seems more concerned with TWO problems because they know now the Chinese will also bring cases to the TWO than they are concerned about relief to the domestic industry by making sure that we have a good scope which prevents circumvention.

So, Ms. Messer, I guess we will find out at noon today what the Commerce Department publishes on scope because it's really their choice. They don't have to accept any language from the domestic industry as the scope, it's

the Commerce Department that controls the language on scope. But we would hope that they will at least publish -- and we voiced in our submissions to the department where we changed our scope, our objections to being forced to change the scope, but we would hope that they would publish a scope that is the scope essentially now agreed to by the domestic industry. But I am afraid I can't fully answer your question until we see it in writing this afternoon from the Commerce Department when they initiate.

MS. MESSER: That was going to be my next question. Have they given any indication whether or not the scope that you have most recently revised --

MR. SCHAGRIN: No, as I think Mr. Sailer can tell you later, the Commerce Department does not inform people in advance of their decisions, so we will just have to see when we get the decision.

We are quite confident, though, and I appreciate working with both yourself and Ms. Noreen, that in the end the like product established by the commission will mirror the scope of the Commerce Department. We don't think there will be anything in the scope that is produced by anyone outside of the industry before you or marketed by anyone outside of the industry appearing before you today and we believe that on the import side you will wind up covering just those cast iron pipe fittings and ductile fittings

which should be subject to this investigation on the scope side and thus on the like product side.

MS. MESSER: Well, considering that there have been many changes since the institution of the case, even after questionnaires were mailed and received, what do you propose the commission look at for import and import penetration?

What source do you believe is the best one for us to look at at this stage?

MR. SCHAGRIN: Well, once again, and we apologize to the commission that scope was -- we would have been most happy to have seen scope not changed one iota from the time of the filing, however, having reviewed the description of the product in your questionnaire which was sent out, we do not believe that you are gathering information, we know in some discussion with some staff over some types of ductile fittings that might be utilized for purposes other than in the sprinkler and steam line markets, first we don't think you are gathering information from importers for products other than those that are in the like product, so we think you can use your questionnaires. What's of concern to us is that we are aware of a number of importers that as yet we have not either received directly nor through the commission the questionnaires from those importers.

Besides the three parties that are present today

as importers, we believe that there are a number of other importers: Pataco, Matco and Norco -- I'm looking in my notes for my lists here -- Morrison Group, Ductilic and Elro that are also importers of these products from China. And so we believe if you can get information from all of these importers that you will have a very good database for having imports and domestic shipments and establishing import market share.

To the extent that you don't receive information from these importers, then we will have to try in our post conference brief to give you estimates or information that you can use as information otherwise available.

MS. MESSER: Looking at the import statistics, how flawed are those?

MR. SCHAGRIN: Well, I invite some of my colleagues -- we think you can utilize them as an alternative, but we do believe in this area of pipe fittings there is a fair amount of misclassification by importers. And, of course --

MS. MESSER: A fair amount? Can you quantify?

MR. SCHAGRIN: No.

MS. MESSER: No?

MR. SCHAGRIN: No, it's difficult to quantify and I apologize, but in the ductile fittings area, we didn't include that data in our petition because ductile fittings

have previously been in broad categories and there's just been as of January 1, 2002 a new statistical breakout for a major subset, virtually all of the ductile fittings that are used in the waterworks applications, and so the data prior to January 1, 2002 would be a combination of data on ductile fittings -- of the subject ductile fittings and the non-subject ductile fittings that are used in waterworks. Going forward, it should be cleaner and we would hope in the future we would have better classification of these imports by importers.

MS. MESSER: Okay. Let's move forward from the scope, then.

In your testimony and in the petition, you discuss the end uses. I believe you stated 90 percent of the market was for the fire protection sprinkler systems, 5 percent for the steam heat conveyance market and in the petition you listed 5 percent other.

Can you indicate what some of these other uses are?

MR. GLEASON: Basically, Ward broke it down as the 95 and 5. The other applications, I know that cast iron is not allowed in what we would consider critical applications. No gas company would allow a cast iron fitting to be used in natural gas or even propane systems.

Other could be bushings and the like, smaller

volume units that are used for pipe reductions that might not be made out of malleable iron, but other is other. It's sort of like we can't really track it, if you will.

We are very specific what we have submitted for Ward with our customers, those are for the most part all fire protection-related accounts.

MS. MESSER: So the 90 percent and 5 percent, that was for Ward only?

MR. GLEASON: We were 95 and 5. I think Tom might have put another 5 in other.

MR. SCHAGRIN: Mr. Martin, do you want to comment at all?

MR. MARTIN: John Martin with Anvil. There is some hardware market items, as Tom Gleason was saying, bushings and plugs, some small items, some small as eighth and a quarter and three-eighths inches are used in the hardware industry for pipe size reductions and just different miscellaneous applications that are small to the total scope.

MS. MESSER: As far as you are aware, the Chinese product, is it pretty much the same breakdown, about 90 percent going to fire sprinkler or is it vastly different?

MR. SCHAGRIN: We would think so, but I'll invite comment from anybody else on the panel.

MR. FISH: Again, based upon our knowledge, we

would think that it would be probably closer to that 100 percent in the fire protection side of the business. That would be our gut feel. That's where we see it, on the fire protection side.

MR. GLEASON: I'd just like say in the New York market, I think Mr. Finkel is seeing it also being used in some steam applications. Again, the predominant market, the biggest market for cast iron is the fire sprinkler industry.

You are unique in terms of steam applications because that's really inner cities like New York that have Con Edison that generates steam and they still heat their buildings with steam. Obviously, you're not going to find that in new cities or any new applications, so that's a kind of a unique niche market, if you will, in the steam, but it is sold there. But the predominant market is fire protection.

MS. MESSER: That's the same for the Chinese ductile as well?

MR. SCHAGRIN: Yes, that is the same for the Chinese ductile fittings as well.

MS. MESSER: And in your testimony, moving on once again to another topic, you indicated differences between the malleable and the non-malleable and in that testimony you discuss separate end uses for each, that they were distinct. Is there a difference in price as well?

MR. GLEASON: Yes, there is a significant difference I price. If we want to -- it's a 50, 60, 70 percent higher price. The costs associated with making malleable iron, including heat treat, the different chemicals, even the different grade of steel that we start the whole process off dictates a higher price on malleable fittings.

MS. MESSER: Okay. I would also like to go to the differences between the ductile fittings that are covered by the scope of the investigation and the ductile fittings that are not covered by the scope of the investigation. What are the differences or similarities between those two types of products?

MR. SCHAGRIN: I'll invite Mr. Barron or Mr. Kim to further elaborate, but it's essentially that most of the other ductile fittings are made to waterworks specifications and are intended to go into waterworks versus these ductile fittings are made in the foundries with the intention that they are going to going to go into the fire sprinkler or steam markets and so they are made to specifications for those uses.

Mr. Barron?

MR. BARRON: The fittings that are covered are made to geometries which are similar to 16.4 in the ASME specification. The ones that are not covered, we have

examples of the groove fittings, if we could have those? Where the system of connecting the two pipes is done through a groove fitting and a coupling and then a gasket which prevents leaking, as opposed to having a threaded fitting.

MS. MESSER: Can I stop you here, please? Can you explain to me what the grooved part of the fitting is?

MR. BARRON: This is a groove here. This right here. And then there are lips -- I'll take it apart.

Inside this fitting is a groove. This groove fits on this pipe like this, this groove and the lip, so they match up and hold the pipe securely.

The gasket then fits on the pipe and this prevents it from leaking, which is a totally different type of connection than the threaded fittings that we're talking about here.

MS. MESSER: Okay. Thank you.

MR. BARRON: Also excluded are flanged fittings that are also made out of ductile iron where the connection is through a flange, a bolted flange, which then it is made leak free by the insertion of a gasket.

MS. MESSER: Okay. Thanks. Can you then continue with the differences between the ductile that are covered in the ductile than that are not covered? I'm sorry to interrupt.

MR. SCHAGRIN: The ductile products have these

push-on ends. Are they similar to these rather than being a threaded fitting? The ductile fittings that have push-on joints for American waterworks?

MR. BARRON: For American waterworks, they are also generally slightly larger fittings than what we're talking about and they have what are called mechanical joint ends or push-on ends and I may need some help with this because I'm not that familiar with mechanical joints. They are American Waterworks Association specified parts and we don't make them.

MR. SCHAGRIN: Mr. Kim?

MR. KIM: Yes. The ductile -- that groove lock right there is made out of iron called ductile iron and AWWA, which is the largest size, is also made out of ductile. The ones that are covered here, we're talking about the ones that are threaded inside to hold the pipe together rather than using a joint of a coupling or flange.

MS. MESSER: Okay. I'm clear on the physical characteristics and uses now. Can you move on then to whether or not there are different producers, whether it's easy or difficult to switch from production from ductile products that are covered and those that are not covered? The whole spiel for domestic like product, if you don't mind.

MR. SCHAGRIN: Let me start because I am familiar

with the domestic like product spiel, having done it just a few times up here, but then I will invite our industry experts to talk about the difficulty of switching between products.

The cast iron will pipe products which have been excluded are made by three manufacturers in the United States. They are Charlotte Pipe, Tyler Pipe and AB&I. They do not make cast iron pipe fittings to the specifications and UL uses that the subject products are. None of those three companies market and I think I'll ask at the end of this the two distributors to just verify to you that those companies who at least Mr. Finkel may also buy products from don't market the subject products and that the two companies here don't market the cast iron soil pipe because they don't produce them.

MS. MESSER: Do they also produce the ductile?

MR. SCHAGRIN: At least one also produces the ductile and that is Tyler Pipe, which also produces ductile fittings and may be, I guess, the largest producer probably of those ductile waterworks fittings in the United States.

MS. MESSER: Can Tyler switch easily from the production of the ductile fittings that are not covered to the ductile fittings that are covered?

MR. SCHAGRIN: Mr. Finkel?

MR. FINKEL: If I could try as a layman to explain

the difference, what we're talking about here in terms of use probably explains it better than going through some of the production issues. First of all, in terms of use, all the products that are subject to this investigation are internal to a building. The ductile fittings for waterworks generally are in the street, the water mains in the street and perhaps a line connecting to the water supply in the building.

The material, the cast iron, that is manufactured by Tyler, AB&I and Charlotte are for a totally different use which is conveying wastewater out of a building. Tyler's production of ductile fittings would be the larger, much larger, pipe and fittings generally in sizes up three inch up to 48 or 60 inch, which you would see when they open up a street and the large water mains coming from reservoirs and whatever the water sources are. And their equipment is very, very large and cumbersome and they wouldn't be able to produce a small fitting like this as well as they have no facility to thread the fittings, which are the basis of the connections of the fittings that we're talking about here.

MR. SCHAGRIN: Mr. Finkel, you did a great job. I would also invite Mr. Kim to talk about the difference in molds that foundries would have to have to make different products.

MR. KIM: The foundries that make -- even if it

were the same foundries, depending on the size of the part, for the Tyler Pipe foundry to make small size fittings like we do, it will be virtually uneconomical to make the part. And also for them to convert the tooling costs, domestic tooling costs, to make a pattern to make that, would cost -- would be in the millions. So for us to convert to AWWA, it is almost impossible, but it is also impossible for them to go the other way and be profitable. And it is different type of machine. They use a lot bigger machine we do and, like Mr. Finkel said, after even if the part is made they do not have the capability to put the threads on the inside to be used in the fire sprinkler industry.

MS. MESSER: Okay.

MR. SCHAGRIN: Did we answer your questions, Ms. Messer?

MS. MESSER: That's great. Thank you.

MR. SCHAGRIN: Okay.

MS. MESSER: Just to make sure that I understood you correctly, in your testimony you indicated that there are to the best of your knowledge, there are no domestic producers of ductile fittings that are covered by the scope of the investigation. Is that correct?

MR. SCHAGRIN: That is true. That is absolutely our testimony and, once again, I think Mr. Clark and Mr. Finkel can tell you that the only two producers of

non-malleable cast iron pipe fittings for these markets that they have been offered product from in the United States since probably 1996 or 1997 when these other producers went out of business are Ward and Anvil.

MS. MESSER: Conceivably, can any other foundry in the United States that produces other products be considered a jobber and, on a whim, produce these products that are covered?

MR. SCHAGRIN: I would say, and I'll invite Mr. Gleason and Mr. Fish to talk about jobbers, there are some small foundries who can make products, including products for Anvil and Ward, as jobbers. They might go to them and say it is not economical for us to make a very small amount of a very special size, so we'd like you to make it for us as a jobber.

However, we don't believe that any of those very small foundries, and there may only be one of them, in fact, that could make products for Anvil and Ward as a jobber would ever market the products to the marketplace. They would only produce as a jobber under contract for Anvil or Ward and then Ward would sell the products and so all the domestic industry sales would be accounted for in your information.

MS. MESSER: Sales, yes, but production?

MR. GLEASON: I'll talk to that. On the cast iron

threaded fittings, there's thousands of SKUs. Both Anvil and Ward, we run high volume, very fast foundry operations. Our mold lines are automatic, they're fast, they go quickly.

We do job out I would say 1 percent or less of some of these items to a foundry called Buck in Pennsylvania. They also make cast iron but as a jobbing shop. They basically will make parts for anybody. You come to them if you want a door -- Vermont Castings builds stoves or fireplaces and they want cast iron doors for their front, Buck would make that for them. They'll make anything. And we went -- there are certain items that you might only sell 50 pieces a year. It doesn't pay to put it on an automatic molding line because the volume is so small.

About six years ago, we got rid of what we call our side floor operations. These were handmade parts, where one man would physically fill a flask with sand, put a pattern in it, stamp it, stomp it, put it on a very small, slow operation. It wasn't economical for us because we would also have to take care of the air quality in that area. Buck was already set up for that.

Will Buck go into our business? No. Because they're missing 99 percent. The patterns that are at his foundry we own and also Anvil owns. He can't run them, my pattern, for anybody else or himself. It's just a small jobbing shop. That's all it is. For economic purposes.

MR. SCHAGRIN: Mr. Fish?

MR. FISH: Just to reiterate what Tom Gleason said, I mean, we also job out a certain number of our very low volume items, again, less than 1 percent, where we don't believe it's economical for us to do it. We have the same type of foundry, we have fast machines, automated machines. When you have to change over a machine, put in a new mold, take out another mold, initially whenever you do that, you run some scrap and if you're only making 25 items, it's not economical. You're better off doing it on a hand molding operation or a squeezer operation that is set up for low volume items.

If you were to find another jobbing foundry that would want to do that, they would again -- to get into this business, they would need to spend millions of dollars on patterns and if they didn't have automated machinery, their costs would be very uncompetitive.

MR. SCHAGRIN: So, Ms. Messer, just to follow up on your question, I think then with Anvil and Ward's responses, you would have 100 percent of shipments and sales, you might only have 99 to 99.5 percent of production. I think that's still an excellent response rate for your investigation.

MS. MESSER: Thank you. I'd like to go to the part of your testimony when you discussed the response rate

of the China foreign producers. In your petition, you stated there were like thousands of foundries in China, but you didn't indicate an estimate of how many actually produce the subject merchandise. Do you know? Can you estimate?

MR. SCHAGRIN: We don't know for sure, but since the filing of the petition, we have been working with the industry on trying to get some better ballpark estimates and I think our ballpark estimate at the present time is probably in the range of 50 foundries in China that could produce the subject products. And I would invite anyone also on the panel if you have anything to add to that about the Chinese foundries.

MR. FISH: It's very difficult for us to determine that number. I mean, I get faxes every week from various Chinese sources saying we have this product and we'd love to sell it to you. When you go to find out, you know -- that's the people that are selling it. When you go to find out where they're getting it, I think they're getting it in many different places and I think those places change. I think today they could be making this, if the business stops, I mean, they may move it here. And I think this business moves on a regular basis.

MS. MESSER: From that, can I assume, then, that it's easy for the China to switch production back and forth between products?

MR. FISH: I think that what you can assume over there, with the cost of labor and the manual methods that they use, their costs to make molds and to have the labor to make the product is significantly less than ours. And, again, what they are dealing with is floor molding, that went out in the United States -- when, the '20s, '30s? I don't know. I mean, they basically take -- they're taking these patterns and it's kind of an art form and they put the molds in the ground and pour the metal in the ground. And it can be done inexpensively.

Now, is it safe? Is it environmentally friendly? We think not, that's why we've gone to the automated process.

MR. SCHAGRIN: And, Ms. Messer, while I'm not an expert on this industry, I think I can add that certainly many of the Chinese foundries similar to Anvil and Ward could switch between malleable cast iron fittings and non-malleable cast iron fittings including ductile fittings, so that is not a difficult switch. It happens that in the United States Anvil and Ward are also the last two remaining producers of the malleable cast iron pipe fittings as the -- there may be a third, a very small company, Jefferson Union, which I note is in a footnote in the commission's sunset review report from February 2000, but that would be the primary switching among products. We don't think that even

Chinese foundries would be switching from these types of fittings into large ductile waterworks fittings. That would probably require a whole different set up, so the foundries that are making these products are going to be dedicated either to making these products or making malleable cast iron pipe fittings probably as their major alternative.

MS. MESSER: Okay. Thank you. I have no further questions.

MR. FEATHERSTONE: Mr. St. Charles?

MR. ST. CHARLES: Thank you, panel, for your testimony. It was very helpful. I have only a few questions.

If you have a sprinkler system that currently is using the U.S. domestic fittings, is there anything to prevent in that existing system replacing the broken or defective U.S. fitting with a Chinese fitting?

MR. GLEASON: None whatsoever. The parts are totally interchangeable.

MR. ST. CHARLES: And if I understand correctly, the reason you would not in a sprinkler system use a malleable is cost considerations?

MR. GLEASON: Yes. Malleable fittings are much more expensive than the non-malleable product.

MR. ST. CHARLES: But it would function in the application if it were the right configuration?

MR. GLEASON: Sure. Yes.

MR. ST. CHARLES: And I was interested in the technology differences and the manufacturing differences. You touched on it a bit between the U.S. highly automated and I am assuming in China there isn't anything approaching that degree of automation? I say assuming from what you've said, not from anything else.

MR. FISH: Again, I said that, I'm generalizing. I am aware of production machines similar to ours that have been sold into China, though I do believe that they are moving towards more and more automated systems, when I generalized that was based upon my knowledge that more of it is of the older type that we used to do in the States in the '30s and '40s. But, as I said, the machines that we run are called diesels. They are large automated molding machines, costing somewhere between a million and five million dollars apiece and I know that some of them have been sold in China.

MR. ST. CHARLES: And I assume if they are using that that they would have the same difficulties that you would have to switch in and out of the industry.

MR. FISH: Absolutely. If they're using the same machine, they'd have the same changeover issues we would have.

MR. FEATHERSTONE: We're having trouble picking

you up.

MR. FISH: It's not working? Maybe I need to get closer. Sorry.

MR. ST. CHARLES: Okay. That's all my questions. Thank you very much and thank you for coming to town to talk to us.

MR. FEATHERSTONE: Ms. Preece?

MS. PREECE: I guess I have a few questions.

You talked about distributors but then you said you were a master distributor, so I'm not clear as to what the distributor system is like, whether there are master distributors and then lower distributors.

Who do you sell to as the end users? Are they hardware stores ever? Are they -- you say mostly it's the sprinkler system people, but who else are you selling to?

And where does the competition then from the Chinese occur, at the master distributor level, at the distributor level? So if you can go into that a little bit for me.

MR. FISH: Well, let me -- first of all, let me try to define a couple of those terms. We consider ourselves to be a manufacturer first but we also run six regional distribution centers and we take products from our fittings plants, our nipple plants, forged steel plants, and we put them into these distribution centers and we offer a

variety of products, pipe nipples, all of those products, to our customers which are distributors. So they can come to us, they can say, well, we need this, this, this and this, the products that we make.

We consider ourselves to be the master distributor. We do not sell generally speaking direct to any contractor, that's what they do, they sell to the contractor. They are selling the product to various contractors.

There are other master distributors in the country that basically focus on foreign product and they will take that same product offering, it may be a little different here and there, maybe some additional products we don't make, they will go to both of these guys as well and try to sell the foreign product to these distributors, who then would sell it to the contractor.

Frank, if that's not clear, maybe you could help me.

MR. GLEASON: If I may add a little bit to that, Ward also is only a manufacturer. We have inventory locations, about 22 of them, throughout the United States, as Tom has six. But the only sale -- where the sales transaction takes place is to a wholesaler, what we refer to -- to us, wholesaler and distributor are kind of

synonymous, but we only sell to the wholesaler. We do not sell to any sprinkler contractor, we do not sell to anybody that installs the product, so we're from the manufacturer to a wholesaler, the wholesaler to the contractor.

What the imports have is in lieu of the manufacturer we can put in the term importer or broker. The importer or broker has many of these same locations of themselves. They in turn from these locations will sell to a wholesaler or distributor. So in that, it's absolutely synonymous. The way they go to the market is exactly the same way. There's a little bit of terminology, all you have to do is substitute the word manufacturer for importer or broker.

MS. PREECE: So you basically -- to clarify this, you wouldn't say there is a master distributor level, there is at that level either the manufacturer or the importer who sells then to distributors and they would then sell to various sprinkler manufacturers and waterworks people -- I mean, steam people and stuff like that?

MR. GLEASON: Yes, that's correct.

MR. SCHAGRIN: That's correct. So in your terms, the competition between the imports and the domestic industry are at the distributor level, with both competing to make sales to distributors and we believe with neither making sales directly to contractors or end users, but

everyone going through the same distributor network to get to the eventual end users.

And if Mr. Finkel or Mr. Clark would like to add anything to that, please feel free.

MR. CLARK: It's pretty simple, the food chain, manufacturer, distributor, contractor. That's it.

MS. PREECE: I was just working in stainless steel rod where they had all these different things we were supposed to keep track of, so I just wanted to make it clear how it goes and then we are very happy to hear that it is so simple.

Okay. Can I go to lost sales, then? You mentioned lost sales and yet I don't have any evidence of seeing any lost sales and I'm kind of confused about that, so I actually don't want you to answer unless I am mistaken and I'm not seeing things that are there in the record.

I just don't see them. I mean, you know, as far as the lost sales as we request them.

MR. SCHAGRIN: In the petition and in an amendment to the petition, we provided information from the two petitioners as to a number of large accounts and an estimate of the volumes at these large accounts that they had lost to the imports. They quantified the amount of lost volumes. They gave you the names of the accounts and contact folks, as would be a lost sale allegation.

What they are unable to do, so it doesn't follow the format of the ITC's questionnaire, is they can't give you the specific pricing of the Chinese product to the distributor to whom they have lost the volume. They know the Chinese price is significantly less than their price, they know that these distributor customers have purchased Chinese product in place of their product and that's why they've lost the sale and lost the volume.

What they haven't been able to do under these circumstances is to give you the exact Chinese price offered to the distributor.

MS. PREECE: I seldom expect that you'll have an exact, but I didn't see the actual product being lost, I only saw sort of an average and I really need to have a product so that I can call people up and say, you know, of so and so size. That's where I had a problem, not the Chinese price. And let's go -- I mean, I don't want to fight with you about that --

MR. SCHAGRIN: No, I think this is important, Ms. Preece, because in fact -- you're right, they gave the volume lost because I think we gave some -- in one of the amendments to the petition for Commerce to determine that -- we had chosen some significant volume products for doing our dumping calculations, I think you can note that these producers might sell a combination of sizes and shapes,

elbows, Ts, reducers, Ls, that even though they're only a quarter inch to six inches, it could be 400 or 500 different items in combination and so they're selling this large combination of items to these distributors.

What they weren't able to do is say, well, we lost 17,000 units of one-inch. What they know is because that's the way this marketplace takes place, they know that to a distributor they had 100,000 fewer units of sales than they did the previous year and that the distributor is buying Chinese product.

So I might suggest, and once again, I know not everything always fits in sometimes the exact boxes, that maybe it would be appropriate, given the conditions of competition in this industry, to tract lost sales on the basis of not specific products, but to say have you purchased Chinese product instead of domestic for price reasons and can you verify to me that, you know, you reduced purchases from domestic producers by 100,000 units, a thousand tons, whatever it might be.

I recognize it's difficult.

MS. PREECE: I mean, the problem I have is I'm not allowed to say the name of the companies, I'm not allowed to do this, and if I don't have a name of a --

MR. SCHAGRIN: There's only two here.

MS. PREECE: I know. And if you say -- if you

guys say, okay, I don't care if I say the company names, then I'll go out and I'll do it, but without a company's name and no product, I'm really -- you know, kind of asking sort of bizarre questions. And don't answer me now, but I just -- that's where I stand on this right now. I guess I'm giving you a bit of a lecture, but what better time than this?

MR. GLEASON: On behalf of Ward, we can show by unit every item that we've sold over the last period of time and the decline in sales by unit. Dollars might be another issue because of the valuation issue that Roger had talked about.

As a foundry operation, when I put together a business forecast for my company, they don't want to know dollars because dollars are subject to market price and market conditions. We run a foundry by units, how many units are you going to make or how many tons of product are you going to make.

If there is any confusion on behalf of Ward with what we have submitted, I would gladly share anything that you need to know in terms of volume that we have lost over the past period of time.

MR. FISH: I would just add the same. We know the units by item that we sell and produce. We have that information.

MS. PREECE: Okay. Because I have not been able to use the lost sales information that you have given me and I -- you know, since you did mention it and say that it was important, but it's very important for me in the case of lost sales to be able to check back to the producer. I'm not going to say anything more on that, I'm not going to let you say anything more on that.

MR. SCHAGRIN: We'll get back to you and we don't want to let it go because this is about the best lost sales case, you know, we've had in the last ten years. So --

MS. PREECE: Great. Well, I would love to have information that I can use for lost sales, but I really need to have it that I can use.

Okay. Now, gray versus ductile. What are the advantages and disadvantages of gray versus ductile?

MR. GLEASON: For the applications that are being used here, in a fire protection system, it's really not an advantage, it's basically where is the product being used and does it meet the minimum requirements of the application.

In a fire protection system -- like we had mentioned previously, you could use a malleable iron fitting. Why would you do that? It costs more. If a cast iron or a gray iron fitting is adequate to meet the requirements of the installation or the job, that's really

what determines what you use.

In this case, ductile iron has different characteristics than gray iron, but it's being used in the same application. Both meet the minimum requirements of the application. Therefore, there's really no difference in that regard.

MS. PREECE: I have trouble with the minimum -- you know, if you meet minimum but you may be above minimum -- you know, maybe easier to install, maybe --

MR. SCHAGRIN: You might hear some of that later this morning, but it won't be true, so I'll ask Mr. Clark -- I mean, really, we have -- it's just simply not true. But I'll ask Mr. Clark, does it make a difference? You have 14 supply centers, does it make a difference as to whether you are selling cast iron or ductile iron fittings to sprinkler contractors?

MR. CLARK: No. And I know you don't want to talk about your previous subject, but I might be able to make it a little easier for you.

You're kind of zeroing in on the manufacturers and they have a little bit difficult time maybe, but if you were to speak with fire sprinkler distributors and the simple question you ask them is do you handle an imported cast iron fitting then you would be on the road to determining what type of volume that you're talking about. Because in our

industry and in my case specifically, every cast iron fitting that I buy is for fire sprinkler and we have bought China cast iron product and those sales came right out of Anvil's pocket, plain and simple.

So if you were to make a determination of those distributors, it might be a little easier for you to understand the lost volume.

MS. PREECE: Okay. Thank you.

And the ductile and the gray are only available basically from China, perhaps a little bit from Taiwan?

MR. GLEASON: Getting back to your question about is one easier or not to install, the characteristics, both have an ANSI B16.21.1 thread. That's how it's installed, it's threaded on the pipe. There is no difference. You need a pipe wrench, you need pipe dope, you put it on the end of your pipe, they are installed identically, whether it's ductile iron, gray iron, malleable iron. The installation practice, if it's a threaded fitting, it's the same.

Are there different chemical and physical characteristics between the two products? Of course. I mean, ductile iron is totally different and if you would like we can get into it, but -- Kevin is really good, but, oh, my God -- but there really is no difference in terms of where the product is being used.

MR. FISH: Your next question was where is it coming from?

MS. PREECE: Yes.

MR. FISH: China, primarily. Taiwan, there is still some coming there, my understanding of that whole business is China, out of Taiwan. Those are the two areas I know where they're coming from.

I think at one point in time in the last ten years I did see some from India.

MR. FEATHERSTONE: Could you pull the microphone, Mr. Fish?

MR. FISH: Oh, I'm sorry. I think I did see something from India, but we haven't seen that much.

MS. PREECE: Okay. In the questionnaire, we asked this question but unfortunately you had trouble answering it, so I'll ask you in a way that maybe you can answer. What is the share of the cost of installing a sprinkler system that is those pieces, these non-malleable cast iron pipe fittings?

MR. SCHAGRIN: We'll let the distributors answer that. I think the reason the manufacturers couldn't answer that is the manufacturers, I think you heard earlier, Ms. Preece, never sell directly to a sprinkler contractor, so maybe Mr. Clark, if you could try to estimate?

MS. PREECE: Vague is fine.

MR. CLARK: Vague is probably what you'll get. We don't design the systems, we supply the material. So it really -- every system is different. You may take a warehouse and primarily these type of fittings are used. An office building like this, you would probably find these.

Basically, you have a sprinkler head every ten feet, so there's a fitting pretty much every ten feet. It just depends on the particular installation.

MS. PREECE: Ten percent? Twenty percent? Five percent?

MR. CLARK: I'd say 5 on the outside.

MR. SCHAGRIN: Mr. Finkel, would you like to speak on the record?

MR. FINKEL: I would say 5 percent because what you have in the fitting, you have the pipes connecting the fitting, you have the sprinkler head that connects to the fitting and you have the labor that goes into it. And certainly the fitting is one of the smallest parts of an operation or an installation, rather.

MR. SCHAGRIN: And, excuse me, I would imagine that the labor would probably be the most expensive part of the cost of installation of a sprinkler system.

MR. FINKEL: Probably, yes.

MS. PREECE: And also the steam heat system, would that be a similar kind of thing, Mr. Finkel? Because you're

the one who does that.

MR. FINKEL: That's a little bit different because there are more fittings involved in a steam heat system, but if you include in the steam heat system the radiators, then certainly it's -- labor is probably the number one cost and the fittings themselves can't be more than 5 percent of an installation.

MS. PREECE: That's all I need to know about that. Thank you very much.

This code stuff, how difficult it is it for the Chinese, for example, to get their equipment up to code?

MR. KIM: You mean environmentally?

MS. PREECE: No, the UL code.

MR. SCHAGRIN: No, meeting the U.S. codes and getting UL certified in China.

MR. KIM: Oh. It is really -- both the UL and FM have offices in foreign countries like in China, so you need to apply for it and it is really very easy for them to get it.

MS. PREECE: Are the same pieces used in the heating systems as in the sprinkler systems?

MR. FINKEL: Yes, the same basic systems -- the two systems use very similar materials.

MS. PREECE: How common is Buy America? The choice that you only buy U.S. product? Union labor that

expects to work with U.S. product? Surely it's probably more in New York than in some areas.

MR. FINKEL: I can only speak for New York, but with union contractors in New York, certainly that's their goal. However, in the last ten years, the percentage of union versus non-union contractors that we sell to has gone from 85 percent to 50 percent and therefore there are many non-union contractors who do not subscribe necessarily to the Buy America deal. I think that in recent months we have a little more of that than we did prior, but among non-union contractors, that is not a priority.

MR. GLEASON: In general, on a nationwide basis, I'd say we're probably 5 to 10 percent might fall under the preference that they want to -- if there's government jobs or state jobs, generally 5 or 10 percent.

MS. PREECE: And then you would add to that, the union, or would that overlap with the union?

MR. GLEASON: Generally, on the state jobs or government jobs, they usually have a union contractor doing it. That's been their forte for a lot of years. The unions are concerned about market share as well. I mean, they're competing with non-union contractors, so they're looking at all of their cost structure, so anything that they buy or use or equipment and so forth is subject to competitive pressure.

MS. PREECE: A number of people have mentioned other possible pieces that could be used in place of non-malleable pipe fittings including plastic, copper, stainless steel. Are these legal? Are these reasonable substitutes?

MR. GLEASON: In terms of the marketplace, again, we're back to what is the application. Fire protection systems are generally wet or dry, they either have water in them or it's a dry system where the sprinkler head goes off at which point in time the water does come into the system and put a fire out.

Could you use stainless steel? Sure. Could you use titanium? Sure. I mean, you could use any material, provided it meets the minimum requirements of the specification.

In commercial construction, you rarely will find plastic fittings, primarily because you have exposed systems and if you have a fire the plastic is going to melt. Residential fire protection systems, has become popular. Single home fire protection systems, has become popular. In those residential, what they call light hazard applications, you could use plastic. It depends, but it's the building codes, it's the standards, the BOCAs, the CAPOs, these are the people that establish the requirement.

Can you use plastic pipe in a single residential?

Yes. Can you use plastic pipe in a multi-story? No. It has to be steel pipe.

MR. SCHAGRIN: Mr. Barron, do you have anything to add in terms of specifications or requirements, building code requirements?

MR. BARRON: No, I would agree with what Tom Gleason said, that you can -- it becomes an issue of cost. Typically, steel pipe and gray iron fittings are the low cost way to achieve the standards and specifications designed by the architect who then needs to comply with local codes such as what the fire marshall may require.

MS. PREECE: One last question. How about seasonality? Is the demand for these products seasonal or any other kind thing of like that?

MR. SCHAGRIN: Do we have seasons any more in this country? If the China would stop polluting the environment, we could have season again.

Let me ask Mr. Fish or Mr. Martin as a sales person to respond if there's any seasonal salability.

MR. FISH: To the best of my knowledge, no. Not in the fire sprinkler business. Historically, you know, in the winter months, in December, January, business turns down anyhow, but I don't think it's seasonal per se for that reason. I don't know of any seasonality.

MR. MARTIN: That's true. Typically, across the

country, if weather is affecting one side of the country, the contractors maybe get a little slow or have lag time but basically they're busy all year long with either residential construction or light commercial or non-residential construction.

MS. PREECE: I'm sorry to lie, but I have one more question.

Repair versus new installation. What's the share of material that goes into repairing things to new installation?

MR. CLARK: The majority, probably 99 percent, is new systems.

MS. PREECE: Thank you.

MR. FEATHERSTONE: Mr. Van Toai?

MR. VAN TOAI: Good morning. I'd like to ask some questions regarding the standard. In your scope, you mentioned quite a few applications for -- you mentioned only the standard ASTM, A-126. Are there any other ASTM or ASME, AWWA standards that either we produce or the China produce being ductile iron casting? Are there any other standards that we should look at apart from the A-126 that you mentioned in the scope?

MR. BARRON: The A-126 is the gray iron standard.

MR. VAN TOAI: Right.

MR. BARRON: And is the standard that is required

by an ASME specification, B16.4.

MR. ST. CHARLES: A16.4?

MR. BARRON: ASME B16.4. If you make a fitting which conforms to the geometries specified in B16.4 out of ductile iron, you then leave the scope of B16.4 and are into something that's not defined by an American standard. However, UL or FM may establish performance requirements which the ductile iron fitting would certainly meet.

The ductile iron specification, I don't know if the Chinese produce to American standards, whether or not they would produce to an ASTM standard or not, but it would -- there are many different ductile iron standards that they could produce to.

MR. SCHAGRIN: And, Norman, I would just add based on certainly no metallurgical qualifications or professional knowledge of the standards in this area, but we have seen a number of the offerings of Chinese ductile iron fittings for the fire sprinkler market saying that the products are being produced to an ASME B16.3 specification. And my understanding from Mr. Barron is that regardless of the specification the fittings are produced to that all of the fittings in this area must be threaded to an ASME B1.20.1 specification regardless of whether they are cast iron or ductile iron.

MR. VAN TOAI: My second question is come back to

a question that Ms. Preece had mentioned before, the difference between gray and ductile iron fittings. I believe that ductile is different from gray because of a little bit of magnesium in ductile iron casting. Is that correct?

MR. BARRON: It's actually more than that. What the addition of magnesium in molten iron does is cause the graphite to from into what's known as --

MR. VAN TOAI: Sphericals.

MR. BARRON: Spheroids. Correct. Spherical. As opposed to having flake graphite in gray iron.

MR. VAN TOAI: Yes. Now, that would give rise to some kind of difference in physical property, like yield strength for example. Gray iron is not known for having yield strength, whereas ductile has yield strengths of malleable cast iron. So therefore there is a big difference between the two, I believe. Is that correct?

MR. BARRON: Yes, that's correct. Gray iron is a brittle material and ductile iron, of course, is a ductile material.

MR. VAN TOAI: So there are some differences in physical property and applications up to iron fittings castings.

MR. BARRON: That's correct.

MR. VAN TOAI: Yes.

MR. BARRON: However, what we are talking about is meeting a minimum requirement as specified by ASME standards and the standards were developed for gray iron. Ductile iron certainly has greater physical characteristics in tensile yield and elongation. However, the standard was developed using gray iron, so gray iron is certainly adequate. That is what the standard was developed for.

Ductile iron has greater physical characteristics, but fittings are used for mechanical connections and as long as the threads are right, the geometries are right, you have produced a fitting which is fully substitutional for a gray iron one.

MR. VAN TOAI: But I would guess that -- I'm sorry, did you want to add --

MR. SCHAGRIN: Could I just add, Mr. Van Toai?

MR. VAN TOAI: Sure.

MR. SCHAGRIN: Just because when Commerce and Customs are reviewing later enforcement of scope, the ITC's record is something they can turn to, and so I just wanted to make sure that it is on the record that while you stated that the cast iron and ductile have different physical characteristics, we believe in terms of the fitting the physical appearance and the characteristics and the sizes are in fact very similar. The differences are actually, from our perspective, a metallurgical difference, not a

physical difference. And in terms of uses, the fact that the ductile has greater yield strengths, which it certainly does from a metallurgical perspective, doesn't change in any way the uses of these ductile fittings which are going into the same fire sprinkler or steam line applications as the cast iron fittings.

MR. VAN TOAI: I would guess that if I had to design a sprinkler system for fire protection I would like to watch certain -- I would like to demand certain physical properties like the ability to withstand the heat, the torsion, the deformation, the flexibilities because when a building is, for example, under fire it is subject to a lot of abuse on the system and you want a system that can withstand that, that has the property, the flexibility, the ductility to withstand that.

I just wonder whether really it has the facilities, if you pull down, say, about 2, 3 percent, the strand is about 2, 3 percent, it might not come back to the same original shape. And is that a desirable characteristic for a fire protection system?

I say this with all due respect for your own experience, having made the fire protection system equipment for so many years, but I just wonder whether ductility have better properties in terms of withstanding the shock of fire.

MR. SCHAGRIN: I would ask Mr. Barron or Mr. Kim to answer it from a technical perspective, but then I would also invite Mr. Finkel and Mr. Clark to address that since they are dealing with sprinkler contractors every day and know what sprinkler contractors are requesting of distributors in this product area.

Either Mr. Barron or Mr. Kim, if you would like to speak to the qualities of the product you are producing for the fire sprinkler market.

MR. KIM: I think in a fire sprinkler system, I believe it really doesn't matter whether it's gray iron or ductile because when, as your example, say if it's under fire, if the fire is hot enough to melt either the gray iron or ductile iron, the fire sprinkler system is not going to save it.

Secondly, if you want flexibility of movement to hold a fire sprinkler system intact, it is not the fittings that hold it together, it is the hanger system that allows it to sway back and forth. So I'm sure there's a benefit, that there's a metallurgical difference between the two, but from the application point of view, I think you will achieve the same thing. It really doesn't make any difference.

MR. SCHAGRIN: Thank you.

Mr. Clark, Mr. Finkel, please?

MR. CLARK: Really, nobody at this table has set

the standards. These people that manufacturer them manufacturer them to something that was given to them so it is somebody else in authority having jurisdiction and engineers somewhere came up with the standards. They're complying with the standards.

MR. VAN TOAI: Right.

MR. FINKEL: I would just say that based on the amount of work that we do, the cost to the contractor is what's important and the cast iron fittings are the least expensive that meets the standards and that's what they utilize and specify to us.

MR. VAN TOAI: Yes.

MR. SCHAGRIN: And I would also add, Mr. Van Toai, to the extent -- and I don't think you will find anyone at this table, manufacturer or distributor alike, admitting that the ductile fitting is any way a better fitting than the cast iron fitting for the intended uses and to meet the specifications of the products. But if one hypothetically admitted that it was a better product and gave sprinkler contractors more ductility, more strength, higher yield strength, one would at the least expect that it would sell at a price higher than cast iron pipe fittings and yet we believe that all the information in the marketplace is that the China foundries and the importers of Chinese products market ductile fittings and cast iron pipe fittings at the

exact same prices so that they can undersell U.S. produces of cast iron pipe fittings.

So there is certainly, from what economists would look at in a marketplace in terms of, gee, if you were getting a better product with better performance, you would expect higher prices, there is no evidence on the record that either China manufacturers or importers of China product are in any way trying to market this product as here is a better product that is worth more to you than a cast iron pipe fitting. They are saying here is a product that substitutes for cast iron pipe fittings and we can give it to you for 30 percent less than U.S.-produced cast iron pipe fittings.

MR. VAN TOAI: In fact, is it true that in the U.S. ductile iron casting is more expensive than the gray iron casting because of the inoculation of magnesium into it during the molten state?

MR. SCHAGRIN: I think without question and maybe Mr. Kim could give an estimate of those different costs.

MR. KIM: It is definitely more expensive to make ductile. One, because of the chemical additions to make it. There are certain restrictions to make ductile, you cannot hold the molten iron past a certain time because it loses its characteristic and it will not become a ductile when you pour it. And also at the same time ductile requires -- I'm

going to say a longer cooling line, meaning you need a bigger machine to make ductile and in the process point of view, ductile is more difficult to process after the casting is made.

MR. VAN TOAI: I'll ask you a general question now. In the year 2000, the total shipments of gray iron casting is much higher than the total shipment of ductile iron castings in general, including the fitting used in the car industry, in utilities, in agricultural sectors. But at the same time the shipment for pipe fittings 14 inches, of size 14 inches and less, that's the only information I can have, of ductile iron castings is four times as much as gray iron. Can you help me understanding why there is such a big difference between the general industrial application and the fitting applications?

MR. SCHAGRIN: I'll ask some of the producers around the table and distributors to help, but I think one of the reasons for that is that these have both been strong markets, both for fire sprinkler and the waterworks products. There is a lot of just I would say general information about significant investments in revitalizing waterworks throughout the United States because we have old systems and they need to be repaired and unlike the fire sprinkler market, where it's almost all new, I believe much of the waterworks business is actually for repair rather

than new. And since these ductile waterworks fittings are generally much larger than the cast iron pipe fittings, even if you had the same growth, you would have more growth in ductile because they're so much heavier.

But it's probably been a market that has been growing faster because there is so much need for repair of the waterworks system and if anyone --

Maybe, Mr. Finkel, you're in the business --

MR. FINKEL: Yes. If you take a look at housing starts, you can get a handle on the AWWA material because they have to bring a water main to the street. Also, I would submit that if you looked at the sewer treatment plants that are being built in this country, we are much more aggressive with that today. There are huge amounts of ductile material specially coated going into those plants. So I would think that for those reasons you would see some very large tonnages in AWWA material.

MR. VAN TOAI: Thank you very much. That's all for my questions.

MR. FEATHERSTONE: Mr. Fry?

MR. FRY: I don't have any questions of a non-confidential nature. What I will probably do is to contact you, Mr. Schagrin, or the parties individually and deal with it that way.

MR. SCHAGRIN: We would be happy to answer those

and if you could give them to us this afternoon, since the post-hearing is due on Tuesday, we will endeavor to get you that confidential information in the post-hearing brief.

MR. FRY: Thank you.

MR. FEATHERSTONE: Ms. Noreen?

MS. NOREEN: Bonnie Noreen with the Office of Investigations.

These fittings that you have, these three fittings, the two that look the same, I've got no problem with. The big one, that's -- that's a different shape, but that also is for sprinkler systems, right?

MR. SCHAGRIN: That is correct.

MS. NOREEN: And what's this big grooved one? What is that for? Is that for sprinkler systems also?

MR. FISH: Yes. There's two different methods you can join a sprinkler system -- actually, three. You can weld it, you could use threaded fittings or you can use grooved. So depending on the application of the system, some systems may used grooved, some systems may use threaded. Some use a combination.

MS. NOREEN: And that one is for sprinkler systems, the big grooved one is for sprinkler systems also?

MR. FISH: Generally speaking, that size, you may find some of those. Generally, they'll be a smaller size. We just brought that one as an example, but you will have

two-and-a-half-inch and three-inch and smaller sizes. That would be used in a mechanical system, HVAC system.

MS. NOREEN: Okay. But they have grooved ones that would replace these small ones that you have or could be used instead for these small ones that you have, these small elbows?

MR. FISH: As a practical matter, you would have a water main or mains within a building of larger diameters and then our fabrication shops would fabricate branches that come off that to reach these sprinkler heads. The threaded fittings would be the fittings that were used in the branches and in many cases on the mains. However, grooved fittings could also be used on the mains, certainly not on the branch lines.

MS. NOREEN: Not on the branch lines?

MR. FISH: That's correct. Because the groove fittings are in large diameters than the threaded fittings are.

MR. BARRON: Okay. So companies like Victaulic which makes the grooved fittings, correct?

MR. FISH: Yes, they do.

MS. NOREEN: The product --

MR. FISH: Along with us.

MS. NOREEN: Do you make any grooved fittings that are for the sprinkler systems, then?

MR. FISH: Yes, we do offer a grooved offering for sprinkler systems. And, again, you would have to look at the system. I think the system that Frank is talking about, typically a grid system for a warehouse is going to be prefabricated in a fabrication shop, it's going to have fittings put on it. It's the most cost effective way to keep your labor down on that type of a system.

There are certain applications which maybe, Bob, you can talk to where you would use certain grooved items of different sizes. We go down --

What's the size we go down to, Bob, on the grooved? One and a half, one and a quarter. That happens to be, I believe, a one-inch right there. So smaller items are threaded.

MS. NOREEN: And what about Victaulic? How small do they go for their grooved fittings?

MR. FISH: I believe it's the same.

MS. NOREEN: Three-quarter inch? So smaller than that? No? Wasn't that an inch?

MR. SCHAGRIN: These are one-inch.

MR. FISH: Those are one-inch.

MS. NOREEN: Those are one-inch. Isn't three-quarter inch smaller than one-inch?

MR. SCHAGRIN: Absolutely.

MS. NOREEN: Okay. So the grooved can go smaller

than these. Okay. But what are we -- what's our smallest size for the scope?

MR. SCHAGRIN: One-quarter-inch.

MS. NOREEN: One-quarter-inch? Okay. I had somebody tell me, I can't even remember who it was now, but somebody told me that for sprinkler systems, the grooved was actually the bulk of the pipe fittings, so what you're telling me is that's not correct?

MR. SCHAGRIN: I think we can certainly Mr. Clark and Mr. Finkel answer that. I think that's definitely incorrect, but they're the experts.

MS. NOREEN: Okay.

MR. CLARK: As Mr. Finkel said -- and when the person you spoke with mentioned bulk, a lot of times the large pipe bringing the water through the building to the location that's sprinkled is called bulk main and that would be eight-inch, six-inch, four-inch and typically you would use this type of pipe joining system to get your water there.

What we see typically is once you get down two-inch and below, for labor reasons or installation reasons, they prefer to thread it.

MS. NOREEN: Okay. Two inches and below prefer threaded but our scope goes up to six inches.

MR. CLARK: Mm-hmm.

MS. NOREEN: So for that scope that is from two inches to six inches, actually that's more grooved in the market than threaded, you would say, for sprinkler systems?

MR. FISH: Yes, I would think that for sprinkler systems that you would have more grooved product there. One of the reasons that grooved product wouldn't be used even though it might be made in smaller sizes is the material cost is much, much higher for grooved material than the threaded material.

MS. NOREEN: Is grooved material all ductile or is there any gray grooved material?

MR. KIM: I am not aware of any gray iron grooved product.

MS. NOREEN: Is there any grooved coming from China, do you know? I know it's not subject, I'm just curious.

MR. FISH: Yes, there is.

MS. NOREEN: There is?

MR. FISH: Absolutely.

MS. NOREEN: Okay. Mr. Fish, when you talked about the Statesboro plant going out of business, I think you said that about half of its production was pipe fittings and the other half was for other foundry products. Is that correct?

MR. FISH: That is correct.

MS. NOREEN: I guess I -- yes. It might have been Mr. Kim, but I think -- well, either one of you, you are both the same company, right?

MR. FISH: Yes. About half and half.

MS. NOREEN: About half and half?

MR. FISH: By sales dollars.

MS. NOREEN: And you said that you had a lot of competition from China with the pipe fittings. What about the other products that you made? Did they maintain their profitability?

MR. FISH: You're talking about the automotive castings and the specialty castings that we had?

MS. NOREEN: Yes. Whatever products you had at the plant.

MR. FISH: Did they maintain their profitability?

MS. NOREEN: Yes. I guess I was just trying to understand whether the pipe fittings was the only product line that you were having any problem with or were you having problems with the other product line so that maybe you would have gone out of business at the Statesboro plant even without the competition from China.

MR. FISH: No. During the time we made the decision, what we were looking at was we were looking at a shrinking cast iron market, okay? And that was the product -- that was our major product. And that foundry was

established, it was established to manufacturer non-malleable cast iron or cast iron gray pipe fittings. We took on additional work which we called job work. We made transmission parts for Ford, parts for golf carts, various castings. To help us with our absorption in that plant and to make it more profitable. We had additional capacity there, so that's what we did with that plant.

And as our main product line continued to shrink, which was, again, our primary reason for being there, we could have continued to go out and chase additional what we called non-core job work, but we chose not to because it didn't make sense to us. It made more sense to us to run one foundry and to try to -- again, we're trying to maintain our cost structure in light of additional large environmental expenditures that we have to make and in light of additional wage increases and health insurance increases, so you get to a point where you say, well, that's what we had to do.

And typically -- typically -- the automotive job work business is highly competitive. Highly competitive.

MR. SCHAGRIN: But, Mr. Fish, if you could add, is it your understanding that the purchaser of the foundry carried on with that automotive casting type of job work after purchase from you? So that's what the Statesboro foundry is being utilized for now?

MR. FISH: Yes. He did that. He had one slight advantage, that he is a minority. That was his advantage to doing that, so he was able to purchase a foundry that was certified with Ford and U.S. 9000 certified and he was able to go in as a minority contractor product.

MS. NOREEN: You both have done some purchasing from jobbers, I believe, of products that are covered by the scope of the investigation.

I believe, Mr. Gleason, I think you said you bought from only one company? Is that correct?

MR. GLEASON: Yes. Like I testified before, about five or six years ago, it became economically a burden for us with all of the Clean Air Acts -- every operation that we have in terms of a foundry operation, we have to collect the emissions off the stack where we melt, the cupola. We have to collect the emissions off the core room where we make the sand cores. We also have to collect the dust that's in the foundry itself.

We had a very small section of the foundry that basically made cast iron pipe fittings by hand in terms of relative to the rest of our foundry which has these automatic processing lines. In order to collect the dust and so forth from that area that was very small, it wouldn't pay for us to put a new bag house in and so forth, so we know that in our industry there are job shop foundries that

do this, that have the equipment, that meet the compliance.

We could concentrate on the high volume items of production which we run and there is a company that we use called Buck, which is, I believe, in Lancaster, Pennsylvania, that specializes in small lot casting business. He meets all of his compliance with what he does.

Like I said, I might only need 20 pieces of a certain size a year and it really doesn't pay for me to run it on fully automatic equipment. He does that. The only thing that he provides us is a casting. We do the finishing work. We shock blast it, we thread it, we test it, we package it. The only thing that he provides us is the casting portion of this. He does not do any of the finishing work, he does not thread the product.

MS. NOREEN: And is the same thing true for you, Mr. Fish or Mr. Kim?

MR. KIM: As a foundry, we buy castings from other foundries, several other foundries. For The items that we're talking about here, I think it is two or three foundries. As Mr. Gleason has said, we buy it because of the low volume but also at the same time why we use a couple of different foundries is because different foundry has different tools and based on what your tool is that you do not want to invest another 10, 20 thousand dollars or five, ten, 20 thousand dollars, you find a foundry who can use

your current tool that you have to minimize the cost. So we use two to three different foundries to purchase castings.

MS. NOREEN: Thank you.

Mr. Kim, Mr. Schagrin, I would like the names, the addresses, the phone numbers, the contact person for those foundries.

MR. SCHAGRIN: I had already written that down, Ms. Noreen.

MS. NOREEN: Yes, I knew you would have.

MR. SCHAGRIN: I was kind of thinking that you were just about to ask us for that.

MS. NOREEN: Yes.

MR. SCHAGRIN: So I was going to ask them. We'll supply that as soon as possible. Today, not with the post-hearing brief.

MS. NOREEN: I appreciate it.

And, Mr. Gleason, it's just one foundry that you --

MR. GLEASON: That I'm aware of.

MS. NOREEN: Maybe you could verify that with your people just to be sure.

MR. GLEASON: Yes, I will verify with our materials department, but I believe it's just one.

MS. NOREEN: Okay. Thank you.

I probably misheard this, I have my own selective

hearing, but I think it was, Mr. Gleason, your testimony, what I heard was the U.S. was the only country that either uses or makes, I'm not sure which, non-malleable pipe fittings, apparently maybe of this size or is it non-malleable period?

MR. GLEASON: To the best of my knowledge, Canada uses some and the United States but they're so close, it's almost synonymous as far as we're concerned. I don't even believe that they're used in Mexico. I know they're not used in Central and South America. I don't believe that a cast iron fitting is used in Europe. We have not seen it. The only real factor, 95 percent of the market for non-malleable cast iron threaded fittings is the United States. I am not aware -- I know for a factor apparent they don't use it in Asia or the Japanese market. The rest of the world uses malleable iron fittings.

MS. NOREEN: So for the rest of the world, their fire protection systems, any inner city steam things they may have, are using ductile rather than cast iron?

MR. GLEASON: No, they're using probably malleable iron.

MS. NOREEN: They're using malleable iron?

MR. GLEASON: Yes, ma'am.

MS. NOREEN: Do we have any malleable iron used for -- I think you said there is no malleable iron that's

used for the sprinkler systems, et cetera, because of the price.

MR. GLEASON: No, there are applications where the engineer or the architect will specify a higher grade of iron. You might have -- Tom, correct me if I'm wrong on this, but you might have a system, a dry standpipe system, or a fire protection system that might be used in a refrigerator or a refrigerated warehouse where they do want some additional properties like Mr. Van Toai was talking about, greater strength or whatever the case may be. That we have sold and do sell malleable fittings for some.

What percent of that marketplace, I would say it's probably less than 2 percent of our sales to fire protection is malleable iron, but it can be used.

Again, we just manufacture a product. The marketplace dictates to us what they want to buy and what standard they want to buy to, so gray iron is the norm for fire protection. Could you use malleable iron? Of course you could, but it depends upon does your product meet the minimum standard of what's being asked for.

MR. MARTIN: I would agree with Mr. Gleason. It certainly is the exception, not the rule, in fire protection in the United States, is cast iron.

MS. NOREEN: Malleable iron essentially was, I think, about 60 percent higher than -- 50 percent, 60

percent higher than non-malleable in general?

MR. GLEASON: Generally speaking.

MS. NOREEN: Why does the rest of the world want to spend more money on their fire systems?

MR. GLEASON: I don't have the answer for that other than going back historically in time as to when countries industrialized and at what phase the iron industry was in at the time. I mean, the earliest pipe fitting was wrought. It came out of England, it was developed by a company called the Woolworth Company. What were the materials at the time that was able to put a thread and shape in a product and how do you join two pieces of pipe? And it was started by the Woolworth Company back in the 1800s and it was wrought. So depending upon when various countries industrialized their steel or iron industry.

Cast iron was always in the United States since the 1800s, if you will, Crane Company, Woolworth Company and the like.

Possibly Japan when they entered into the industrialized world, if you will, later in the 20th century, there was no need for cast iron at the time because one product line, malleable iron, could serve non-critical as well as critical applications.

So really, I guess, it becomes more of a historical precedent than anything else.

MS. NOREEN: Mr. Schagrin, you commented that there were importers out there that were missing, you know, that we haven't gotten the answers from yet and you listed a number of them and I was just wondering, Pataco, Matco-Norco -- is it Matco-Norco? That's one company?

MR. SCHAGRIN: Yes. It's a company called Matco-Norco and evidently within the past -- Norca. Excuse me.

MS. NOREEN: Norca?

MR. SCHAGRIN: It's Norca with an A at the end. And I guess in the past year they purchased another company called Cal-Sac, C-a-l hyphen S-a-c.

And, by the way, Ms. Noreen, I was commenting we didn't think you had gotten importer questionnaires from all importers of the product. Of course, I can't refer to any specific questionnaires you have or haven't received.

MS. NOREEN: But this Pataco and this Morrison and Ductile Group -- Ductilic Group and Algro? Something like that?

MR. SCHAGRIN: Ductilic, D-u-c-t-i-l-i-c, I believe.

MS. NOREEN: Have you given us all of these names in the petition?

MR. SCHAGRIN: No, we did not. We weren't aware at the time of the petition. And, in fact, a lot of this

came from distributors who actually seem to have not surprisingly better market knowledge than the manufacturers and we had not been able to get this information from distributors prior to the filing of the petition.

MS. NOREEN: Okay. If you could provide us with those, I would appreciate it.

MR. SCHAGRIN: We'd be happy to.

MS. NOREEN: And, also, I think both Mr. Clark and Mr. Finkel and then also you, Mr. Schagrin, had mentioned -- well, these two gentlemen mentioned that they had knew of Chinese foundries and you said there's maybe 50 Chinese foundries and I'm just wondering, I mean, we had like three or four in the petition. If you know of other names and addresses that do make the subject product -- I mean, we, of course, can look at our importer questionnaires and try and get names, but we would like to get as many names as possible as soon as possible.

MR. SCHAGRIN: I think actually Mr. Clark and Mr. Finkel testified that they knew of other Chinese importers, that they have been approached by a number of Chinese importers. I don't know that they are aware of Chinese foundries --

MS. NOREEN: Foundries per se?

MR. SCHAGRIN: -- that are supplying those importers.

MS. NOREEN: Okay.

MR. SCHAGRIN: And this is actually just a topic of dinner conversation because just as in the foundry coke case, when we know that there were dozens and dozens of beehive producers in China, we know there are lots and lots of foundries in China and it's kind of like finding the needle in a haystack, trying go figure out, well, which one of these hundreds of foundries in China or which ones are the ones that are producing the cast iron and ductile fittings. And as we are able to get any additional names -- my guess is that the next panel up, because I'm sure not only do they deal with specific foundries but they must go to China and they must have a lot of knowledge of not only foundries they are purchasing from but foundries that are producing these products, I would think that the next panel could probably give you a lot more information on Chinese foundries than this panel could.

MS. NOREEN: Sure. And we will be asking them the same question, but I was just wanting to know from you, since you said that you had identified or believed it to be now about 50, if you could give us the names of the ones you -- these additional names.

I think I have one more question and only one more. Grooved, threaded and welded, that's how you put pipes together? Am I correct?

MR. KIM: You can add flanged to that.

MS. NOREEN: Flanged? What do you do, bolt them together?

MR. KIM: You bolt them together. The fitting has a flange at the end of it which is part of the fitting and it has holes on both sides, so you put a gasket in the middle and put the three pieces together by using four, six, eight, twelve bolts.

MS. NOREEN: And so there are these four ways in which you can join the fittings and we're talking here sprinkler system fittings? Is that correct?

MR. KIM: Yes.

MS. NOREEN: For the subject fittings, we're talking you can join them in these four ways?

MR. GLEASON: I've got a very simple mind and the easiest way for me to look at what we're talking about here are basically on the threaded side, right? Parts that meet ANSI B16.21, that have that thread. that's the common theme that runs throughout here. Whether this is ductile iron or cast iron, they all meet the same standard for a thread form.

The other issue in the scope is a flanged fitting, which is a casting that you cast an integral flange, like Mr. Kim had talked about. That also is involved here. We don't manufacturer that product, Anvil does, and they could

talk to that issue better than I can, but there are many, many, many, many ways to join pipe together in a general sense. You can thread it, you can flange it, you can weld it, you can use compression fittings, you can use, you can use, you can use. There's a lot of ways of putting piping systems together, but we don't necessarily have to get into those other systems because the only ones that Anvil and Ward make are basically these, they're the threaded ones, and grooved is not -- is off the table as an issue. Soil pipe or rubber gasket, mechanical joint is off the table as far as our issue is concerned. We're concerned about threaded product.

The commission is familiar with the malleable and the scope of the issues that we had over many, many years, 1986 was a big dumping case against many of the producers and we recently two years ago testified at a sunset review with malleable. Generally speaking, same thing, different iron, all right? Just a different iron, sold into a different marketplace.

MS. NOREEN: Well, from the testimony I had heard earlier today, I was thinking it was all grooved -- not grooved, threaded. However, I wasn't sure about that because the petition said threaded or unthreaded and my question was really I was just wondering did you say threaded or unthreaded to get at the finished/unfinished

aspect? But in actual point of fact, that's not it, it's not -- all these waterworks fittings -- not all waterworks, all these sprinkler and steam system fittings aren't threaded because they can also be welded or bolted together. I know the grooved is out, but the welded and the bolted together, are they out or are they in?

MR. SCHAGRIN: The welded and the bolted together are out. The only other product that is not threaded is flanged.

MS. NOREEN: Well, the bolted is flanged, isn't it? So the bolted is in -- bolted is in and threaded is in.

MR. SCHAGRIN: Correct.

MS. NOREEN: And threaded and unthreaded could be finished/unfinished, but in the case of a flanged, it would always be unthreaded. Is that correct?

MR. SCHAGRIN: Right.

MS. NOREEN: I may have learned something, I'm not sure.

MR. SCHAGRIN: And one of the reasons for finished/unfinished is that while Anvil and Ward probably wouldn't want to do this or wouldn't want each other to do this is that as you heard from Mr. Gleason and I believe from Anvil, they can buy an unfinished fitting from a jobber, they could also if we covered only finished threaded, there's no reason that one of these importers

couldn't set up an operation and just bring in all of the unfinished and do the threading in the U.S. Threading is very labor intensive, so you would think you would want it done in China until some attorney makes a mistake of only filing a case on what's coming in now, then you find out six months or a year later what's coming in is something that never came in before and it's being finished here because of the difference in prices or because it's better to dump an unfinished product than to pay the dumping duties on a finished product.

MS. NOREEN: Thank you, gentlemen. I have no more questions.

MR. FEATHERSTONE: Any follow-ups?

(No response.)

MR. FEATHERSTONE: Thank you again for both your testimony and responses to the questions.

We'll take a ten-minute break. We will resume at five minutes after noon by the clock in the back of the room.

MR. SCHAGRIN: Thank you, Mr. Featherstone, and members of the commission staff.

MR. FEATHERSTONE: Thank you.

(Off the record from 11:56 a.m. until 12:06 p.m.)

MR. FEATHERSTONE: Could we resume the conference, please? Welcome, Mr. Amerine. Please proceed.

MR. AMERINE: Thank you, Mr. Featherstone. It's a pleasure to be here this morning. My name, for the record, is David Amerine. I'm with the law firm Manatt, Phelps & Phillips, and I'm here as counsel for Smith-Cooper International, an importer of nonmalleable pipe fittings from China.

In reviewing the petition and the testimony we heard this morning, I am reminded of that famous commercial for hamburgers a few years ago: Where's the beef? There is simply nothing in this petition that supports the data as contrasted with the unfounded allegations of Petitioners that imports of nonmalleable fittings from China have caused injury to the domestic producers.

There are lots of assertions in the petition, but they have provided nothing to document those allegations. Simply by saying that, as Petitioners are wont to do, that imports from China have injured the domestic industry does not make it so. This Commission's obligation is to make a determination supported by information that is on the record. And there is simply no evidence on the record developed thus far that would support Petitioner's assertion that imports of cast iron fittings from China have caused material injury, or even a threat of material injury.

To document the failings of the petition, one need only start with the scope Petitioners would urge Commerce

and the Commission to adopt. We have seen that over the course of time the definition of the scope of this investigation seems to change almost on a daily basis. The petition originally attempted to limit the scope of the questionnaire to nonmalleable fittings for use in fire prevention systems. Fortunately, the Commerce Department insisted this definition was totally inadequate, and Petitioners have now finally backed off that definition.

However, they did so only after the Commission questionnaires were issued. Importers accounting for the merchandize under investigation responded to those questionnaires, and as a result the Commission data set is potentially seriously impaired.

Clearly, Petitioners have attempted to manipulate the data collection effort during this 45-day preliminary phase of the investigation and frustrate the Commission's goal of basing its determination on objective, impartial data.

Because there are only two U.S. producers identified by the Petition, detailed information is subject to BPI treatment. And my ability to comment in a public forum is obviously seriously compromised. Accordingly, I am forced to refrain from discussing any of the Petitioner's arguments regarding so-called injury caused by imports from China.

However, I do want to take this opportunity to urge the Commission to examine the following factors very carefully as the information comes in. First, the Commission must ensure that the Petitioners provide financial statements with their questionnaire responses and that they explain how they have allocated their financial and cost structures between their full production.

Petitioners produce both malleable and nonmalleable cast iron fittings. It's imperative that the Commission understand how Petitioners have attempted to allocate that data and assign it only to the merchandize under investigation.

The Commission must also insist that Anvil explain how it has treated its cost of moving nonmalleable production from Georgia to Pennsylvania. We heard this morning that the production facility in Georgia produced both nonmalleable fittings and other castings. And Petitioners also conceded that the production facility was sold to another buyer. So it is still producing castings, just not cast iron fittings.

The Petitioners have to make sure that they explain to the Commission how their financial data has been and treated that cost information appropriately for subject merchandize versus nonsubject merchandize.

Finally, producers have adamantly refused to

acknowledge that there is any U.S. production of ductile, flanged fittings that are capable of being used in fire prevention systems. This is in the face of repeated requests from the Commerce Department and apparently the ITC to provide such information.

We submit that the recalcitrant behavior on the part of the Petitioners seeking the imposition of antidumping duties must not be rewarded with a finding of a reasonable indication of material injury or the threat thereof.

Petitioners have embarked on a cynical game of hide the ball, manipulating the data collection efforts to suit their own purposes. This Commission must not permit such blatant manipulation of the investigation process by rewarding Petitioners with a preliminary determination. The far-reaching and pervasive failure to provide rudimentary information to the Commission might be forgiven if it was provided by a small manufacturer who is unfamiliar with the ways and practice of the Commission. Yet as we have heard this morning, the Petitioners are familiar with the investigation procedure. They have been before the Commission for the malleable pipe fitting case. And coming as they do from a well-experienced practitioner before the ITC, it is totally inconceivable that they would provide this Commission with a petition that is so woefully lacking

in fundamental facts to support the petition.

I will now turn to Mr. Mark Martelle, from Smith-Cooper International, who will provide his understanding of the marketplace for this product.

MR. MARTELLE: Good afternoon. My name is Mark Martelle. I am the product engineer with Smith-Cooper International. We are located in Los Angeles, California. Smith-Cooper is an importer of cast iron threaded and flanged fittings from China. I have personally been involved in the PVF industry, or pipe, valve, and fitting industry, for almost 25 years. So I am personally knowledgeable about the producers and market conditions concerning the nonmalleable pipe fitting industry.

In reviewing the petition, I'm struck by how the Petitioners have artificially carved up the industry in ways that defy commercial reality. As noted by Mr. Amerine, the scope of the investigation seems to be changing on an almost daily basis. So my comments today are necessarily limited to the scope as defined by Petitioners in their letter of March 11th.

The Petitioners are attempting to manipulate the investigation process by arbitrarily or by design excluding products that compete directly with nonmalleable fittings. For example, the Petitioners are completely omitting from their petition any discussion of flanged ductile fittings,

even though it is a fact that there are U.S. producers of flanged ductile fittings.

Based on my personal knowledge of the industry, I can confirm that the following U.S. producers manufacture ductile flanged pipe fittings: American Cast Iron Pipe Company, U.S. Pipe, Tyler Pipe, and Union Pipe. It is notable that the first two companies are also members of the Duct Line Pipe Research Association.

I find particularly interesting the statements that were submitted in the March 12th letter from Schagrin and Associates. The third item in that statement asserts that, "To the best of my knowledge, none of these producers produce duct line fittings that have the same physical characteristics as nonmalleable cast iron pipe fittings described in the scope of the petition, as we filed with the Department of Commerce."

Since the statement is qualified by the descriptive "same physical characteristics described in the scope of the petition," and the scope seems to be changing on a daily basis, it is not clear as to what the statement was referring. It is not clear to me how the Petitioners or this Commission can justify the exclusion of ductile flange fittings that comply with AWWAC 110 standards when they include cast iron flanged fittings meeting those same standards.

Second, Petitioners have conveniently left off the list of U.S. producers those producers that manufacture grooved ductile fittings. We have already heard that Ward and Anvil are both U.S. producers of ductile grooved fittings. Ward is using the trademark Ward Lock, and Anvil uses the trademark Groove Lock.

In addition to Ward and Anvil, U.S. ductile groove fitting manufacturers we heard include Victolic (phonetic) and also Central Sprinkler, who is another domestic manufacturer. Because ductile groove fittings are used for the same purpose for which nonmalleable threaded or flanged fittings are used, the arbitrary exclusion of grooved fittings cannot be commercially justified.

Finally, the Petitioners have arbitrarily limited the scope to fittings up to 6 inches in diameter. Such limitation makes no sense since flange fittings are produced up to 72 inches in diameter, and sometimes are even larger than that.

I'd also like to discuss why I believe that imports from China are not a cause of any problems that may be experienced by the U.S. producers. First of all, it must be acknowledged that the market for cast iron fittings is a declining market. The basic technology for the production of cast iron fittings has not changed over the last 100 years. As the Commission examines the condition of the

domestic industry, it is important that you are aware that there are a variety of substitute products in the marketplace that can replace nonmalleable fittings.

To understand the market for fittings, it is important to recognize that the fittings are used in conjunction with pipe to form a complete piping system. In order to save money, installers of piping systems have continually looked to reduce their installed costs. The use of grooved fittings is one method by which the installer could reduce his cost, saving both time or the installation and the cost of the pipe since the installer could use thinner and less expensive pipe.

In a typical fire sprinkler system, the cost of pipe is approximately 50 percent of the material costs, and the fittings are approximately 10 percent.

With the use of grooved fittings, the fire protection system installer can use thinner pipe, thereby reducing its cost of material and labor. Today grooved fittings are available in sizes as small as three-quarters of an inch, as we have heard earlier. The growth in the use of grooved fittings and couplings has taken market share from nonmalleable flange fittings also.

The development of CPVC plastic pipe and fittings in the mid-'80s also has the effect to reduce the overall market for nonmalleable fittings. Additionally, copper

fittings for use with copper pipe compete with nonmalleable fittings and threaded pipe.

A very recent development has been the acceptance in the marketplace in the use of flexible pipe, which has eliminated the need for any pipe fittings. It is also important that the Commission understand much of the so-called injury experienced by the domestic injury has been self inflected -- the domestic industry -- I'm sorry -- has been self inflected.

First, Ward and Anvil have cannibalized their own sales of nonmalleable fittings through the aggressive marketing of ductile grooved fittings. Secondly, Ward and Anvil evidently lost sales because of their distribution practices, have alienated many of their own line distributors through a combination of poor service and direct sales to end users, cutting out the role of distributors.

In the case of Anvil, it has additional self inflected problems than Ward. As acknowledged in the petition itself, Anvil International is a successor company to Grunel Supply, with an intermediate stop as supply sales. The sale of Grunel Supply Sales by Tyco, the prior owner of Grunel, occurring in the '98 to '99 time frame, and raised serious questions among distributors and buyers of products from Grunel as to its long-term survivability.

Such doubts appear to have been justified by the fact that in 2001 Anvil stopped produced cast iron fittings in Georgia and transferred its production equipment to Pennsylvania.

I would be remiss if I didn't comment on the assertion that there are over 12,000 foundries in China that can make cast iron pipe fittings. That has been revised downwards to about 50, and there are very few UOFM certified foundries in China at all. And most of them are probably represented around this table.

In conclusion, it is hard for me to look at the petition and take it seriously. First, Ward and Anvil produce products that directly compete with nonmalleable fittings, even though they alleged before this Commission that said products don't compete. It seems clear to me that by constantly changing the scope of this petition, Petitioners are trying to minimize the size of the domestic market and overstate the import share of subject merchandize from China.

Thank you very much.

MR. LEIMAN: Good afternoon, Mr. Featherstone and members of the Commission staff. My name is Karmi Leiman, and I'm a consultant with Dickstein Shapiro, and I'm here today on behalf of Star Pipe, importer of subject merchandize. I'm joined by Dan McCutcheon of Star Pipe. I

will make a brief statement, and then I'll turn it over to Dan.

This is a weak petition, and this case should be terminated at the preliminary stage. Petitioners have used HTS basket categories to define imports of subject merchandize from China. Using this data, Petitioners have attempted to show that imports from China represent a very large and growing percentage of this market. This is not the case.

When you look at the three importers represented here, which represent the vast majority of subject import, the data looks like an inverted V, with an increase in imports between 1999 and 2000, followed by a significant decrease between 2000 and 2001. This downward trend is continuing in 2002. Data for Star Pipe, by far the largest importer, will show that there is a further decrease in the first quarter of 2002 compared to the same period in 2001.

Thus, imports from China of subject merchandize are a fraction of what Petitioners seem to be claiming based on HTS basket category. Therefore, logically the real import penetration figures are a fraction of those suggested by Petitioners and show a different trend. This is a key point.

Imports are not rising during each year of the POI. There has been a significant decrease in imports in

2000 and 2001. As Smith-Cooper pointed out, Petitioners have failed to submit financial statements. This is rather remarkable, and the Commission must draw an adverse inference from this failure. Both the Department of Commerce and the Commission staff have asked for the financial statement, and Petitioners, at least so far, have flat out refused.

What are they afraid of? What are they hiding? This is a case that cries out for an audit by Commission staff at the preliminary phase, and we encourage the Commission to perform such an audit. In our experience, it would be highly unusual for the Commission to proceed with a determination without having audited financial statements from the domestic industry.

The Commission is charged with assessing the health of the industry, and the Petitioners have refused to provide the most basic documents essentially to making this assessment.

Petitioners have made much of the closure of a facility in Georgia and a move to Pennsylvania. I think we heard today that half the plant was sold and half was moved. The half that was moved, of course, relates to subject merchandize. However, the Commission cannot draw adverse inferences from the cessation of Gray Fittings' operation in Georgia. That operation was not shut down. It was simply

moved. And despite the department's request, Petitioners have provided no documentation to support their assertion that the Georgia facility was relocated due to imports.

As Commission staff has indicated, Petitioner's lost sales allegation is wholly inadequate, or even nonexistent. The tautology that there are imports, and so therefore there must be lost sales just doesn't cut it. We also encourage you to look at pricing trends. Ward's web site has a press release showing -- at least it did yesterday. I don't know if it will tomorrow -- showing a price increase during the period. Dan McCutcheon will address this issue further.

It is remarkable that Petitioners can refer to, quote, "price suppression," when they have been able to impose price increases in the midst of a recession.

Chinese producers make both malleable and nonmalleable fittings, subject and nonsubject fittings, on the same lines. If Petitioners do so as well, then the capacity utilization figures in the petition should be looked at very closely.

Again, we iterate that an onsite audit is called for in this case, and we believe that if time permits that this can be done prior to the issuance of the staff report.

Finally, as the Commission is aware -- addressing the question of threat -- China's economy is projected to

continue to grow at a moderately fast pace. This suggests that the construction boom in China, now spreading further to the west, will continue to sustain the iron and steel consumption, including the need for pipe fittings, that will insulate the U.S. from allegedly dumped capacity from China and negating the potential threat to the U.S. industries.

Petitioners cannot have it both ways. They cannot refer to the thousands or tens of thousands of foundries in China, of which I think they have now admitted a trivial percentage produce subject merchandize, and in the same breath talk about how there is no Chinese market for subject fittings. Either one looks at the foundries and the huge home market for those foundries, or whatever number that there happen to be, or one looks at the very few foundries that produce subject fittings.

I'll now turn it over to Dan McCutcheon.

MR. McCUTCHEON: Good afternoon. My name is Dan McCutcheon. I'm the vice president of Star Pipe. I've been in the industry for 20 years. I have been at Star Pipe for the last six. Our company is 20 years old. We are located in Houston, Texas. We have seven distribution centers in North America, and have 150 employees at our Houston location.

I've just got a couple of points. Most of my points have been made. I'll save everybody from hearing

them again. The most important point that I do want to make is that we believe the impact on the Petitioners other pipe joining methods that are taking over the archaic way of using threaded fitting. This concept of joining pipe is only one concept of joining pipe. There are many concepts, and some of them have been brought up today.

There are several new concepts that have come out with new technology that are manufactured in our country to compete against threaded fitting. Threaded fitting is -- has been on a downward slide as long as I've been in the industry because there have been new technologies introduced in our industry to help people join pipe.

Most of the new technologies have been introduced by the companies that filed the petition and other competitors that make like product. Just to make a couple of points. Oh, sorry about that. You mean I said all that and you missed it?

THE REPORTER: Yes.

MR. McCUTCHEON: Okay, good. Just to support -- oh, sure. Just to support what I was saying, we talked earlier about the grooved concept. The 14 years that I was in the business before the six years I was at Star was at a company called Victolic that makes the grooved product. That grooved product is manufactured -- as people heard earlier, it is manufactured down to three-quarter inch.

Some people led the group to believe that is only for large diameter pipe. That's not the case.

Our largest volume in units of the grooved coupling that we sell is 2-inch. It's the largest volume. This is not -- it was indicated that this was only for big pipe. That's not the case. The grooved concept is growing back down into the small sizes, and has been growing for several years.

There are also new technologies at different companies, once again I brought up, to join pipe. This is a pipe joining issue. I don't want the Commission to think that there is one way to join people, and there are two people that can do it, and there is no new technology, because that is not the case. There is new technology, joining technology. There is new materials that are being introduced. Other people are figuring out how to put pipe together on the smaller sizes.

The second point that I wanted to make has to do with the trade strategies or market strategies or pricing strategies that are used. And it's really for clarification. We import pipe fittings. That's what we do for a living. And when we receive the product, we treat that product in a different way depending upon the customer's requirements.

Some of our customers require short orders or

small orders, 2000 pounds. We move that product to our distribution centers. We repackage it. We redistribute it with our people and our fork trucks and all of our other stuff that costs us more money, and we redistribute that product to compete through the customer's requirement that needs small orders.

Customers that are willing to place future orders to give us orders 90 to 120 days in advance and to buy in 20 and 30 and 40,000 pound increments of course get better pricing. The reason I'm bringing this up is that if we're going to compare pricing, we need to compare the pricing that is associated with the same method of distribution to meet the customer's requirements.

I believe it is unfair to compare a 2,000-pound order out of a distribution center to an order that is given to someone -- that is given by someone who is giving you 90 to 120 days to manufacture, package, and deliver that product. The pricing structure is totally different.

So in conclusion, there has been a lot of things said today, and once again most have been said others, but my main point that I wanted to make is this is really a pipe joining issue. This product, this subject product that we're referring to, is a product that has been on a steady decline. It continues on a decline with or without the current economic conditions. The market share of this

product has been on a decline for years. It is on a decline because people are figuring out other ways to do it, and they're figuring out other materials to do it with. And that's my biggest point.

MR. JAFFEE: Good afternoon. My name is Matthew Jaffee. I'm with the law firm of Lipstein, Jaffee & Lawson, and we represent JDH Pacific. I just wanted to point out in front of you are three different pipe fittings, okay? One of these is nonsubject. It has been written out of the scope. Can you tell which one?

Now Mr. Schagrin gave you a hint, if you recall, earlier. He said gray cast iron pipe fittings look just like ductile iron pipe fittings. Now I asked someone who had no idea about pipe fittings, I said, you know, which one of these is nonscope. Well, this person, he looked at this, and he said, this is a lot thicker. It's a hell of a lot heavier. It's either that one, or my guess -- this one is darker. It's that one.

This is the one that is not in the scope. What is this? This is a malleable iron pipe fitting. The heavier one, the thicker one, the one that you could get a workout on, that's the grey cast iron pipe fitting. And this one is much lighter, much thinner, as strong as this one. This is ductile. You can look at it. You can see that they are -- the steel in the grey cast is considerably thicker, much

heavier, and even sounds different. And that's because of the metal involved.

Now I'm going to ask Mr. Hurley to go into greater detail about why ductile iron pipe fittings is a separate like product. And then when he's finished, I'm going to come back, and I'm going to actually what through some of the exhibits attached to his testimony so you can clarify why we have these exhibits on the record and why they support our argument.

MR. HURLEY: Good afternoon. My name is Bill Hurley. I'm the marketing manager for JDH Pacific. We're located in Downey, California. JDH Pacific imports into the United States ductile iron pipe fittings manufactured in China. JDH does not import nor otherwise sell U.S. customers gray cast iron pipe fittings. Although ductile iron pipe fittings can be used in applications suitable to the gray cast iron pipe fittings, there is a huge difference between the two products.

For simplicity, I'm going to refer to ductile iron pipe fittings throughout my presentation as ductile fittings, and gray cast iron pipe fittings as gray iron fittings.

As Matt pointed out, there are three 2-inch straight pipe fittings and three 1-inch straight tee fittings. The largest and heaviest, thickest samples are

manufactured from gray iron, which is the type of product Anvil and Ward produce.

As to the other two fittings, one is manufactured from ductile iron, and the other from malleable iron, a product that Petitioners deliberately excluded from the investigation. In theory, the three types of pipe fittings can be all used for the same application.

I am going to explain today why in reality they are completely distinct products. First, the ductile fitting is stronger, lighter, less porous, and less expensive than the gray iron fitting and demonstrates elongation qualities that gray iron fittings do not.

If you make a mistake with gray iron fitting and screw the pipe too tight, the gray iron fitting might crack, and you may never know it has cracked until you run water through the pipe and find out that the fitting leaks. Ductile fittings, by contrast, do not crack. You can hit a ductile iron all day with a hammer until the gray -- unlike the gray iron fitting, it will not break, and the reason being is the raw materials used in the ductile iron fitting.

Ductile iron is a very versatile metal and has replaced steel and malleable iron in a great many applications. Basically, the tensile strength of ductile iron begins where gray iron stops. Gray irons are weak, with a tensile strength from 20,000 to 58,000 psi. By

contrast, the tensile strength of ductile iron ranges from 60,000 to 100,000 psi. Meanwhile, the elasticity of ductile iron is much higher than gray iron and comparable to cast steel. This combination of great tensile strength and ductility means that the pipe fittings manufactured from ductile iron exhibit tremendous strength and impact resistance.

The extraordinary characteristics exhibited by ductile iron are the direct result of unique manufacturing processes. By far I am not expert regarding production processes, but we have a few exhibits that will explain exactly how ductile iron is manufactured and the significant differences between ductile iron and gray iron. I understand, however, the companies manufacture ductile iron by treating molten low-sulphur based iron with magnesium under closely controlled conditions.

Gray iron contains free graphite flakes, which weakens the iron and makes it more porous. The ductile iron production process takes these graphite flakes and deposits them in a nodule form. This change accounts for the formation of a much harder, tougher material that greatly exceeds gray iron in strength and ductility and impact characteristics.

Now with all the disadvantages of gray iron fittings, you'd think the specialists that work with them

would throw them out and substitute something else. Well, in fact, they have. People in companies who once used pipes and pipe fittings manufactured with gray iron to convey fluids or gas from one point to another have generally stopped using these products. There are much better alternative products made from materials like ductile iron, malleable iron, copper, and plastic.

However, in the fire protection industry, specialists still use gray iron fittings because the standards of the fabrication of fire protection systems permit them to do so. For example, most fire sprinklers today conform to 175 psi. So it is all right to use gray iron fittings that exhibit a similarly low psi level. Still, it would be better to switch, but they don't, and this is the reason why.

Plumbers use pipe fittings just like the fire protection specialists. However, plumbers generally work at a construction site, while a fire protection specialist generally prefabricate their systems in a shop. Plumbers at a construction site generally use a fitting machine and a wrench to connect the pipes to pipe fittings. But fire protection specialists at their shops use what is known as a make-on machine.

The make-on machine essentially holds the pipe fitting firmly in place while the fire protection specialist

threads the pipe on the fittings. This is not as easy as it sounds. It takes considerable skill. For example, as I mentioned, if the specialist is not careful with the gray iron fitting, it could easily crack the fitting, and you'd never know until you transported the prefabricated part to the job site and turned the water on, only to find the gray iron fitting would be leaking.

To avoid this problem, you would think the specialist would simply switch to ductile fittings. They're stronger, lighter, and will simply outperform gray iron fittings under any conditions in which a fire protection system operates. But the specialist won't switch and will likely never switch because when you use a make-on machine to thread a pipe or a ductile fitting, the tension strength is different, the sound is different, and the feel is different as you're putting the fitting onto the pipe.

If you displace the gray iron fitting with a ductile fitting, the person that's used to using the gray iron fitting suddenly becomes a novice. The end result the specialist experienced in the gray iron fittings never accepts a ductile fitting as a substitute. Maybe in theory the two are interchangeable, but in reality, from a customer's perception, they are not.

The National Fire Protection Association manual on the installation of sprinkler systems lists the number of

pipe fittings of different materials and dimensions that can be used in sprinkler systems, including pipe fittings manufactured from gray iron, malleable iron, steel, and copper. The manual also discussed the suitability of other fittings, including fittings manufactured from polybutylene and CPVC.

The manual does not otherwise specifically reference pipe fittings manufactured from ductile iron, yet the manual does prove two important points. First, there are a number of different types of pipe fittings manufactured from different materials that are suitable for use in the fire protection systems. The Anvil and Ward have singled out one different type, ductile fittings, from all the others to include in their petition, thus distorting the Commission's economic analysis.

Second and more importantly, the ductile fittings imported and sold by JDH Pacific are produced to ASME B16.3 specifications. ASME B16.3 specifications are not applicable to gray iron fittings, or are applicable to malleable iron fittings.

I understand the Commission has previously distinguished pipes manufactured from malleable iron from pipes manufactured from nonmalleable iron. Therefore, JDH's ductile fittings that match the standards applicable in malleable iron fittings means that the Commission should

split ductile fittings from gray iron fittings for the same reason it split malleable iron pipe from gray iron pipe.

Finally, ductile fittings generally sell at a price points below that of gray iron fittings. Although the production of ductile iron fittings involves additional manufacturing process, ductile fittings are cheaper to manufacture because they use less material, as you can tell by the outer diameter walls of those fittings right there.

Also, ductile iron fittings are lighter, thus cheaper to ship. Ductile fittings thus offer a superior product of lower price.

On this matter, I would also like to note that we operate in a different channel of distribution than Anvil or Ward. JDH sells directly to the fabricator, while Petitioners sell through to the distributors that were here, who then sell to the fabricators. By avoiding the middlemen, JDH still makes the same profit, while the fabricator pays about half of what he would if he purchased our product via distributor.

It is clear from the evidence that ductile fittings constitute a separate like product from gray iron fittings. They are distinguished by the raw materials central to their production, the additional process necessary to manufacture ductile fittings, customer perception, which circumscribe the interchangeability

between ductile and gray iron fittings, and differentiation based on price and channels of distribution.

Basically, on the behalf of JDH Pacific, I respectfully request that the Commission define ductile iron fittings as a separate like product from gray cast iron pipe fittings. And I'd like to thank you for your consideration.

MR. JAFFEE: Thank you, Bill. Again, Matthew Jaffee on behalf of JDH.

I'd like to take just a little time to actually look at the exhibits because I think they are very important and they support the testimony that you just heard. The very first exhibit that is attached to the testimony is a design engineer's digest of ductile iron. I was able to get this at the Ductile Iron Society's web site.

It's important to understand that ductile iron is a new material. It was invented around 1943. I understand it was patented around 1949, and you had your first significant commercial application somewhere around 1955. So you're talking about really a youngster.

When you're talking about gray iron or malleable iron or steel, they've been in the field for a long time. But ductile is new. And what you're going to see is that it is new, and people are still exploring the applications in which it can be used.

Why ductile iron? Well, if you could turn to page

5 of this exhibit, you're going to see I guess a chart of the differences between. And you can see that there is ductile iron, malleable iron, and gray iron. And because it was in color, I actually put in letters to kind of signify exactly the differences between the two. And what this chart demonstrates is that ductile iron basically has a lot of the advantages of gray iron, and it also has a lot of the advantages of malleable iron.

Now Mr. Gleason earlier today said there is a difference, you know, between malleable and gray. It has to do with chemistry. It has to do with microstructure, material strength, size, weight, 30 percent difference. Well, I ask you to look at the ductile iron. Look down, and you can see that all those differences that he described for malleable iron are there, and then some, for ductile iron.

Again, you can see that it is a much harder -- the strength is considerably greater than. The weight is considerably less than that you would find for the gray cast iron. And what is it? What makes the difference between ductile and between gray iron?

I think if you turn to page 8, you'll actually see the difference, okay? Once again, we're talking chemistry here, okay? The top picture is gray iron. The bottom picture is cast -- excuse me, ductile iron. Okay. What happens is that during -- when the manganese is added in

this particular process, the graphite basically changes formation. What happens is the way the graphite is with the gray iron, it basically assists, so to speak, in cracking.

That means that if you look at -- when an item cracks, you can see that there is the gray graphite flake there, and it cracks along that particular ridge there. And so it makes the gray iron considerably weaker. What happens is with the process involved in ductile iron, you get these nodules, okay, these spheres of graph, and they basically are what is known as -- you can see they are called crack arresters. A crack happens, and basically it stops the crack. And that's really why this particular iron, ductile iron, is considerably stronger.

Now what about malleable iron? I mean, we don't have it here, but which one is more similar to? What you are going to find is it considerably more similar to ductile iron. Again, it is a different treatment. It involves heat treatment. And you don't -- while you don't have necessarily these spheres, you have what is called a compact or sphere-like form. I understand it's called temper carbon, okay, and it gives the malleable iron the ductility and the strength -- well, it is almost equal to cast low carbon steel.

So there once again we see that there is a significant difference in the physical properties between

gray iron and ductile iron, and that in fact when it comes to similarities, you're going to find that ductile iron is much closer to malleable iron.

Finally, I'd like to have you turn to page -- the last page, page 14. I think it's interesting to look at the title here. Ductile iron, more strength for less expense, okay? Ductile iron appears to have been invented with the designer in mind. The tensile strength, proof stress, and elongation combinations obtainable in ductile iron exceed those of any other cast ferrous alloy, including steel and malleable iron.

Once again, there is some unique properties here about ductile iron that make it a separate like product, especially with regard to physical characteristics, reduction processes, from gray cast iron.

Okay. If we could then turn to Exhibit 2. I have this in here because it is not from our web site. It's from another company's web site, ACIPCO. But it explains a lot about the production process here. However, I think there is a point on the very first page before we go to the production process that is important here. The next to the last paragraph, it specifically states that gray iron pressure pipe is no longer manufactured. You're not going to find gray iron being utilized in pipe systems anywhere in the United States anymore. It's being introduced into new

systems. It is -- you'll find it in old systems. But being introduced into new systems, it is not used anymore.

Okay. Let's turn to then page 2-7, near the back. I think what is interesting here is it demonstrates to you the difference in the production process. You can see here -- excuse me, I'm sorry. I skipped ahead of myself. I'd actually like to go to page 2-4 and 2-5.

What you can see here is -- and the reason I chose these pages is because you can actually see photographs of the differences. Okay. What basically you have is on page 2-5 you can see the molten iron is poured into a pressure ladle, where it is treated with magnesium to produce the ductile iron.

This looks like a simple process, but it's not. It requires careful control. If you don't pour the ductile iron within a certain time, it turns back to gray iron, containing those flaked graphite. So this is a very important production process. It looks relatively simple, but it's not. And in fact, if you make a mistake, they have come up with a new steel, something that I understand is called compacted graphite iron. It basically does not have the strength. It's somewhere in between gray iron and ductile iron. But all it does is it proves that if you make a mistake, you're not going to end up with ductile iron.

Now the question is is why do you have more

strength for less expense? And forgive me here, but I'm going to get a little boring. Malleable iron, as far as I understand, is cast as a white iron. And there is an annealing heat treatment required to convert the carbide into graphite. But as the malleable iron solidifies, it decreases in volume.

What that means is you now have to add more liquid metal to offset the shrinkage, with the result that your casting yields while your production costs are increased. So you have the additional production process, and then you have this shrinkage. So you have to keep adding more metal in the malleable iron.

By contrast, the formation of graphite during the solidification of ductile iron actually causes an internal expansion. As a result, if you're careful with the design, you can reduce or actually eliminate your need for feed metal, which increases the productivity of ductile iron, while reducing material and energy requirements, and resulting in substantial savings.

Again, as Mr. Hurley said, you can see there is less metal here. And the production process to create this is also in the end -- it's superior strength for less expense.

Okay. Exhibit 3. This is just a very simple type of exhibit here. It is only introduced to show how there

have been changes in the designs in ductile iron. I've only attached one item from this particular article because I would think it was important. If you turn to the second page, you can see the cost savings. It actually demonstrates cost savings created from the use of ductile iron.

For example, the first one up there, which is a casting -- it's a glan (phonetic). It was changed from gray iron casting to ductile. The part cost was reduced 66 percent. And if you look at the other items on this page, you can see part cost reduced by 32 percent and other significant -- part costs by 53 percent.

So once again, that explains while even though this is a superior metal, why it's really less expensive to produce, and why you can actually sell it at a better price.

Now we talked a little bit about interchangeability. And I think Mr. Hurley, he testified about the differences and why the specialist, the fire protection specialist, doesn't want to switch. To use an analogy, okay, we all use computers, right? We all use a keyboard. Well, that keyboard is designed to be inefficient. It's a QWERTY keyboard. It was designed in the 1800s because under the old typewriters, when you typed fast, the keys would come up quickly, and if you were typing too fast, they would stick together.

So somebody came up with this QWERTY keyboard that was actually inefficient. It slowed the people down, and they couldn't type as fast. And we're still using it today. Have they come up with better advancements in keyboards? Absolutely. Why haven't we switched? Well, we've all trained on the QWERTY keyboard. It would be very difficult suddenly to throw it out and start using a new keyboard. None of us would want to do it. We know how to type. Okay. Maybe we're not as fast as we could be. But at least we wouldn't have to start from zero.

It's the same thing here. You have these specialists. They have been using this for years. They know how it feels. They know how to put the pipe on. They know how to do everything. They're not going to just suddenly reject this and pick up this. It's the same thing. That's why in theory these two might be interchangeable, but in reality they're not.

Exhibit 4. I thought it was important to actually put before you the National Fire Protection Association standards. And I think what is critical here is to look at -- I have another handout, which was the March 11 scope, which now I understand has changed -- and show you exactly what are the standards here, and compare it to the standards that JDH manufactures to.

Okay. If you look at the standards here, if you

look at the scope as of March 11th, you will see that they talked about ductile iron pipe as of meeting requirements of ASME B16.4. If you look at table 3.51 on the second page of the exhibit, you'll see that it talks about this being standards for cast iron.

What happens is that if you look at that March 11th scope, you will see that they say ductile iron also meeting standard ASME B16.4. Great. Right out of the petition. Why? Because we produce to ASME B16.3. And what is that standard? It is the standard for malleable iron. I think on that fact, on that fact alone, we're a separate like product. I mean, it's clear.

Now you just heard -- I just heard it this morning for the very first time from Petitioners. I don't remember seeing anything being filed at the Department of Commerce, anything being filed at the ITC that changed that one number from .4 to .3, and now suddenly we're back in, okay?

You know, they're all doing this because of end use. I'm a little confused. I mean, we talked about end use here. Ductile iron fittings can be used in malleable iron fitting applications, okay? Anything that's critical, they can be used for. You have heard them testify this morning about there being a ductile iron fitting domestic industry.

Oh, they happened to manufacture what is called

water work couplings. Well, water travels through fire protection systems. I mean, we're still concentrated on the same word, water. And then they talked about, well, they manufactured these grooved ductile iron fittings, down to three-quarters of an inch. And those are used in the main fire -- the main pipes, while these threaded ones are used in the branch.

Once again, what we have here, I mean, is now all of a sudden the end use going to be only used in the branch systems? And you saw Mr. Clark. He deliberately pointed to -- he said, well, that particular pipe fitting, which is a ductile iron pipe fitting, is used in iron protection systems. It just so happens that it happens to be grooved.

What we have here is we have what I would call a gerrymandering of the scope. They have gerrymandered the subject merchandize all the way around so in order to take their competitor here in the United States, who also makes ductile iron pipe fittings, and try to exclude it from this petition.

I think it is artificial for you to recognize that when it comes to like product, you have to center on what is the like product. And it's quite clear that this particular product differs significantly, the ductile iron fitting, significantly in characteristics, production process. We have heard testimony today that we sell straight to the

fabricators.

I mean, Mr. Clark said something about the PRC, how, you know, that there are 30 percent to 40 percent lower. Well, they're lower because we eliminated the middleman. We go right to the fire protection specialist, the fabricator.

So it's very significant here that when you look at this particular product that you split and don't allow them to gerrymander the product so that they can kind of fit it in, squeeze it in to the gray cast iron pipe fitting, and recognize that physical characteristics, production process, channels of distribution, price, customer perceptions, interchangeability, all of it, recognize that it's a separate, separate like product.

Thank you.

MR. LEIMAN: Mr. Featherstone, I think we have a few minutes left, and I think Dan McCutcheon wanted to add a couple of additional points to the testimony that he made earlier.

MR. McCUTCHEON: Sorry about that. I got rattled and left a couple of notes off that I wanted to be in on the record. So one point that I wanted to make -- I tried to make two strong points, and one of the points was there is a bunch of different pipe joining methods, different materials.

To support that fact, it's my belief that total of the new technology products to join the small diameter pipe, the use of those products is larger than all of our three companies combined on the subject product, that the impact on the Petitioners is -- the impact is bigger based on new technology of other pipe joining methods than all three of us combined. And us three combined make up the vast majority, to my knowledge, of the providers of this subject product.

I thought that was worth bringing up.

The second point is that in the study I found something interesting. The products that were chosen -- I believe it was an inch and a quarter, a 90-degree elbow, and an 1-inch tee. Those were interesting choices for us to use as the examples in the study. The reason that those were interesting choices is because combined those two items are less than 10 percent of the total, could easily have chosen a combination or the Commission could choose another combination of fittings, or choose two other very specific products that make up approximately 60 to 65 of the total usage.

There are two other products that you can choose that will make up 60 to 65 percent. If you're doing some type of a study or analysis, I think it would make -- I'm suggesting you guys consider looking at other products other

than just the two that were chosen. That's all. Thank you.

MR. FEATHERSTONE: Thank you all for your testimony. Just following up on that, Mr. McCutcheon, in addition to the volume considerations, are there pricing differences if you move to those other products that you were talking about?

MR. McCUTCHEON: Yes, sir. The study would be different. The volume would be different. The price differential, I think, would be different. And if you combined that with the method the customer chooses to receive the product, whether through a future purchase or through a 2000-pound local out of a distribution center, I think you'll find a lot of disparity.

MR. FEATHERSTONE: Ms. Preece will probably follow up on that. Ms. Messer?

MS. MESSER: Thank you. I'd like to touch on domestic like product. I think I understand your argument. I want to clarify, Mr. Jaffee. Two separate like products, gray and ductile, the ductile includes ductile for all applications, not just the applications that are included in the scope?

MR. JAFFEE: Yes. I don't think there is -- we do not have any end use limitation. So when we're looking at the like product, we would say that it is ductile iron pipe fittings, period.

MS. MESSER: Okay. Thank you. I'm clear as to the like product arguments by your client, Mr. Leiman, and your client, Mr. Amerine. Could you comment on that?

MR. AMERINE: On the like product comparison, our concern is that in the definition of the scope of investigation, Petitioners have included cast iron flanged fittings, and it excluded ductile flanged fittings that all produced to the same AWA standard. And we think that is inappropriate for this Commission.

MR. LEIMAN: I don't think Star Pipe in our testimony that we have taken a position on like product. I'm not sure that we're going to. But if we do, we'll submit it in a posthearing brief.

MS. MESSER: Okay. Thank you. And, Mr. Amerine, would you then agree with the one domestic like product argument, that other than the flanged issue that you raised --

MR. AMERINE: We have not taken a position on one domestic like product. However, we do agree with the arguments presented by Mr. Jaffee that ductile fitting should be treated as a separate product.

MS. MESSER: Okay. Thank you very much. I'd like to focus a little bit on the production in China. The Petitioners have stated in the petition that there are fittings that are produced in China, shipped to Taiwan for

minor processing, perhaps threading. I'm not sure. They didn't really indicate. And then are exported to the United States.

Are you aware of this happening, and if so, could you comment on the extent of it happening and the quantities involved?

MR. AMERINE: I have to say I have heard this argument raised many times. I've yet to see any evidence of it happening. I'm not familiar with any --

MS. MESSER: That's the reason I'm asking.

MR. AMERINE: Yes, okay. I'm not familiar with any evidence to support that, and we don't know of any instances going from China to Taiwan.

MR. HURLEY: Yes. That's the first I've heard of that.

MS. MESSER: Okay. Did you care to comment, Mr. McCutcheon? I saw you --

MR. McCUTCHEON: We don't have any knowledge either.

MS. MESSER: Okay. Thank you very much. Going then on to the production of the subject merchandize in China, as you'd mentioned in your testimony, the Petitioners had stated there were tens of thousands of foundries in China, perhaps 50 of which produced the subject merchandize. You then say that there are very few that meet the UL

standards in order to import them into the United States. Can you give us the names, the contact numbers, of these very few that you have mentioned? Was it you, Mr. Martelle?

MR. MARTELLE: Yes. We did that already, I think, the end of last week.

MS. MESSER: Okay.

MR. MARTELLE: Maybe Monday. The process to develop a foundry to make the fittings is not an easy. I mean, I've been to many foundries and have not found too many that can do the types of fittings that we require in the U.S. The UL and FM do have offices in China, UL mainly because of all of the electrical business they do. The FM people do because they have -- they investigate potential insurance locations that they are going to insure the property that they are going to investigate.

They do not initiate the investigations for approvals in China. The investigations are initiated here in the U.S. And so it can be a very long and drawn out process for a Chinese foundry to do it themselves. The UL and FM investigations that we have done have been done here, have been initiated here.

MS. MESSER: Okay. Are the production processes then in China as technologically advanced as they are in the United States? I heard some testimony from --

MR. MARTELLE: Absolutely not.

MS. MESSER: -- the Petitioners about inground --
MR. MARTELLE: Pouring on the floor, yes.
MS. MESSER: Right, okay.
MR. MARTELLE: Some are still like that, yes.
MS. MESSER: Are these UL approved?
MR. MARTELLE: They can be, yes. It's not the process that matters. It's the finished product that matters. And I noticed in one of the notes in the petition that they are saying there is virtually no difference now between Chinese and U.S. fittings because it is the end product that matters, not how it is made.
MS. MESSER: Okay. How much of the Chinese production of the subject merchandize is produced differently than that merchandize in the United States?
MR. MARTELLE: I don't really know. I'm not completely familiar with all the processes that are used in the United States, or that they're used in China. But there are a variety of different automatic bolting machines or lower technology methods to manufacture the same end product.
MS. MESSER: Okay. Do the Chinese foundries that produce the subject merchandize also produce other products using the same production equipment, employees?
MR. MARTELLE: Ours do. I'm not sure if any of the others do or not.

MS. MESSER: Okay. How difficult is it to switch back and forth between products?

MR. MARTELLE: Not terribly difficult. Some of the processes that have been described are a little bit different, but it's possible to switch back and forth without a lot of difficulty.

MS. MESSER: Okay. Are the ductile fittings produced in China produced in the same manufacturing facilities as the nonmalleable that are produced in China?

MR. LEIMAN: I'm looking back at Navin Bhargava, who is from Star Pipe, and is nodding yes.

MS. MESSER: They are?

MR. LEIMAN: That's what he is saying, yeah.

MS. MESSER: Okay. How difficult is it to switch between those two products.

MR. BHARGAVA: (Off mike.)

MR. LEIMAN: Should I repeat that? Mr. Bhargava said it's not very difficult.

MS. MESSER: Okay. Thank you. Mr. Leiman, you testified earlier about imports declining between 2000 and 2001. Could you indicate what source this conclusion was drawn from for us?

MR. LEIMAN: With the permission of the other two importers at the table, it's the combined questionnaire responses of the three importers represented here.

MS. MESSER: And that would be different then from the public import stats?

MR. LEIMAN: Yeah. I think the HTS numbers mentioned by the Petitioners -- as far as I could tell in the petition, first of all, they didn't mention any ductile HTS numbers. They mentioned two, gray, cast iron, numbers. Those numbers have significantly greater import than is just subject merchandize. So the conclusion must be that they include a lot of nonsubject merchandize.

MS. MESSER: So how much do you believe that you guys here at the table account for of the imports of the subject merchandize from China?

MR. McCUTCHEON: I'll take a stab at -- I would say around 15 percent.

MS. MESSER: 15 percent?

MR. McCUTCHEON: Oh, excuse me. This is just a semi-educated guess. It would be 90 percent or higher.

MS. MESSER: Oh, okay.

MR. MARTELLE: Yes. At least -- yeah. In the 80 to 90 percent range.

MS. MESSER: Okay. Going to the end uses of the scope subject merchandize, the current scope, Petitioners have stated that 90 percent are being used in the fire protection, 5 percent in the steam heat conveyance, 5 percent other. Are the Chinese products being used in about

the same levels or different? Are all the Chinese product being used in the fire protection, all being used in the steam conveyance, or what is the breakdown on that.

MR. McCUTCHEON: I'll speak for ours. It is probably closer to 98 percent fire protection that we can identify, and 2 percent I really couldn't tell you. But I can't think of a customer that would be nonfire protection products, subject product.

MS. MESSER: Okay.

MR. HURLEY: Bill Hurley for JDH Pacific. I concur also that the bulk, 95 percent on up is all sprinkler oriented.

MS. MESSER: Okay.

MR. MARTELLE: And Smith-Cooper does have one steam related supplier up in the Northeast that has bought the smaller sized fittings. Typically, the fire protection would be 1 inch and larger. You're not allowed to use smaller than 1-inch pipe in a sprinkler system, steel pipe. So we do have one customer that buys a lot of three-quarter and half inch fittings, and we finally asked him where they were using them, and that was for a steam system.

MS. MESSER: Okay. Those are all the questions I have. Thank you very much.

MR. FEATHERSTONE: And, Mr. Hurley, your response on that use thing, does that apply equally to the ductile

fittings?

MR. HURLEY: Yes.

MR. FEATHERSTONE: The same?

MR. HURLEY: That's the only type of fittings we produce, are ductile iron fittings. We do not produce cast gray iron fittings.

MR. FEATHERSTONE: The gray ones. Thank you. Mr. St. Charles?

MR. ST. CHARLES: Thank you very much for your testimony. I have a few questions. Mr. Jaffee, you mentioned that the -- and one of your exhibits state that the gray pipe isn't manufactured anymore. Is that correct?

MR. JAFFEE: My understanding is that gray pipe, which was used a lot throughout the water systems throughout the United States is now no longer manufactured for that use.

MR. ST. CHARLES: I just wanted to clarify because that would suggest that there is no difficulty using this particular product, whether it is gray or ductile, with the types of pipes, for instance ductile, that are currently made. Is that right? I'm trying to understand what significance the discontinuation of the pipe manufacturer has in terms of the Commission's analysis of the subject merchandize.

MR. JAFFEE: I think -- I guess what -- I'm once

again trying to demonstrate the difference between ductile iron pipe fittings and gray iron pipe fittings. And one of the easier ways to look is remember this is a new invention that is slowly starting to -- that is showing a lot of improvements here. And in the situation in which you -- you know, that it could be used in critical applications, just like the malleable iron, and it can also be used obviously in lesser applications.

But it can't be used -- I think someone discussed about the residential fire protection systems, where they were using plastic a lot. So obviously I don't think it can be used a plastic pipe. So you're not -- there are some situations where it can be used, some not.

MR. ST. CHARLES: Which introduces the next question, which is the substitutability between -- or the interchangeability between the ductile product and the gray product. You've run through some of our factors that we, the Commission -- I'm not the Commission -- look at when they're making their determination.

One of those factors is price. It seems to me that whereas the price differential between malleable and nonmalleable limits their interchangeability, you have testified that the price of the ductile is even less. Or maybe you didn't go that far, but you were suggesting that the higher materials are offset by the lower weight of the

article.

In any event, doesn't that fact distinguish ductile and gray in terms of interchangeability from gray and malleable, the conclusion being isn't there a greater interchangeability between the ductile and the gray?

MR. JAFFEE: Just like -- I mean, the Commission obviously has a lot of things, and it can go different ways. I mean, if I pick up this malleable --

MR. ST. CHARLES: I understand there are six factors, and price is only one. But I'm wondering if on price you're --

MR. JAFFEE: In fact, it is correct to say that the stronger ductile, because of production processes, allows it to be cost less than the malleable, so that, yes, it does get to a point in which it could be price pointed at similar level to the gray.

MR. ST. CHARLES: And just to be clear, concerning customer perceptions, or the contractor/end user perceptions, is where you encounter the substitutability issue that because of the traditional way that fire protection system installers or contractors have looked at the product, they're not necessarily inclined to use the ductile.

MR. JAFFEE: Well, the question is that -- well, yes. I mean, if you look at the way they put --

prefabricate their units, basically they use this machine. From what I understand, the machine actually kind of like buttresses the pipe fitting, and then they twist in order to get it threaded on. That's my understanding. And what happens is that that whole operation involves a skill. And people who are experts in this, they understand when to stop because if they don't stop at the right point with this, this will crack, and you may never see that crack until you actually take the prefabricated unit and move it to wherever you're going to install it.

So you have this person, very experienced, and suddenly they pick up this, and they start working with this and prefabricating it. It's different.

MR. ST. CHARLES: But it would seem that that skill they've acquired is one that would not make a difference if you're switching from gray to ductile. That is, whereas if your skill with ductile was that it would break if you got to a certain point, which seems not to be the case, then you would have difficulty if you screwed it to far when you switch to the gray.

Your example goes in the opposite direction, from the high risk twist to the low risk twist, if I can keep myself --

MR. JAFFEE: Well, my understanding is -- and I believe it's on the --

MR. JAFFEE: You can also have problems with twisting this. On the back of the Paddico catalog -- and we are not only JDH, but we sell the Paddico product -- you also will see that it talks about how not to twist this so far, okay, and that there can be mistakes made in twisting this. So it can be that if you're not used to one or the other -- and we have the catalog here. If you look at the last page, the back, you can see there is a discussion of it.

So once again, there is issues involved with threading this as well. And it takes an expert to understand that and to thread it correctly.

MR. ST. CHARLES: Okay. I have no further questions. Thank you.

MR. FEATHERSTONE: Ms. Preece?

MR. LEIMAN: Mr. Featherstone, could I interrupt? I think in response to a question from Ms. Messer, I was referring back to Mr. Bhargava, and I think he wanted at some point -- it doesn't have to be now -- to verify what he said through me to you. And maybe the easiest way is to have him come up to point -- to do that if -- or at any point.

MR. FEATHERSTONE: How about now?

MR. LEIMAN: Okay.

MR. FEATHERSTONE: That would be good. You're

welcome to sit up at the table.

MR. LEIMAN: As long as you don't bite.

MR. BHARGAVA: When I -- can you hear me now? Okay. When I was talking about a foundry making both docile items and clear item fittings, a foundry can make both, but it needs to be set up to do that. If a foundry is just making only gray item, then they won't be able to do that. But if you set up to do both, then it can be done. So, I just wanted to make that definition clear.

MS. MESSER: How many in China are set up to do both currently?

MR. BHARGAVA: Very few.

MR. FEATHERSTONE: Thank you. Ms. Preece?

MS. PREECE: Thank you. I guess I want to sort of run through the same questions I asked at the -- of the other side. I guess we -- I've never seen people from -- the witnesses by -- on the staff by here. So, who do you sell fittings to? Through distributors? To end-users? What share is sold to each? Who ultimately buys them? Those questions, can you answer them for me?

MR. MARTELLE: I guess I could start. There are actually -- we basically sell to distributors. But there's another level of distribution/user in the fire protection business, which is the fabricator, and that is the shop that actually uses the fittings. They actually make the fittings

onto the pipe that they have threaded and that fabricator is sometimes serviced by distributor and sometimes serviced directly by the manufacturer or the importer. So, it just -- so, that's a little bit of a gray area, as far as the distribution chain goes in the sprinkler systems. Then the fabricator will sell to the contractor or the distributor will sell to the contractor. But the fabricator is kind of a gray area in all the distribution network.

MR. MCCUTCHEN: Ditto; same thing. The -- I'll say it again, but we sell to the wholesaler, who sells to the contractor, and we also sell to the fabricator, who sells to the contractor. Fabricator is the volume buyers, because they're taking subject product and spending it on pipe and preparing it to go to a job site. So, they do buy in bigger volume.

MR. HURLEY: The same is applicable for the Paddico product, also: fabricators, as well as distributors, as well as end-users.

MS. PREECE: I have trouble -- okay. Is a fabricator an end-user?

MR. HURLEY: The fabricator is an end-user.

MS. PREECE: Okay; thank you. And where would be the competition between the U.S. and the Chinese product, in this case, as far as you see it? Where is the competition occurring?

MR. MARTELLE: The competition would be basically at the fabricators and the end-users and the distributors, so that it would be all up and down the border.

MS. PREECE: Mr. McCutchen, you've mentioned two products that could be a larger share of the -- as far as pricing products. Obviously, we hope -- you are hoping that this doesn't go to a final. But, if it does go to a final, I need those products. And, also, the idea is -- it's very difficult to think about market share in this market, because we're talking about pieces. So, is that going to be a quantity share or is it going to be a value share? What is the share that's going to -- you're saying is going to be so much larger?

MR. MCCUTCHEN: These two items would be quantity -- would be unit and dollar, larger. They're not the exact same percentages, because of the ratio of the weight and the dollar. But, these two items would be the leader.

MS. PREECE: Okay. Later, those particulars on that would be very helpful. Thank you.

Does anybody have anything to add about the differences between ductile and gray fittings, end uses, where they're not interchangeable? Where they are interchangeable? Product differences? Availability from other countries? Or are you happy with what you said?

MR. MARTELLE: As far as the interchangeability

goes, there are some new higher pressure sprinkler heads and systems that are being installed in high-rise buildings. They're looking for a 300 psi or higher pressure rated fitting that the cast iron fittings are normally not suitable for. So, that's where they're using ductile iron threaded for that.

MR. JAFFEE: Yeah. I'd just like to confirm. This is Matthew Jaffee. If you actually look at the ductile iron pipe fitting that we have here as a sample, you'll notice on the side, it says 300 and then di, ductile iron. So, there is obviously that particular place, where if you have it in a high-rise and it's basically at the press -- you know, push the water up higher and you have a sprinkler that meets a 300 psi, then, obviously, in that situation, you would need this particular type of fitting and you could not use a cast iron pipe fitting in that particular situation.

I'd also just briefly like to -- since you opened up the question again, just briefly talk about, yes, when you look at interchangeability and you do look at price and all those important factors, you must expand the universe, understand that there are other things besides threaded pipe fittings that we've heard today, about flange, about -- let's see -- grooved, that are also used in this particular situation that compete and are completely substitutable with

the predict that you hear today.

MS. PREECE: Do you have any idea of the percentage of fire systems that use welding, that use -- rather than these fittings that use -- the various types of fittings that use -- I can't even remember the names of them all, but --

MR. MARTELLE: Well, it's interesting. The percentage -- it used to be 100 percent of the fittings in the sprinkler system were cast iron threaded, up through eight inch. They're -- back 40, 50 years ago, it was all threaded. And slowly the grooved has just really taken over the larger sizes; like we said, mainly two-inch and above, but even smaller than that now. And that percentage of grooved or other alternative joining methods is getting much higher.

As a percentage of the total, uhm, that's tough. But, I know that we did -- years ago, we were doing 50 percent of our overall threaded -- our overall business was grooved, with only about 30 percent being threaded. So, the grooved -- the grooved is mainly taking off, because the pipe you can use is thinner for that and there's many new types of thinner sprinkler pipe that makes it more efficient for the sprinkler contractor to install it. Plus, it's quicker to install than a threaded fitting, also, so the labor is less.

MR. HURLEY: Yes. I'd like to go back to the difference between ductile and cast iron. The two gentlemen that are here could probably tell you about anecdotes much better than myself, but one that I remember, and I wish there were contractors here, also, that could tell you of the end use of the ductile iron versus the cast iron, because one gentleman I met at a trade show, a contractor, had told me that he felt quite at ease sending a novice or just a journeyman out to do a job and not having to be -- have to worry about a callback by using the ductile iron; meaning that the individual twisted down as hard as he'd like, but he wouldn't have to worry about cracks. So, that was more of a layman's story of how you can tell the difference.

MS. PREECE: I've heard some stories about hammers and how there's an advantage to being able to break it with a hammer. Does anybody have any good stories about that?

MR. MARTELLE: The only problem -- breaking it apart with a hammer is a good thing, but then you still have to use a union to put the whole system back together. So, the hammer story is only good for taking it apart, not for putting it back together.

MS. PREECE: Is that true for steam systems, as well as for the sprinkler systems?

MR. MARTELLE: I would assume so, but I don't have

any personal knowledge of that.

MS. PREECE: Ignorance is okay. Do you have anything to add about the costs of these fittings on -- in the sprinkler system? They said about five percent. Do you have any agreement, disagreement with that idea?

MR. MARTELLE: I'm sorry, with the percentage of cost?

MS. PREECE: Costs that was this fittings.

MR. MARTELLE: Well, 10 percent of the material cost of the job, which is typically about half of the overall cost of the job. So, it would be about five percent.

MS. PREECE: The meeting code for the Chinese firms, they said it was relatively easy. You were giving more of a difficulty involved. Perhaps you can tell us a little more about what's involved in that.

MR. MARTELLE: Well, actually, probably making the fitting, itself, especially a malleable fitting. There are probably hundreds of foundries in China making malleable fittings, because they use it domestically. So, they can make the fittings, but it's a matter of getting the approvals and listings from UL And FM, which is an involved process and an expensive process, especially if you're a foundry in China, because you have to deal with the laboratories here in the U.S. And they might send somebody

from here to the factor in China, to audit their QC procedures. The factory, also, does need to be ISO 9000 before they'll even -- before Factory Mutual will even talk to them.

So, there are a lot of things. They can physically make the product, but having the right approvals is a whole another story.

MS. PREECE: And how many firms do you think in China have this kind of approval?

MR. MARTELLE: I'd say five or six. It's not a very big number, because it is so involved.

MS. PREECE: Is demand seasonal? I know if you're from California, there's -- that's not so much of a problem. But, you do have a rainy season.

MR. MARTELLE: Yeah. It really isn't that seasonal. They do a lot of indoor work in the winter time, the north and eastern parts of the U.S.

MS. PREECE: No more questions. Thank you.

MR. FEATHERSTONE: Mr. Van Toai?

MR. VAN TOAI: Good afternoon. I understand that ductile iron casting also used for fittings in the conducting of acid -- say acid sulfuric or something. Can you tell me briefly about how -- how different between the fitting used in the transportation of acid -- acid sulfuric -- sulfuric acid, as compared to just water, like in --

MR. MARTELLE: Well, I don't really know, but I wouldn't think it would be good for sulfuric acid. But, I --

MR. VAN TOAI: It is -- it is being used, yes.

MR. MARTELLE: It is?

MR. VAN TOAI: Yes, it is being used.

MR. MARTELLE: I have no idea of the differences. I've not heard that application.

MR. VAN TOAI: That's all I have.

MR. FEATHERSTONE: Mr. Fry?

MR. FRY: (Shaking head).

MR. FEATHERSTONE: Ms. Noreen?

MS. NOREEN: Bonnie Noreen with the Office of Investigations. Mr. Martelle, you were just objecting to the flange ductile -- you were just wondering why the flange ductile was excluded from the scope, that the flange gray was not; is that correct?

MR. MARTELLE: That's correct.

MS. NOREEN: Is the flanged ductile used in sprinkler systems?

MR. MARTELLE: It can be.

MS. NOREEN: Can be or is?

MR. MARTELLE: It is in certain parts or the country, yes, to my knowledge.

MS. NOREEN: So of the ductile fittings, like that

one over there, or that that come in, that you folks buy, you say, 90 percent or 95 percent go to sprinkler systems; is that correct? Or was it even higher for some people?

MR. MARTELLE: I'm sorry, are you talking about the threaded fittings?

MS. NOREEN: Uh-uh.

MR. MARTELLE: Yes.

MS. NOREEN: Of the flanged fittings, how much would go towards sprinkler systems?

MR. MARTELLE: Of the flanged fittings that are similar to the cast iron fittings that are the subject of this investigation, it would not be a real high percentage. It would probably be five percent. But, there definitely is ductile iron flange fittings being used in the fire protection system, the same applications as the cast iron.

MS. NOREEN: But only like five percent, compared with over 90 percent for these other --

MR. MARTELLE: Something like that, yes.

MS. NOREEN: -- fittings? Okay. The three fittings that are over there -- the six fittings, but three types, the gray ones, are these all your -- all these all your imports there or are some of them domestic?

MR. JAFFEE: Just to clarify, as we've said before, we only import ductile. So, these two are ours and we were able to get these two, which are imports, from SCI,

Smith-Cooper.

MS. NOREEN: Smith-Cooper, is that one of the -- oh, okay; okay. So the -- and those are all your -- the other two are your imports, the malleable and the --

MR. MARTELLE: Yes.

MS. NOREEN: Okay. The gray iron fittings there, that come in, are all of them -- or is this 98 percent or 95 percent or something used for the sprinkler and then the rest for the -- for the steam and that's what your applications are for these imports; is that correct?

MR. MARTELLE: Yes, it is.

MS. NOREEN: And the malleable that you've got over there, what are the applications for that?

MR. MARTELLE: There are a variety of applications for the malleable. It is sold in many different industrial and commercial applications. So, I have no idea all of the different applications that it's used for.

MS. NOREEN: How much of it is used in sprinkler systems or in steam heat?

MR. MARTELLE: I'm not sure about steam heat, but there are quite a few items that are not made in cast iron, that are typically used in -- out of malleable: straight couplings, unions, some bushings, caps, plugs. So, there are a variety of items.

And some of the people that I've talked to, up to

a -- excuse me, 25 percent of the fittings that are bought for a sprinkler system end up being malleable fittings, because they're not -- those configurations don't work well in cast iron.

MS. NOREEN: Up to 25 percent of the fittings in sprinkler systems are malleable?

MR. MARTELLE: That's correct, of the threaded fittings.

MS. NOREEN: Up to 25 percent of the threaded fittings are malleable fittings, that are used in sprinkler systems?

MR. MARTELLE: Yes.

MS. NOREEN: Oh -- oh, okay. Ms. Messer just pointed out to me that all the ones that you've named, the straight couplings and all these things, are not -- they're not included. They're not the elbows, Ls, Ts, crosses and reducers or flange fittings. So, they're all then malleable, but non-subject -- well --

MR. MARTELLE: Well, they're items that aren't the --

MS. NOREEN: -- malleable is non-subject either.

MR. MARTELLE: They're not made in cast iron and so --

MS. NOREEN: Not made in cast iron. Okay.

MR. MARTELLE: That's why they're used in the

sprinkler systems, because --

MS. NOREEN: Okay.

MR. MARTELLE: -- there's no direct cast iron replacement.

MS. NOREEN: Okay. They're made in ductile. Are they --

MR. FEATHERSTONE: But, they are made in ductile; right? I mean, they're in your catalogue here.

MR. MARTELLE: Yes, they can be made in ductile.

MS. NOREEN: But if they're made in ductile, they're still not subject, are they, because they're -- because it's not -- it's not a non-malleable application, would it be or is it not one of the ones listed? Maybe, we'll get a clarification from the petitioner on that.

MR. MARTELLE: I think this just goes to my earlier comment: what you see here is a gerrymandering. I mean, you see something that is winding around and cutting out all these things that -- if you want to just talk about end use, which they seem to be very, excuse the term, hot about in the fire protection system, well, you know, what they're doing here is that if you really look at fire protection systems, you're going to find that it's a much broader category than what is named, especially when you come to a like product determination.

MS. NOREEN: Correct. That's if you look at end

use. But, this is something that Commerce does not like and we're getting away from -- the description is getting away from. So, now, we have decided shades, which do not include any of the malleable, I gather, but does include the ones over there, which are -- what are those, Ts? Those are included, right? So that malleable T over there, or Ls or any of the ones that are listed, how much of that malleable would be used in sprinkler or steam applications?

MR. MARTELLE: Again, I'm not sure about the steam applications. But, the malleable would sometimes be used, depending on availability, if they can't do anything else. But the one place that it would typically be used would be in a system that is required to be galvanized, either if it's outdoors under an overhang or anything for an appearance sake, or if it's used in an Factory Mutual dry system, where there's air pressure inside the lines instead of water and they're afraid that the fittings would rust on the inside. And so because of the -- if lead times on galvanized cast iron are long, if not impossible to get, they will use galvanized malleable fittings for that.

MS. NOREEN: So, we'd be talking two percent or less?

MR. MARTELLE: Yeah, not a very large percentage.

MS. NOREEN: A small -- small amount. Do you agree with petitioners that there are no producers in the

United States of the ductile fittings, these Ls, these Ts, these shapes, that are covered?

MR. MARTELLE: Yes.

MS. NOREEN: You do? And in terms of the gray, do you agree that the only two producers with the possible exception of some jobbers, are the two petitioners?

MR. MARTELLE: Yes, that's true.

MS. NOREEN: I think I have maybe one more question, and that is -- I'm not sure who it was, but somebody was mentioning that China is doing a lot of building.

MR. MARTELLE: I think that was me.

MS. NOREEN: Was that you? And so, there wouldn't be this flood of material coming over here, because China will be using it -- consuming it all, itself. Is petitioner incorrect, then, that the -- there is no demand anyplace else in the world for the gray, except in the United States? I mean, they seem to think that was the only place these gray fittings were used. So, would they be used in China or what's the deal there?

MR. LEIMAN: I've asked that question of my client and we're not sure of the answer. We might try to get an answer for post-hearing -- post-conference brief. But, I guess -- I guess the point that I was -- I think the point on threat that I was making is petitioners are trying to

have it both ways. They're saying that there are these tens of thousands of foundries in China. Obviously, when you're looking at -- if that's a correct number and, of course, who knows if that's correct, if you're looking at thousands of -- or tens of thousands of foundries, they're making a lot more than just gray cast iron fittings. You know, I think we've heard today that the number may be 50, if you listen to the petitioners, or perhaps the people, who are certified, may be as low as five or six.

So, it's either tens of thousands and it's lots more than the subject merchandise, or it's five or six or 50 and subject merchandise. It can't be both.

MS. NOREEN: I would appreciate it, if you would find out if China does use the gray.

MR. LEIMAN: We'll try. I'm not sure if I --

MS. NOREEN: Or maybe if they would just use the ductile -- maybe they would just use the ductile instead.

MR. LEIMAN: We'll try to find that out and, if we can, then we'll --

MS. NOREEN: Thank you. Would you, also -- if you don't mind, would you, also, ask China, because apparently they're fairly big in this and at least exporting to us, but would you see if they export gray to any other countries or would they agree that really we're the only market for these gray fittings?

MR. LEIMAN: Yes.

MS. NOREEN: Thank you, gentlemen. That's all I have.

MR. FEATHERSTONE: Thank you, again, for your testimony and answers to the questions. Mr. Jaffee, on the Mr. Hurley's statement, I take it, you essentially read that into the record, so we wouldn't need the testimony, itself. Are you planning to include the exhibits with your post-conference submission or do you want us to take them as conference exhibits?

We can't copy the document, as you gave it to us. We could probably take it apart and make the exhibits a part of the transcript.

MR. JAFFEE: We'll submit them as part of the post-conference submission.

MR. FEATHERSTONE: Excellent. And on your -- the sample fittings, if it would be agreeable with you, could we keep, just for the duration of the proceeding, one set of the three, preferably the small set?

(Laughter.)

MR. JAFFEE: I have extras at home and you can keep all six.

MR. FEATHERSTONE: We'll be happy to return them.

Thank you, again. Mr. Schagrin, 10 minutes?

(Discussion on the record.)

MR. FEATHERSTONE: We'll take a short break, but we want to make it long enough, so that Ms. Messer can check on the status of an APO release, so you can pick it up, if it's ready. So, we'll take a short break and come back for closing statements. Thank you.

(Whereupon, a brief recess was taken.)

MR. FEATHERSTONE: Could we resume the conference, please? Welcome back, Mr. Schagrin. Please proceed.

MR. SCHAGRIN: Thank you, Mr. Featherstone. Once again for the record, Roger Schagrin of Schagrin Associates, on behalf of petitioners.

While we certainly took a lot of flack, would be a nice way to describe it, from the respondents' counsel about the scope of the investigation, the fact is that petitioners didn't start by defining scope in a vacuum. As much as they might think, we just tried to reinvent the wheel. Like ductile fittings, which came into the '40s, it's still a young and new process.

We didn't just try to invent this new scope out of whole cloth, because this Commission, for some 16 years, has had a series of cases on malleable cast iron pipe fittings. And in the most recent Sunset review, those malleable cast iron pipe fittings, scope and domestic-like products, were defined as follows: the Commission stated that Commerce had defined the subject merchandise of shipments of certain

malleable cast iron pipe fittings, other than grooved. And then the Commission goes on to say, malleable is different from cast iron and that malleable is principally used in gas lines, piping systems of oil refineries, and building gas and water systems.

So, I know two things. We, also, didn't put in grooved fittings, just like they weren't in malleable. Also, the Commission didn't say that they were used in fire sprinkler systems for malleable fittings, as a principle use. And that's because what did we do? We define the non-malleable cast iron pipe fittings and now the ductile fittings, which are being substituted in the U.S. market directly for those fittings, just the way they should have been defined. Yes, we would have had -- liked to have had use, but now we've reduced our way to specification and physical description.

And this isn't a game of gotcha. You know, you heard somebody say, wow, maybe we're out, because they said 16.4 instead of 16.3. It's not what these processes are about. Luckily, we don't just have a preliminary investigation and it's over. We have a full investigation period. But, we're hoping Commerce put in the 16.3.

But what amazed me about respondents' counsel and the one thing they should know about coming before the Commission is you just don't throw garbage at petitioners'

counsel. The Commission looks at factors for like products, six factors.

Did they talk about the six factors? No. One counsel, Mr. Amerine, says, why are these ductile water works fittings not in this case. They should be in this case. Some of them may even be used with this product. Look at ACIPCO, Tyler Pipe, U.S. Pipe. Did he go through the six factors? No. They're all making products to American Water Works specifications. They're completely different producers. Anvil and Ward don't make the products being made by these producers. They're different products. They have different end-users and customer perceptions and they're sold at different prices.

Let the respondents, in their post-hearing briefs, go back to the basics of practicing before this Commission. If they want to argue for a different domestic like product, then that defined in the scope of the petition, let them go through the six like product factors. And I will virtually guarantee to you that when they do that, this Commission will conclude that the other products that they want included in the scope -- excuse me, in the like product don't fit within the same domestic like product. It's not the same domestic industry.

Now, we do have an unusual thing here, as I started out earlier, and that is we have ductile fittings

being sold here. Now, the specialist -- and by the way, my clients would hire Mr. Jaffee as a metallurgist. He did such an excellent job. They wanted me to let him know that. The fact is, they can keep saying, well ductile fittings are really like malleable, so they should be different; they should be with malleable fittings; they shouldn't be with non-malleable. But the fact is, that in all of the marketing literature put out by these folks, and one of these was concerning our March 5th amendment, JDH Pacific tells their potential customers, this is a product that's better than cast iron and you can use it in the fire protection industry.

Well, we know very little malleable, one or two percent, goes in fire protection. So, they're marketing ductile to the same distributors, the same fabricators, as they're marketing cast iron pipe fittings. And so, they do form the same like product.

And if the Commission were to find that ductile and non-malleable are different like product, we'd be in real trouble. We'd all have wasted our time. Why? Because, they admitted to you that if a Chinese foundry makes ductile and non-malleable, they can switch back and forth. Well, if you found ductile to be a separate like product -- there is no U.S. industry that produces these ductile threaded fittings -- so you'd make a negative

determination. And then what would the Chinese do? All these people, Star Pipe and Smith-Cooper and JDH, everybody says, oh, it's so tough getting people to buy ductile. Oh, boy, they'll try to convince everybody to use ductile, because they can give them those products at dump prices and they can't continue to give them non-malleable at dump prices, because they would be subject to dumping margins.

Now, the Commission knows, everybody knows, I'll just get it on the record, Ward and Anvil didn't flat out refuse to provide annual reports. They're being provided today. Opposing counsel will get them. They can do with them whatever they would like, but they ought to just tone it down. Because the fact is, that for both Anvil and Ward, these subject products are a small portion of the production of the total companies and so the total company annual reports are for a whole different set of products.

Now, as to the fact that these folks' problems -- Anvil and Ward's problems aren't being caused by imports of cast iron pipe fittings, but are being caused by domestic competition for groove fittings, we would just totally disagree. We think that the use of grooved instead of threaded fittings is a change that occurred many years ago and then it's not presently occurring at any rapid rate. It's fairly static. It is true that 50 years ago, when people only used threaded and then there was a change to

groove, that happened 50 years. I'm still not there, thank goodness, but I'll believe their respondents' estimates, as to -- as to when it happened.

Yes, you can use domestic cast iron threaded fittings in high-rise sprinklers. We've been using them for decades. They're made sometimes in very high high-rises, to a higher specification, 250. These producers do it.

Now, don't let the respondents confuse you, as to there being different channels of distribution for these products. The fact is, the importers and the domestic producers sell to the same channels. They say, oh, we're different, because we sell to fabricators. Ward and Anvil sell to fabricators.

And guess what? Fabricators aren't end-users. Guess who the fabricators are? They're David Warshow. They're Clark Sprinkler Company. These distributors -- most major distributors fabricate at their distribution outlets. That's so that the contractor can install, you know, units altogether. And the main reason is that these distribution sites labors a fraction of the cost of the workers on site. So, don't think that fabricators are like contractors, who are installing products. Fabricators are part of the distribution system. Whether they're importers selling or the domestic industry, there is generally one middleman in the process and everyone is going through the same

distribution process, same channels of distribution.

Now, it seemed to me that I heard Mr. Martelle say that Smith-Cooper is actually eight Chinese foundries and getting UL qualified, in order to be able to sell their products here. I know I would be very interested to know, since they said, oh, there may only be five or six, not 20, 30, 40, or 50, is he presently helping maybe one or two more foundries to become qualified? Because if there's only five and he's helping one or two more, that could be a 20 to 40 percent increase in the available Chinese products. Is that going to happen soon? Is it real imminent? I don't know. But Mr. Martelle and Smith-Cooper would know.

And the other thing is, since we know that there's a few small American jobbers, can you imagine in China how many small jobbers there could be, providing products to the recognized major foundries. That's an issue we're going to have to address. I'm afraid we're going to have to address it in the final.

I, also, seemed to hear on a question about how much of the imports do you represent, which is an issue that I hope we'll eventually figure out, that the gentleman from Star started to say, well, we think we're about 15 percent of the market. I think he was talking about import share of the U.S. market, not their share. We'll have to find out what their share is. But if he just believes right off the

bat, as he started speaking, that imports are 15 percent of the market, that's a very significant share. We think it's probably larger than that.

But, now, you've had importers say, well, we think we're at least 15 percent of the U.S. market and their products are being marketed in competition with the two members of the domestic industry. When you analyze the data for the Commission's determination, you're going to conclude without doubt that this industry is suffering injury. All of their indicators are declining. Imports -- we believe, in the end, you'll find that imports are growing or that they are at significant levels of volume and market share.

There can be no question about underselling. We're happy in the final investigation for you to look at four products, six products, however many you look at. We're confident you're going to find that there is large and increasing underselling and the impact on these producers has been significant, a significant negative material injury impact. And unfortunately, unlike some characterizations made earlier, that they don't think their business is going to keep growing, it's pretty certain to us that these importers, selling a comparable product, meaning the same specifications, are going to take more and more of the U.S. market. So, we believe the Commission should find injury or threat of injury.

Thank you, very much.

MR. FEATHERSTONE: Thank you, Mr. Schagrin. Mr. Amerine or Mr. Leiman or Mr. Jaffee?

MR. AMERINE: Thank you, Mr. Featherstone, members of the Commission staff. I'm delighted to hear that petitioners are going to provide their financial statements to this Commission. I find it remarkable that on February 21, when they filed the petition, they didn't know that, gee, they might have to have a financial statement for the Commission. It is unbelievable to me that they would sit here with a straight face and say, they're a small company; it's a small part of their business and it took them a while to get together. The questionnaires were due last Friday and they asked for financial statements and, clearly, that's a fundamental part of the preliminary investigation.

It cannot be -- well, I would suggest that there is one reason the financial statements are not here already and that's to limit the time the respondents have to analyze it and figure out if there's anything going on with the allocation between subject merchandise and non-subject merchandise. Because, clearly, both Ward and Anvil produce a variety of products. They even talked about how they sell pipe nipples, as well as cast fittings and malleable fittings. And your obligation is to determine whether the smidgen of information that's taken out of there and

provided in the response and the petition is, in fact, valid and is verifiable. And we suggest that close scrutiny will suggest that the domestic industry is not suffering because of imports, but rather their own self-interest in canalizing Park sales between their malleable and groove fittings versus the cast iron fittings.

That's the only rebuttal I have for this panel. Karmi?

MR. LEIMAN: I'm going to be very brief and really just address one issue and that is the choice of the two products that the petitioners identified and that the Commission adopted for purposes of pricing comparisons. They were very carefully chosen and we urge the Commission either to look at that pricing data, in light of the fact that they were kind of not chosen out of a hat, but chosen for reasons for their case; or, rather than wait until the final determination phase, go out and request additional data on the two products. We'd be happy to call you later today to identify the two products that make up -- two products, only two products, that make up 60 percent of imports -- sorry, 60 percent of the market.

And we, also, urge you to -- when you're looking at pricing data, to understand the difference or perhaps ask about the difference between the two ways that the merchandise is marketed in the United States. Ford

contracts very large shipments, long lead times, direct from the mill, without going through the distribution centers with those additional costs that the product would pick up by going through the distribution centers. And, of course, you know, as in any industry, the expectation that very large quantities will lead to a discount versus the perhaps more traditional distribution method.

And that concludes my remarks.

MR. FEATHERSTONE: Thank you, Mr. Leiman. Mr. Jaffee, did you want any closing statements?

MR. JAFFEE: (No.)

MR. FEATHERSTONE: Okay. Thank you, Mr. Amerine and Mr. Leiman. A couple of real quick administrative announcements. The deadline for the submission of corrections to the transcripts, as well as briefs in this investigation, is next Tuesday, March 19th. If briefs contain business proprietary information, a non-proprietary version is due the following day, March 20th. The Commission is scheduled to vote for the investigation for 2:00 p.m., on Monday, April 8th, and will report its determination to the Secretary of Commerce later that day. Commissioner's opinions will be transmitted to Commerce and placed in the public record a week after that, on April 15th.

We did check on the status of today's APO release

and it is still in the works. The best estimate was 4:00. So, we apologize that you're not able to take that with you, but you will be getting a call later this afternoon on the material that's available today.

Thank you all again for your participation. This conference is adjourned.

(Whereupon, at 2:18 p.m., the preliminary conference was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: NON-MALLEABLE CAST IRON PIPE

INVESTIGATION NO.: 731-TA-990 (Preliminary)

HEARING DATE: March 14, 2002

LOCATION: Washington, DC

NATURE OF HEARING: Preliminary Conference

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: March 14, 2002

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: Lorenzo Jones
Signature of Proofreader

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: Beth Roots
Signature of Court Reporter