

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
CERTAIN CIRCULAR WELDED PIPE) 701-TA-253 and
AND TUBE FROM BRAZIL, INDIA,) 731-TA-132, 252, 271,
KOREA, MEXICO, TAIWAN,) 273, 532-534 and 536
THAILAND, AND TURKEY) (Third Review)

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 THAILAND, AND TURKEY) (Third Review)

Thursday,
 May 3, 2012

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:30 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DEANNA
 TANNER OKUN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DEANNA TANNER OKUN, CHAIRMAN
 IRVING A. WILLIAMSON, VICE CHAIRMAN
 DANIEL R. PEARSON, COMMISSIONER
 SHARA L. ARANOFF, COMMISSIONER
 DEAN A. PINKERT, COMMISSIONER
 DAVID S. JOHANSON, COMMISSIONER

APPEARANCES: (Cont'd.)

Staff:

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 SHANNON GRACE, LEGAL DOCUMENT ASSISTANT
 NATHANAEL COMLY, INVESTIGATOR
 NORMAN VAN TOAI, INTERNATIONAL TRADE ANALYST
 JOHN GIAMALVA, ECONOMIST
 DAVID BOYLAND, ACCOUNTANT/AUDITOR
 MARY JANE ALVES, ATTORNEY
 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

CONGRESSIONAL WITNESS:

THE HONORABLE PETER J. VISCLOSKY, U.S.
 Representative, 1st District, Indiana

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

On behalf of Allied Tube and Conduit, JMC Steel Group,
 Leavitt Tube Company, Northwest Pipe Company and TMK
 IPSCO Tubulars:

DAVID SEEGER, President, JMC Steel Group
 ED KURASZ, President, Allied Tube and Conduit
 GORDON HUNTER, Director, National Sales, Allied
 Tube and Conduit
 MIKE STEFKO, Manager of Sales, Line Pipe and
 Standard Pipe, TMK IPSCO
 MARK MAGNO, Vice President, Marketing and Sales,
 Wheatland Tube
 ROBERT MOSS, President, Long Island Pipe Supply
 LINDA ANDROS, Legislative Counsel, United Steel,
 Paper and Forestry, Rubber, Manufacturing,
 Energy, Allied Industrial and Service Workers
 International Union
 DR. ROBERT E. SCOTT, Director of Trade and
 Manufacturing Policy Research, Economic Policy
 Institute

ROGER B. SCHAGRIN, Esquire
 JOHN W. BOHN, Esquire
 Schagrín Associates
 Washington, D.C.

APPEARANCES: (Cont'd.)

In Support of the Continuation of the Antidumping and
Countervailing Duty Orders: (Cont'd)

On behalf of United States Steel Corporation (U.S.
Steel):

JEFFREY D. JOHNSON, Director of Standard and Line
Pipe, North America, U.S. Steel

STEPHEN P. VAUGHN, Esquire
Skadden, Arps, Slate, Meagher & Flom LLP
Washington, D.C.

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

On behalf of Turkish Producers & Exporters:

ZAFER ATABEY, Director, Standard Pipe and Special
Pipe, Borusan Mannesmann Boru
BULENT DEMIRIOGLU, Chairman of Borusan, President
of the Turkish Pipe Manufacturers Association
and Board Member of Steel Exporters Association

MYLES S. GETLAN, Esquire
MATTHEW M. NOLAN, Esquire
Arent Fox LLP
Washington, D.C.

Non Party Witness:

On behalf of Sunbelt Group L.P.:

GLENN W. PEEL, President and COO

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1 Secretary. Please do not place testimony directly on
2 the public distribution table.

3 All witnesses must be sworn in by the
4 Secretary before presenting testimony. I understand
5 that parties are aware of the time allocations. Any
6 questions regarding time allocations should be
7 directed to the Secretary.

8 Speakers are reminded not to refer in their
9 remarks or answers to questions to business
10 proprietary information. Please speak clearly into
11 the microphone and state your name for the benefit of
12 the court reporter. If you will be submitting
13 documents that contain information you wish classified
14 as business confidential, your requests should comply
15 with Commission Rule 201.6.

16 Mr. Secretary, are there any preliminary
17 matters?

18 MR. BISHOP: No, Madam Chairman.

19 CHAIRMAN OKUN: Very well. Will you please
20 announce our first congressional witness?

21 MR. BISHOP: The Honorable Peter J.
22 Visclosky, United States Representative, 1st District,
23 Indiana.

24 CHAIRMAN OKUN: Welcome back, Congressman.

25 MR. VISCLOSKY: Sure. Thank you very much,

1 as well as the members of the Commission. I
2 appreciate being able to testify today on the hearing
3 relative to countervailing duty orders and antidumping
4 duties. I do appreciate, as always, your sincere
5 efforts in this case and others to ensure that our
6 trade laws are properly enforced.

7 There are approximately 1,500 American
8 workers involved in the production of these pipes and
9 tubes at this time, and they do depend upon our trade
10 laws for a fair and just chance to work for a living
11 wage. Therefore, I do urge you to maintain these
12 duties and determinations for I believe that their
13 revocation would lead to the continuation or
14 recurrence of material injury to the U.S. industry.

15 I would also add that the Chairman of the
16 Congressional Steel Caucus, Mr. Murphy, and I will be
17 gathering signatures from other Members of the caucus
18 for a forthcoming letter on this case that will
19 express the same sentiment.

20 From a larger economic perspective, I remain
21 adamant that manufacturing is the key driver of our
22 economy and that we must do everything possible to
23 ensure that our manufacturing base remains strong.
24 Currently less than 10 percent of the nation's
25 workforce is employed in manufacturing, and from my

1 perspective a material injury is more than the loss of
2 a job. It's the loss of the intellectual wealth of
3 our nation.

4 Manufacturing drives innovation. If you
5 stop manufacturing a product in the United States, it
6 is only a matter of time before the engineering and
7 research and development responsible for that product
8 moves elsewhere. What incentive will there be for our
9 children to become engineers and scientists and the
10 researchers if American manufacturing is no longer in
11 operation?

12 The fact is over the past half century
13 countries with higher math and science skills have
14 seen their economy grow faster than those with lower
15 skilled population. Currently U.S. students, the
16 future of our country and our labor force, are no
17 longer competitive with students across the developed
18 world. In the OECD's Student Assessment Rankings for
19 2009, the U.S. was 31st in math. In advanced
20 performance on math, 16 countries produced twice as
21 many high achievers per capita than did the United
22 States.

23 Also, greater educational disparity leads to
24 greater income disparity so I would ask that you
25 maintain the duties to ensure that we have a fair

1 chance to maintain jobs that exist today and to
2 encourage the youth of our country to get educated in
3 the sciences and math so we can continue to have a
4 vibrant and innovative economy.

5 Again, as always, I appreciate the time you
6 have given me to testify today.

7 CHAIRMAN OKUN: Thank you for your
8 testimony. Let me see if there are questions.

9 (No response.)

10 CHAIRMAN OKUN: We wish you a good day.
11 Thank you for being here.

12 MR. VISCLOSKY: Thank you very much.

13 CHAIRMAN OKUN: We'll proceed with opening
14 statements.

15 MR. BISHOP: Opening remarks on behalf of
16 those in support of continuation of the orders will be
17 by Roger B. Schagrín, Schagrín Associates.

18 CHAIRMAN OKUN: Good morning and welcome,
19 Mr. Schagrín.

20 MR. SCHAGRIN: Good morning. Like
21 Congressman Visclosky, I always like to say it's
22 always good to be back at the Commission. Good
23 morning, Chairman Okun and the members of the
24 Commission.

25 Let's start by discussing the domestic

1 industry producing circular welded pipe. It is in
2 horrible shape. Three years into a recovery, and
3 profits are almost nonexistent. Only the most cynical
4 observer could congratulate this industry for doing so
5 well in a period of such weak demand.

6 This industry has witnessed large employment
7 losses and numerous plant closures. Just six weeks
8 ago, another plant was closed. There are not that
9 many plants left to shut down, but we do want those
10 that remain to stay open. It is clear that demand for
11 CWP is likely to remain stagnant for several years
12 into the future. Therefore, this industry is
13 extremely vulnerable to even small increases in
14 imports.

15 Now let's look at the industries in the
16 subject countries. Amazingly, participation by
17 Respondent foreign producers is abysmal.
18 Notwithstanding that, we know this Commission will
19 unfortunately again not use its statutory authority to
20 apply adverse inferences, even under the extremely
21 egregious facts of this case.

22 Your staff and we as Petitioners have done
23 about all we could do to fill in the massive holes in
24 the record left by the failure of Respondents to
25 participate in the investigation. Cumulation is

1 appropriate in this case. CWP is the ultimate
2 fungible product, and all subject imports are sold
3 through the same channels of distribution for the same
4 end uses.

5 Turkish arguments that they would cause no
6 discernable adverse effect are unavailing. They are
7 based on cherry picked questionnaire responses.
8 Unfortunately for the world, the Turks' main
9 alternative export markets are either disintegrating
10 economically in the recession like the members of the
11 European Union or disintegrating politically in the
12 civil war like countries such as Syria. We don't
13 welcome these things, but that's the reality of today.

14 As bad as things are in the U.S.
15 nonresidential construction market, we would actually
16 look like a paradise of a market to the Turkish pipe
17 industry in the real and imminent future. To
18 paraphrase a somewhat famous quote, importers and
19 distributors of CWP sure have the bit in their mouth.
20 Importers won't buy domestic producers. That's not
21 what they do. And distributors of CWP, with very few
22 exceptions, will only buy domestic CWP when cheaper
23 imports are not available.

24 These importers and distributors have
25 shifted from importing from subject countries to China

1 back to subject countries after the relief against
2 China and then on to the Gang of Four countries
3 against whom we filed new cases in October 2011. If
4 you let any of the subject countries out of these
5 orders then imports will again surge. They will
6 depress and suppress domestic prices. They will cause
7 domestic industry members to have reduced production.
8 They will cause more layoffs. They will cause more
9 plant closures.

10 For these reasons, we urge the Commission to
11 continue all nine of these AD and CVD orders on
12 circular welded pipe. Thank you.

13 CHAIRMAN OKUN: Thank you.

14 MR. BISHOP: Opening remarks on behalf of
15 those in opposition to the continuation of the orders
16 will be by Myles S. Getlan, Arent Fox.

17 CHAIRMAN OKUN: Good morning, Mr. Getlan.
18 Make sure your microphone is on.

19 MR. GETLAN: Good morning, Chairman Okun,
20 Commissioners. Thank you for the opportunity to speak
21 with you today.

22 I am Myles Getlan of the law firm Arent Fox
23 on behalf of the Turkish pipe producers and exporters
24 and in opposition to the continuation of the
25 antidumping and countervailing duty orders on circular

1 welded pipe from Turkey. We look forward to
2 presenting the case for revoking the orders. After 26
3 years, it is clear that these orders are not necessary
4 to prevent injury to the U.S. industry and should be
5 terminated.

6 During our presentation today we'll be
7 discussing several main points or themes. First, the
8 Turkish producers and exporters have maintained a
9 small and consistent presence in the United States
10 since before the orders were imposed. Whether in boom
11 times or in recession and whether the U.S. was gaining
12 or losing market share, the market share for Turkish
13 imports remained small and consistent. We will
14 discuss why this 26 plus year trend will continue if
15 the orders are revoked.

16 Another theme or area of the discussion will
17 be the Turkish industry's strategy of focusing on high
18 value, nonsubject products. We believe it is a
19 mistake in this case to focus only on data relating to
20 production and shipments of subject merchandise.
21 Doing so presents an incomplete picture in a case such
22 as this where subject products account for only a
23 small part of the business for Turkish producers.

24 We will show that in executing the strategy
25 of focusing on nonsubject products which are higher

1 value the capacity of the Turkish producers to
2 increase production and shipments of standard pipe is
3 very limited. That is, with tremendous growth in
4 these nonsubject products and those markets, which are
5 produced on the same equipment as subject products,
6 there's limited capacity to increase shipments of
7 standard pipe. The existing capacity for standard
8 pipe will continue to be used to supply the growing
9 Turkish market and its regional export markets.

10 Turkey is one of the largest and most
11 dynamic economies in the world, and its economic
12 growth is defined and largely fueled by its
13 construction industry and the construction activity.
14 Construction projects in Turkey, as well as in Europe
15 and the Middle East and North Africa, will consume
16 most of the industry's standard pipe production, and
17 there will not be capacity to increase shipments to
18 the United States.

19 Based on these factors, we will explain why
20 Turkish imports will not intrude on the U.S.
21 industry's recovery from the downturn in 2008-2009.
22 U.S. industry has increased production, capacity
23 utilization, shipments and profitability the last two
24 years, and there's no reason to think why revocation
25 of the orders on Turkish imports will stall or reverse

1 these trends.

2 For all of these reasons, the Commission
3 will have ample support to support its discretion to
4 decumulate imports from Turkey and find that
5 revocation of the antidumping and countervailing duty
6 orders on Turkey will not be likely to lead to
7 continuation or recurrence of material injury within a
8 reasonably foreseeable time.

9 We look forward to presenting this case to
10 you in more detail later today. Thank you.

11 CHAIRMAN OKUN: Thank you.

12 MR. BISHOP: Would the first panel, those in
13 support of the continuation of antidumping and
14 countervailing duty orders, please come forward and be
15 seated?

16 Madam Chairman, all witnesses have been
17 sworn.

18 (Witnesses sworn.)

19 CHAIRMAN OKUN: Good morning.

20 MR. SCHAGRIN: Thank you again and good
21 morning, Chairman Okun. It's a pleasure to be here.
22 We have quite a panel with a tremendous amount of
23 experience. You'll be able to tell within short order
24 this is not an industry full of young people, but then
25 again at my age I'm kind of thinking experience is not

1 bad. It beats death.

2 I'd like to introduce our first witness, and
3 that's David Seeger, the President of JMC Steel. Mr.
4 Seeger?

5 MR. SEEGER: Good morning, Chairman Okun and
6 members of the Commission. My name is David Seeger.
7 I'm the President of JMC Steel Group.

8 JMC Steel Group is the parent company of
9 Atlas Tube, which is the largest producer of
10 rectangular and round structural pipe and tube in the
11 United States. It is also the parent of Wheatland
12 Tube, which is the largest producer of standard pipe
13 and subject circular welded pipe in the U.S. I'm
14 accompanied here today by Mark Magno, our Vice
15 President of Marketing for Wheatland Tube.

16 JMC Steel Group is the successor company of
17 the John Maneeley Company, a company founded in the
18 1870s in Wheatland, Pennsylvania, and over the past 20
19 years Wheatland and JMC have purchased a number of
20 other producers of subject CWP, including Omega Steel
21 Pipe, Copper Weld Tube, Sawhill Tube and Sharon Tube.

22 Unfortunately, due to the massive influx of
23 the Chinese pipe in the middle of the last decade, we
24 shut down facilities in Little Rock, Arkansas;
25 Houston, Texas; and two facilities in Sharon,

1 Pennsylvania. As I will discuss further, we just
2 purchased the assets of Atkore's plant in Morrisville,
3 Pennsylvania, which they had shut down in March of
4 2012.

5 Due to unfair competition, we shut down some
6 very efficient facilities, laid off workers that could
7 have been operating the mills efficiently serving the
8 U.S. market. Imports from countries subject to these
9 reviews -- Brazil, India, Korea, Mexico, Taiwan,
10 Turkey and Thailand -- have injured the industry in
11 the past and will undoubtedly do so again if they are
12 allowed to return to the U.S. market free of dumping
13 duties.

14 Today the JMC Steel Group makes the subject
15 CWP pipe at a continuous weld mill in Wheatland,
16 Pennsylvania. This is the last CW mill operating in
17 the U.S., and given that it is a hot process like a
18 furnace it is critical that it operate at high
19 utilization rates or it becomes inefficient.

20 We also have electric resistant weld mills
21 in Warren, Ohio; Chicago, Illinois; and Blytheville,
22 Arkansas. We manufacture a full range of black and
23 galvanized plain end and threaded and coupled A53
24 pipe, the primary pipe grade utilized in plumbing and
25 HVAC industries, as well as black and galvanized

1 sprinkler pipe, galvanized fence pipe and round A500
2 products.

3 We believe that no other U.S. company or any
4 company in the world for that matter manufactures and
5 distributes a broad range of subject circular welded
6 pipe in the U.S. Most of the subject CWP products are
7 used in nonresidential construction with a smaller
8 portion being used in residential construction, and
9 the products may also be used in industrial
10 applications.

11 As I mentioned earlier, in February of 2012
12 we purchased the Morrisville facility plant from
13 Atkore. We decided not to operate that plant and
14 instead use the equipment for parts on our other
15 mills. That is because, as you can see from our
16 questionnaire response, we have plenty of additional
17 capacity for CWP products. We do not expect this
18 market to grow. We need to regain share from imports,
19 not see the opposite happen with the sunset of these
20 reviews.

21 The Commission is probably also aware that
22 JMC acquired Lakeside Steel at the end of March 2012.
23 Lakeside was primarily an OCTG and line pipe producer
24 in Canada and the U.S. Unlike the nonresidential
25 construction market, the energy tubular market has

1 been growing. However, in spite of excellent
2 competitive new capacity being added in the U.S. to
3 serve this market, Preston and industry data show that
4 imports are taking 55 to 60 percent of these markets.

5 I understand that the Turks have argued in
6 their prehearing briefs that they do not have a strong
7 interest in the U.S. CWP market because they would
8 rather concentrate on the higher value OCTG and line
9 pipe markets. We did not just invest in accessing
10 those markets so that we could watch imports take them
11 away. We want to get a return on our investment. We
12 want to employ Americans to service an American
13 drilling and gathering market.

14 So I ask you not to sunset these orders
15 based on these claims because with the new U.S.
16 capacity being added for OCTG and line pipe and the
17 increased imports these markets will not last.
18 However, their claims do show how much excess capacity
19 there is in Turkey to target the U.S. market.

20 In our single largest type facility in
21 Wheatland, we just entered into a new five-year
22 contract with our local USW. Our company and our
23 highly productive workers must continue to have relief
24 from unfairly traded circular welded pipe in order to
25 remain a viable company.

1 Given the massive overcapacity in these
2 countries, without relief we will see import surges
3 from these countries. This will cause us to shut down
4 more facilities and lay off more workers. On behalf
5 of JMC Steel and our workers, I ask that you make
6 affirmative votes. Thank you.

7 MR. KURASZ: Good morning, Chairman Okun and
8 members of the Commission. I am Ed Kurasz, President
9 of Allied Tube and Conduit, which is a division of
10 Atkore International. I've been in the pipe and tube
11 industry for 21 years. Today I'm joined by Gordon
12 Hunter, who is our National Sales Director for the
13 Standard Pipe Division.

14 Allied is based in Harvey, Illinois, where
15 our company was founded in 1957. For several years
16 our parent company, Tyco International, which
17 purchased Allied in 1987, tried to sell our company.
18 Tyco is a publicly traded company increasingly focused
19 on service businesses such as security and fire
20 protection. A manufacturing intensive business that
21 faced worldwide massive overcapacity in our product
22 lines clearly was not a good fit.

23 At the end of 2010, a private equity
24 company, Clayton Dubilier & Rice, purchased a majority
25 interest in Atkore. It now owns 55 percent of Atkore

1 and created a new management team. If you allow these
2 orders to sunset then Tyco's sale looks even smarter
3 and CDNR's purchase looks less attractive. That is
4 because about one-third of Allied's products is the
5 production and sale of products subject to the sunset
6 review in the U.S.

7 We have a number of ERW mills in Harvey,
8 Illinois; Philadelphia, Pennsylvania; and Phoenix,
9 Arizona, that produce the subject products. In 2008,
10 we permanently shut down our Pine Bluff, Arkansas,
11 facility, let go 250 employees, which we had purchased
12 this facility over 10 years ago at a substantial
13 price.

14 We also temporarily stopped all pipe
15 production at our Phoenix, Arizona, facility, but
16 restarted that operation later in 2009 after receiving
17 relief from unfairly traded Chinese imports. However,
18 we are now operating that facility only as a one shift
19 operation with 150 employees less than 2008, and its
20 continued operation is in jeopardy as the west coast
21 market for fence and sprinkler pipe produced there has
22 suffered from extremely low-priced imports from the
23 four countries against which we filed new cases in
24 October of last year. These imports have remained
25 high through the first quarter of 2012.

1 When I was here in November 2011 at your
2 staff conference I told the Commission that in 2009 we
3 purchased out of bankruptcy a plant in Morrisville,
4 Pennsylvania, just east of Philadelphia that produced
5 ASTM A53 pipe, as well as A500 structural tubing. We
6 entered this segment of circular welded pipe, having
7 previously concentrated our efforts on fence pipe and
8 tube and sprinkler pipe products. The Morrisville,
9 Pennsylvania, plant had hydrostatic testing, which is
10 necessary for ASTM A53 Grade B, and we also could make
11 Grade A products that did not require hydrostatic
12 testing.

13 A53 products are primarily for plumbing
14 uses, and we quickly found out that the highly
15 concentrated pipe valve and fitting distributors are
16 extremely price conscious. They will buy from a
17 different supplier for a penny a foot lower in price.
18 We found this market segment to be even more inundated
19 with imports than our fence and sprinkler business.

20 Our new management forces me to be very
21 strict in my evaluation of every plant's performance.
22 Given the fact that Morrisville could not turn a
23 profit, we decided to close the plant and then sell
24 the assets to JMC. We let over 60 employees go
25 because of that decision, which was not an easy

1 decision.

2 It is ironic that our Sales Manager for
3 Fence Pipe and Tube, Scott Young, is in Laredo, Texas,
4 today meeting with Customs officials about certain
5 Mexican companies' evasion of the duties. They are
6 shipping fence tubing to our fence customers in Texas
7 at prices far less than market price, and they are
8 entering it as excluded mechanical tubing.

9 Anyone, including Allied, can produce their
10 fence tubing in a manner that meets ASTM A513
11 specification, but that doesn't mean it's not intended
12 for fence applications. I understand our counsel has
13 raised the issue in our prehearing brief. I also
14 understand that if you sunset this order we lose any
15 recourse against stopping this practice and getting
16 those duties imposed.

17 Of course, the same reason applies to all of
18 these countries. All of them have excess pipe
19 capacity, as we do in the United States, and in spite
20 of every competitive advantage we have, including some
21 of the best and fastest pipe mills in the world,
22 imports still take half of the CWP market.

23 If you sunset these orders, these dumped
24 imports will overwhelm the U.S. market and we'll be
25 forced to close more mills, lay off more employees and

1 retreat just to the conduit market. Therefore, on
2 behalf of Allied and its employees, I ask that you
3 make affirmative determinations. Thank you.

4 MR. MAGNO: Good morning, Chairman Okun and
5 members of the Commission. My name is Mark Magno, and
6 I am Vice President of Marketing and Sales of
7 Wheatland Tube Company, a division of JMC Steel Group.
8 I have been in the pipe industry for 28 years and have
9 spent my entire career in sales for Wheatland Tube.

10 At Wheatland, we are the largest U.S.
11 producers of A53 pipe products. We make these
12 products in sizes ranging from one-quarter inch to
13 eight inches OD, and we make both black and galvanized
14 pipe. We do our own threading and coupling of A53
15 pipe and produce our own couplings to attach to A53
16 pipe. In addition, Wheatland produces fence pipe and
17 tube and sprinkler pipe.

18 I'm going to focus my testimony on the ASTM
19 A53 segment of the market in the United States. ASTM
20 A53 products are the commodity bedrock welded pipe
21 product used in the plumbing and HVAC systems of
22 nonresidential buildings and multi-unit residential
23 construction. There has been a well-established
24 distribution network for these products throughout the
25 United States, which has not changed very much through

1 my career.

2 The largest U.S. distributor by far is
3 Ferguson Enterprises, and then there are a number of
4 other large wholesalers such as McJunkin, HD Supply,
5 Kelly Pipe and Wilson. These chains of wholesalers
6 have supply depots set up where they stock all of the
7 pipe sizes, fittings, hangers, struts that either
8 local plumbing or HVAC companies would need to buy to
9 install systems inside the building during new
10 construction or to make repairs.

11 They have traditionally stocked both
12 imported and domestic products, and I have personally
13 seen somewhere between a half a dozen and a dozen
14 domestic competitors go out of business as the share
15 of imports has increased at these distribution
16 companies. ASTM A53 pipe is the ultimate commodity
17 product. Everyone makes it to the same specification,
18 and every plumber and HVAC company can use the same
19 A53 pipe regardless of where it is manufactured.

20 As Mr. Kurasz has said, the buyers of this
21 product will shift sources for minuscule differences
22 in price, so if you unleash a large number of foreign
23 suppliers of this product and they do not have to
24 worry about margins anymore it will be a disaster for
25 our prices, our profits and our workers. I do not

1 want to see us have to shut down more mills, which is
2 what will happen without relief from this unfairly
3 traded pipe. Thank you very much.

4 MR. STEFKO: Good morning, Chairman Okun and
5 members of the Commission. My name is Mike Stefko,
6 and I am the Manager of Sales for Line Pipe and
7 Standard Pipe Product for TMK IPSCO. I've been in the
8 industry for 30 years, including the last 13 years
9 with TMK IPSCO.

10 We manufacture circular welded pipe, or
11 standard pipe as we would call it, at our ERW
12 facilities in Blytheville, Arkansas; Comanche, Iowa;
13 and Wilder, Kentucky. While most of our mills'
14 production is of oil country tubular goods, we have
15 always been committed to the standard pipe market and
16 have dedicated significant mill time to producing
17 standard pipe. This is true regardless of how strong
18 or weak the markets are for oil country tubular goods.

19 The standard pipe product is an integral
20 part of our operations. Our pipe valves and fittings
21 distributors know they can depend on us. I think that
22 Mr. Magno has described the market very accurately,
23 which he says is composed of several very big national
24 distributors and a number of smaller regional or local
25 distributors.

1 I do not believe the Commission would find
2 any pipe, valves or fittings distributors who could
3 say that TMK IPSCO refused to honor our commitments to
4 regularly supply normal quantities of standard pipe to
5 them. Our supply remained unchanged despite any
6 changes in the oil country tubular goods market. They
7 recognize that we are there for them day in and day
8 out.

9 A number of our customers will tell you that
10 we do routinely refuse to sell them at the import A53
11 prices that they ask us to meet. Prices for imported
12 A53, including pipe from many of the countries subject
13 to these sunset reviews, are often sold at prices
14 which are simply uneconomical for us to buy steel and
15 make the A53 products.

16 During my 13 years in this product line, I
17 have never seen a collapse in demand like the collapse
18 I saw in the late 2008/early 2009 time period. Demand
19 has never come back, and I am just stunned at how weak
20 the market for A53 product remains.

21 In addition to the traditional A53 market
22 for nonresidential construction, our mills are
23 particularly well situated to service the A53 segment
24 for water well pipe. These pipes consisted almost
25 entirely of six-inch A53 standard wall Schedule 40

1 pipe. That market has almost completely disappeared
2 as the new home construction in outlying areas not
3 served by city water systems has really evaporated in
4 the last several years.

5 As you can see by our questionnaire
6 responses, over the period of your review circular
7 welded pipe was a very important product for TMK
8 IPSCO. It is integral to our method of operating our
9 mills as it does not require the same kind of time
10 consuming finishing such as heat treating or upsetting
11 that oil country tubular goods does. Therefore, it
12 helps us balance the product load on our mills and
13 helps reduce cost by operating at higher rates.

14 Given the importance of this product to TMK
15 IPSCO, sunsetting these orders and increased imports
16 that would occur as a result in a very weak market
17 would immediately result in dramatic reductions in
18 both our pipe production and our employment at the
19 three welded pipe mills where we produce circular
20 welded pipe. On behalf of TMK IPSCO's very valued
21 employees, I respectfully request that you continue
22 these orders. Thank you.

23 MR. JOHNSON: Good morning. I am Jeff
24 Johnson, Director of Standard and Line Pipe, North
25 America, for U.S. Steel tubular products. I have 13

1 years of experience selling tubular products and have
2 been in my current position since 2010. My
3 responsibilities include overseeing sales of our
4 standard and line pipe throughout the United States.
5 Thus, I am very familiar with market conditions for
6 circular welded pipe at issue in these reviews.

7 I would like to focus your attention on a
8 few key facts about this case. First, all of the
9 imports at issue here, no matter what country they are
10 from, will compete directly with domestic like product
11 on the basis of price.

12 Welded standard pipe is made to common,
13 well-known specifications issued by ASTM. This pipe
14 is sold to distributors who generally stock both U.S.
15 and imported goods and who are experts at getting the
16 best possible price. Those distributors in turn sell
17 this product mainly for use in nonresidential
18 construction projects and other large scale jobs to
19 customers who are very concerned about managing costs,
20 so when dumped and subsidized imports undersell
21 domestic pipe we either cut our own price or we lose
22 sales period.

23 The source of the pipe does not matter. You
24 should reject any suggestion that imports from one
25 country are somehow different from imports from

1 another country or that imports from any particular
2 source will have some sort of unique effect on the
3 market. Welded standard pipe is a commodity product,
4 and any sales of fairly traded imports from any source
5 will hurt domestic mills.

6 Second, demand for welded standard pipe has
7 been devastated by the global economic crisis. As I
8 previously mentioned, the primary driver of demand for
9 this product is nonresidential construction, and that
10 market was simply hammered by the recent downturn.
11 Your staff report tells the story.

12 In 2006, U.S. consumption of welded standard
13 pipe was almost 2.3 million tons. By 2009,
14 consumption had fallen to just under 1.2 million tons,
15 a decline of almost 50 percent in only three years.
16 While the situation has improved somewhat, this market
17 is still very weak.

18 Your data show that last year the United
19 States consumed just over 1.4 million tons of welded
20 standard pipe and that we're still 857,000 tons below
21 2006 levels. Given the poor market conditions we are
22 facing, domestic mills cannot afford to lose any more
23 of this market to unfair trade.

24 Third, we're currently pursuing another
25 trade case involving this product against imports from

1 India, Oman, the United Arab Emirates and Vietnam. I
2 was just here in November testifying to your staff
3 about the importance of letting that case go forward,
4 and we thank you for your affirmative vote in the
5 preliminary phase of that case.

6 To me, that case shows that the United
7 States remains a very attractive market, that pipe
8 producers around the world want to ship here and that
9 they will trade unfairly if given the chance. Given
10 the harm that those imports have already caused,
11 domestic producers are certainly in no position to
12 face more dumped and subsidized imports.

13 Finally, this case is important to U.S.
14 Steel. We can make this product, and we would like to
15 make more of it, especially at our mills in Bellville,
16 Texas, and in McKeesport, Pennsylvania. The Bellville
17 mill was shut down for several years prior to the
18 second quarter of 2011 and still isn't operating at
19 full capacity.

20 We are upgrading the McKeesport facility to
21 make it more productive, so we have strong incentives
22 to make and sell more standard welded pipe.
23 Unfortunately, prices of this product are so low that
24 most of the time we simply cannot justify making it.
25 If this market is reopened to unfairly traded imports

1 from any country this situation will become even
2 worse.

3 For all of these reasons, I urge the
4 Commission to find that revocation of the relief at
5 issue will lead to material injury for domestic
6 producers. Thank you very much for your time.

7 MR. SCHAGRIN: We're now pleased to ask
8 Linda Andros of the United Steel Workers, which is the
9 union that represents the overwhelming majority of
10 workers in this industry, to present testimony on
11 behalf of the workers in this industry. Ms. Andros?

12 MS. ANDROS: Thank you. Good morning,
13 Chairman Okun, members of the Commission. My name is
14 Linda Andros. Sorry. Is that better? My name is
15 Linda Andros, and I'm the Legislative Counsel for the
16 United Steel, Paper and Forestry, Rubber,
17 Manufacturing, Energy, Allied Industrial and Service
18 Workers International Union, or USW.

19 USW is the largest international industrial
20 union in North America with 1.2 million active and
21 retired members. Our members produce raw materials
22 and industrial products that run the gamut, including
23 the circular welded pipe products at issue here today.

24 This case, as every case, is important to
25 the USW. You've heard from executives of likely the

1 four largest producers of these pipe products in the
2 United States -- Allied, TMK IPSCO, U.S. Steel and
3 Wheatland Tube. USW represents them all. In fact, we
4 have some members working in this industry from
5 Illinois and Pennsylvania who are here today to listen
6 to the hearing, and I'd ask that they stand and be
7 recognized. Thank you.

8 Your staff report shows that there are about
9 1,500 workers currently in this industry, down from
10 over 2,000 earlier in the relevant period. Most of
11 the workers who lost those jobs are USW members. Our
12 members are the workers who also suffered when
13 Wheatland shut down plants in Sharon, Pennsylvania,
14 and Little Rock, Arkansas, and when Allied shut down a
15 plant in Pine Bluff, Arkansas. We suffered more job
16 losses when Allied shut down a plant recently in
17 Morrisville, Pennsylvania, in March of 2012. Over 60
18 USW members lost their jobs then.

19 While I understand the Commission focuses on
20 workers making pipe covered by these orders, I'd like
21 to note that we do have USW members also producing the
22 main input, flat-rolled steel, and also members mining
23 the iron ore, another critical input, so continuing
24 these orders against the various countries involved
25 here that were found to be dumping would be highly

1 helpful to these members as well.

2 But of course for our members working in the
3 circular welded pipe industry, maintaining the orders
4 on the countries at issue is a matter of grave
5 importance as it potentially means their very
6 livelihoods. These plants provide good paying jobs
7 with benefits, and that means that our members have
8 the opportunity to provide a decent standard of living
9 for their families and to contribute positively to
10 their communities.

11 Some of these plants are in tough urban
12 areas like the Allied plant just outside Chicago,
13 Illinois, in Harvey. Without the plant, it's fair to
14 say that there would be no comparable jobs for people
15 who live in the area and no comparable opportunities
16 to enter the middle class and provide for their
17 families with some dignity. But now even they're
18 facing a possible shutdown of an entire line.

19 Some of the data from your record seem
20 troubling as they are representative of many people
21 you see in manufacturing generally and in steel pipe
22 in particular. For example, according to the public
23 record the U.S. circular welded industry share of its
24 own market here in the United States is less than
25 two-thirds. The capacity utilization rate of these

1 pipe mills is only at about 50 percent, yet these are
2 world class producers.

3 These pipe mills could operate flat out
4 seven days a week, but unfortunately they're not doing
5 so, even though unlike most of our global competitors
6 the United States is self-sufficient in iron ore,
7 metallurgical coal and scrap, three important inputs
8 obviously to produce steel and the pipe products at
9 issue, so one has to wonder in these circumstances how
10 overall imports were able to take one-third of the
11 U.S. market, which caused reductions in shifts,
12 reductions in work and outright job losses. Needless
13 to say, USW members can man those extra shifts.

14 Obviously we are also concerned with the
15 profitability of the circular welded pipe industry.
16 At U.S. Steel, for example, profits mean profit
17 sharing checks to our workers. No profits mean no
18 profit sharing checks. Also, at many of the plants
19 that supply the steel of U.S. pipe producers, such as
20 Arcelor-Mittal, no profits mean no contribution for
21 retiree health care benefits.

22 So when we see that the circular welded pipe
23 industry had only a meager 1 percent profit margin in
24 2011 it scares us. We fear for the future, for our
25 members and retirees who have devoted a lifetime of

1 hard work in this industry. In fact, you've heard
2 from Mr. Kurasz that his new owners have told him that
3 if some of the plants don't make money they'll be sold
4 or shut down.

5 In an industry like circular welded pipe
6 where the average is 1 percent profit margin at the
7 moment, it stands to reason there must be plants that
8 aren't making any profit at all. We're very worried
9 about that. So from the facts in the public record it
10 would seem common sense would say that the orders, if
11 they were terminated, these unfairly dumped products
12 would be very likely to re-enter the U.S. market and
13 again cause harm and especially to our members.

14 In particular, as you've heard today, since
15 the U.S. mills are already underutilized and producers
16 are barely breaking even the result of increased
17 imports of unfairly traded circular welded pipe from
18 the countries at issue would very likely be just like
19 what happened before the orders were imposed. It
20 would result in harm -- harm to our members, harm to
21 the industry. These actions would be extremely
22 harmful to our members who already have suffered
23 immensely from the dumped imports from these
24 countries.

25 So finally I'm here today on behalf of the

1 United Steel Workers to say that our members in the
2 circular welded pipe industry just need a fair chance
3 to compete in a fair market. Their livelihoods depend
4 upon it. We urge you to make an affirmative
5 determination in these sunset reviews. Thank you.

6 MR. SCHAGRIN: Thank you, Ms. Andros.

7 Our next witness is a domestic consumer of
8 circular welded pipe, and when I heard of the
9 existence of not only an entrepreneur who started his
10 own business, but someone who specialized in
11 processing and selling in a patriotic way domestic
12 pipe products, I said we have to have a witness like
13 that. There are so few people like that in this
14 country selling products like these.

15 We're so pleased to be joined by Robert
16 Moss, the President of Long Island Pipe Supply. Mr.
17 Moss?

18 MR. MOSS: Good morning, Chairman Okun,
19 members of the Commission. My name is Robert Moss,
20 and I am President of Long Island Pipe Supply
21 headquartered in Garden City, New York. I founded the
22 company in 1975.

23 We have 16 locations from North Carolina
24 through New Hampshire. We service the entire
25 geographic market east of the Mississippi with some

1 sales into the Texas market as well. We also serve
2 into the eastern Canadian market.

3 Our specialty is fire sprinkler systems. We
4 fabricate these products used in fire sprinkler
5 systems, including cutting, grooving, threading,
6 drilling and welding for sprinkler contractors. We
7 provide a full range of pipe valves, fittings and
8 parts used for HVAC and plumbing systems. We compete
9 against pipe valve and fitting distributors, as well
10 as many other fire sprinkler system fabricators.

11 In terms of the pipe utilized in the PVF
12 sprinkler market, which is mostly ASTM A53, ASTM A135
13 and ASTM 795, these products we stock are about 98
14 percent either American or Canadian product. We
15 compete with lots of importers and distributors of
16 imported pipe.

17 As a PVF distributor, as we call it in the
18 business, we sell through wholesalers to retailers
19 such as Home Depot, Lowe's, Menards and TruValue. The
20 only thing these retailers care about is price.
21 Country of origin is not an issue to any retail
22 customer at all.

23 The distributors generally have to provide
24 some value added work such as cutting to 10 foot
25 lengths, threading and adding thread protectors for

1 the sale to these retailers. We believe that our
2 manufacturing center where the processing is performed
3 can do this as cost efficiently as anyone in the
4 United States.

5 However, when we compete with importers for
6 sales to these retailers they are generally importing
7 with value-added services being done abroad. This
8 also means that in order to protect their threads from
9 water damage these products must be imported in
10 containers. That's a very expensive means of freight
11 for pipe products.

12 Whether it's on the sale to retailers or the
13 sale to contractors, Long Island Pipe strongly
14 believes that if competition is fair we have the
15 advantage. Freight is a big cost in pipe, and our
16 outbound freight costs from Wheatland Mills, for
17 example, as well as our inbound freight costs, are
18 much less than freight being shipped from halfway
19 around the world.

20 As I previously mentioned, I will also put
21 our processing machinery and our workers up against
22 anyone in the world. It is our belief that if you
23 make sure trade is fair then suppliers like Wheatland
24 benefit. But we also benefit. In total, we employ
25 over 150 workers in 16 locations.

1 During my 37 years in business, I have seen
2 at least a half dozen suppliers of U.S. produced A53
3 pipe go out of business. What keeps me awake at night
4 is the real possibility that unfair trade situations
5 can put domestic manufacturing out of business,
6 including the United States pipe business. I do not
7 want to end my career or see my successes in my
8 company have to turn to foreign pipe as the only
9 source of supply.

10 I believe that the United States has
11 efficient steel mills, effective pipe mills, and we
12 are the most efficient processor and distributor of
13 these pipe products. If the playing field is level,
14 we will all benefit. If not, we will all suffer.
15 That's why I'm glad to have the opportunity to come
16 here and support these continuing orders against
17 unfairly traded pipe on behalf of the domestic pipe
18 industry. I want to thank you.

19 MR. SCHAGRIN: And we want to thank you, Mr.
20 Moss.

21 Our last witness on this panel is Dr. Robert
22 Scott, an economist who specializes in international
23 trade policy research. Dr. Scott?

24 MR. SCOTT: Thank you. Good morning,
25 Chairman Okun and members of the Commission. Thank

1 you for the opportunity to testify today. My name is
2 Robert E. Scott, and I am here to discuss the economic
3 conditions that affect the demand for circular welded
4 steel pipe.

5 The staff report has shown that much of the
6 demand for this product is linked to "nonresidential
7 construction activity in the United States". In
8 Petitioners' prehearing brief we made three primary
9 points about the economic issues that I wanted to
10 discuss today.

11 First, U.S. investment in nonresidential
12 structures and apparent consumption of circular welded
13 pipe are highly cyclical. Second, nonresidential
14 construction spending lags far behind the rest of the
15 economy and the recovery.

16 And, third, growth is slowing in the rest of
17 the world and especially in the subject countries.
18 This increases the likelihood that the subject
19 countries and their producers are likely to rapidly
20 increase exports of the subject products to the U.S.
21 if the orders in these cases are lifted.

22 In the past few weeks new information has
23 come forth which raises new concerns about the risks
24 of a double dip downturn in U.S. nonresidential
25 construction and the growing risks of a spiraling debt

1 trap leading to deepening recession in Europe with
2 negative consequences for the global economy.

3 I'll briefly review these data. On
4 April 27, the U.S. Bureau of Economic Analysis
5 released new estimates of U.S. GDP growth for the
6 first quarter of 2012. Overall, GDP growth slowed
7 from 3 percent to 2.2 percent. However, U.S. fixed
8 investment in nonresidential structures fell at a 12.0
9 percent annual rate in the first quarter.

10 These data indicate that at best
11 nonresidential construction is still bumping along the
12 bottom and at worst may be heading into a double dip
13 downturn. These trends are illustrated in the charts
14 that I have prepared for this hearing, which update
15 the information presented in our prehearing brief.

16 Figure A in the charts I distributed this
17 morning update Petitioners' Figure 1 from our
18 prehearing brief. It includes the new data for the
19 first quarter of 2012. This figure shows that while
20 gross domestic product continued to gradually recover
21 in the first quarter, investment in nonresidential
22 structures and construction declined sharply.

23 Figure B in the handout of this morning
24 updates Petitioners' Figure 2. This figure contrasts
25 the business cycles that began in the fourth quarter

1 of 2007 with the two preceding recessions. It also
2 includes the updated data for the first quarter.

3 It reflects a downturn in residential
4 construction and nonresidential investment shown in
5 Figure A and shows that the gap between the 2007
6 business cycle, the current business cycle, and those
7 earlier cycles in 1990 and 2001, this gap has
8 increased. We are turning down now, whereas in
9 earlier recessions investment in nonresidential
10 structures was turning up.

11 Figure C is a new figure. It presents data
12 on the changes in investment in nonresidential
13 structures over this business cycle, that is between
14 2008 and the first quarter of 2012. This figure shows
15 that real investment in nonresidential structures has
16 declined for two consecutive quarters, including the
17 very sharp decline of 12 percent in the first quarter
18 of this year that I mentioned above.

19 U.S. gross domestic product, as we hear
20 frequently, has increased for 11 consecutive quarters.
21 That's not shown in Chart C, but it's on Figure A.
22 Investment in nonresidential structures, on the other
23 hand, has declined in six of those 11 quarters as
24 shown in Figure C. There's clearly no evidence here
25 of a sustained recovery in U.S. investment in

1 nonresidential structures, and the sector is
2 threatened with an even deeper double dip downturn
3 ahead.

4 I now turn to the international situation.
5 Newly released data and analysis also raises concerns
6 about the outlook for Europe. The deepening collapse
7 in Europe will reduce EU investment in nonresidential
8 structures and demand for exports of circular welded
9 pipe. This will have especially large negative
10 impacts on the pipe industry in Turkey, which is
11 heavily dependent on demand from the European Union
12 with which it shares a border.

13 New data released on April 25 showed that
14 GDP in the United Kingdom has now declined for two
15 consecutive quarters, indicating that it has entered
16 into a double dip recession. Nobel Laureate Paul
17 Krugman recently suggested that EU leaders are
18 apparently determined to commit "economic suicide" for
19 the continent as a whole. According to Krugman, the
20 core problem is that public officials in the EU and
21 the U.K. are determined to pursue fiscal austerity
22 despite the spread of economic collapse throughout
23 much of Europe.

24 Spain, for example, is in a depression with
25 overall unemployment of 23.6 percent. Economic

1 history demonstrates that "such programs push
2 depressed economies even deeper into recession" and
3 that is when they pursue fiscal austerity.

4 NYU international economist Noyriel Riubini
5 has noted that interest rate spreads for Spain and
6 Italy are now widening again, while borrowing costs
7 for Greece and Portugal remain high. He concludes
8 that the recession on the eurozone's periphery is
9 deepening and is moving into the core, namely into
10 France and Germany.

11 Now, European leaders signed a fiscal pact
12 in March which locks in fiscal austerity as their
13 response to any and all economic problems. Therefore,
14 as unemployment increases they need to increase social
15 spending benefits. Deficits will rise, which will
16 trigger deeper cuts in spending and deeper austerity
17 measures, which will actually lead to even greater
18 unemployment. This fiscal pact has locked Europe into
19 a spiraling debt trap.

20 In conclusion, U.S. nonresidential
21 construction remains extremely depressed. Given
22 contraction in Europe, producers in Turkey and other
23 subject countries are likely to rapidly increase
24 exports of the subject products to the United States
25 if the orders in the cases are lifted.

1 Domestic producers of the like product are
2 threatened with substantial material injury due to
3 rapidly growing imports of subject products if these
4 orders are lifted. I'd be happy to answer any
5 questions. Thank you.

6 MR. SCHAGRIN: Thank you, Dr. Scott.

7 Chairman Okun, members of the Commission,
8 that concludes our direct presentation. We'll reserve
9 the rest of our time for cross-examination and
10 rebuttal, and we'd be happy to answer the Commission's
11 questions. Thank you.

12 CHAIRMAN OKUN: Well, thank you very much,
13 and before we begin our questions let me take this
14 opportunity to thank all the witnesses for being here.
15 We particularly appreciate so many members of the
16 industry appearing today to answer questions.

17 I want to thank you, Ms. Andros, for
18 testifying on behalf of the union and a special
19 welcome to those workers who observed the hearing
20 today and hope that it's an informative process for
21 you, so we welcome you here in particular.

22 I'll begin the questioning this morning, and
23 just a reminder to repeat your name for the benefit of
24 the court reporter and because we can't see all three
25 tables of witnesses. I want to start by focusing on

1 changes in this period of review versus the last
2 period of review. I know in your briefs there were
3 several mentioned, but I wanted to explore that a
4 little more.

5 First if you can talk about what effect
6 there's been from the China order going into effect
7 and what that means for the fluctuations in volume we
8 see here. Of course, we have the other preliminary in
9 there. I'm just trying to make sense of volume trends
10 during the period of review and how that's impacted
11 your bottom line and your operation. So we'll start
12 with the industry folks and then maybe Mr. Scott would
13 like to join in as well.

14 MR. SEEGER: David Seeger. In general
15 terms, the Chinese ruling, we did see a reduction of
16 imports where the market was roughly 50 percent
17 import. It moved to roughly 35 to 40 percent import.
18 Obviously people took the place of the Chinese
19 imports fairly quickly but not quite to the degree
20 that they were coming in at that time, and the rate
21 that they were increasing at that time, it looked like
22 within five years they would be 80 to 90 percent of
23 that market, so it was a significant benefit to us.

24 CHAIRMAN OKUN: Other participants
25 experience, and maybe you can talk about the pricing

1 as well.

2 MR. STEFKO: Mike Stefko.

3 CHAIRMAN OKUN: Mr. Stefko.

4 MR. STEFKO: Regarding the -- sorry.

5 CHAIRMAN OKUN: Go ahead.

6 MR. STEFKO: Mike Stefko. Regarding your
7 question on China, yes, there was a favorable ruling
8 for us on that trade case, but at the same time, in
9 later '08, our economy started crumbling. So,
10 although those imports were averted, okay, from China,
11 our U.S. domestic economy and business, the demand
12 fell off horribly. So, if it would have been a steady
13 state you would have seen larger growth of U.S.
14 shipments, domestic producer shipments here, but with
15 the demand falling off so dramatically we were very
16 thankful that those orders were imposed because it
17 would have been a runaway rampant of imports coming
18 in, and the few orders that were left we would have
19 been tough to supply those with the given pricing that
20 was out there at that time.

21 CHAIRMAN OKUN: Mr. Kurasz?

22 MR. KURASZ: Thank you. Ed Kurasz, Allied
23 Tube.

24 I would like to echo what Dave and Mike have
25 both contributed. What I would like to add is if we

1 go back to, you know, '06, '07 and then '08, they were
2 pretty strong demand years for our product line.
3 Unfortunately, we were only to participate really at
4 our expected level in '08 due to the successful duties
5 on China. So, we kind of got robbed of an opportunity
6 because of the unfairly traded imports.

7 And now, as Mike clearly stated, the economy
8 is soft, demand is soft, but there still is a large
9 percentage of imports coming in, and it is a fungible
10 product. It is impacting our business today, last
11 year and we don't look to the future as being very
12 promising either, very near future.

13 CHAIRMAN OKUN: Okay. Any other comments on
14 that? Mr. Scott, is there anything in particular in
15 the record you would point to to help me understand
16 what happened when China goes out of the market and
17 then what the role of imports generally in relation to
18 the financial experience of the industry?

19 MR. SCOTT: I'd like to look at this in
20 detail and spend some time to look at it in the post-
21 hearing brief.

22 CHAIRMAN OKUN: Okay.

23 MR. SCOTT: I would just observe very
24 quickly that although when the orders took effect in
25 2008 clearly import shares go down, and there is a

1 brief period when profitability of domestic producers
2 rises. Fairly quickly you do see an increase in total
3 import share from 2008 to 2011, and I think that has
4 contributed to the downward pressure on performance of
5 the domestic industry, but I want to look at this in
6 some more depth in the posthearing brief.

7 CHAIRMAN OKUN: Okay, I appreciate all those
8 comments. I'll probably come back on some other
9 questions about the other non-subjects, but while
10 we're thinking about China, would any of the producers
11 be able to relate what's going on worldwide with where
12 China went to when the order went into effect and
13 whether you're competing against some U.S., according
14 to our data is the large exporter, and I'm trying to
15 understand what else is going on in the worldwide
16 markets that might be relevant to the case today. Mr.
17 Seeger?

18 MR. SEEGER: Yes, David Seeger.

19 I think a myriad of things happened there.
20 Some of that Chinese product has been diverted through
21 other countries, which was part of our case earlier in
22 the year, where they have set up shop in either other
23 countries or just diverted their product there to get
24 relabeled, so they are not gone by any means, but it
25 put a barrier in place and slowed that growth. As I

1 mentioned earlier, it's been taken up by other
2 countries basically, not quite to the degree it was,
3 so it's been effective to some degree but they are
4 certainly still a player.

5 MR. SCHAGRIN: This is Roger Schagrin.

6 I think, Chairman Okun, in terms of what's
7 happened to Chinese exports and its effect on U.S.
8 exports or exports from other countries, it really
9 depends on which other countries took actions against
10 Chinese exports. The vast majority of U.S. exports go
11 to Canada, and I think you will see that U.S. exports
12 to Canada have been, you know, modestly strong, and
13 that's because right after we did our case against
14 circular welded pipe from China the Chinese were
15 bombarding the Canadian market, and the Canadians put
16 antidumping and countervailing duty orders against
17 imports from China. I'm sure it benefitted the
18 Turkish producers. They can talk about it later, but
19 it's a matter of factual record that the European
20 Union, which until this recent absolutely collapse in
21 their economies, has a very, very large market by
22 population and consumption of products. They put
23 duties against imports of welded pipe from China in
24 effect in approximately 2008 or 2009.

25 So, any countries in the world that don't

1 have barriers against imports from China, China is the
2 dominant supplier. A lot of countries in the world,
3 maybe upwards of 10 or 12, have put barriers against
4 imports from China, and then those become markets in
5 which other exporters can participate because no one
6 can ever compete with the Chinese.

7 CHAIRMAN OKUN: Okay, and you might have had
8 this in your brief in that section about where the
9 Turkish exports -- why the U.S. was still an
10 attractive market, but if you don't have, you know,
11 which countries have orders on China that would be
12 helpful to see as well.

13 Let me ask just generally on demand, Mr.
14 Scott, you had focused on the European Union and of
15 course the Turkish exports to the EU, what that might
16 mean for them in light of those forecasts. And we
17 have forecasts, I know, in our staff report. We
18 didn't get very many questionnaire responses about
19 demand overseas. We have Metal Bulletin Report, but I
20 don't know if there is anything else you have been
21 able to gather about forecasts in the overseas markets
22 that might be helpful to help build our record for the
23 final.

24 MR. SCHAGRIN: We'll look at that and we'll
25 work with -- this is Roger Schagrin. We will work

1 with Dr. Scott for our posthearing brief, but your own
2 staff report has a table which clearly demonstrates
3 for Turkey that virtually all their exports go to
4 Europe and the Middle East, two areas of either their
5 economic or political turmoil at the present time, and
6 of course, as you know from our cases against Oman and
7 UAE, there is a lot of new capacity out of the Middle
8 East, so we don't think Asia is a natural market for
9 Turkey.

10 Interesting enough, in the Asian markets,
11 and we have a lot of Asian countries subject to these
12 reviews, they have not tended, probably just because
13 of the incredible political might and influence
14 politically and militarily of China, those Asian
15 countries have tended not to put duties against
16 imports from China, and I think if we were to look at
17 any, and there may be some in the staff report, that
18 Chinese exports in the Asian market are very, very
19 strong. So the Chinese are probably pushing a lot of
20 other Asian countries out of Asian export markets
21 because they haven't put duties in effect unlike
22 Europe, South America, and North America since Mexico,
23 U.S. and Canada all have duties against imports from
24 China. So, I hope that answers your question.

25 CHAIRMAN OKUN: Yes, very helpful.

1 And Dr. Scott, with respect to the lag
2 between nonresidential construction spending and GDP,
3 do your data indicate that the lag is any greater in
4 this business cycle or is it just your point being
5 that there hasn't been the recovery, pointing to the
6 12, so that the lag is still similar or not? My time
7 has expired so if you could just quickly answer, I'll
8 come back if I need to.

9 MR. SCOTT: I'll elaborate in our
10 posthearing brief. This is Rob Scott again. The
11 charge that I have, particularly Figure B, shows that
12 the typical lag is at least six to seven years in
13 prior recoveries before nonresidential construction
14 recovers. This recovery is unique in that it is much
15 deeper. Therefore I expect the lag to be even greater,
16 something more in the order of eight to 10 years which
17 is in the next decade.

18 CHAIRMAN OKUN: Okay, thank you. I thought
19 that was the case.

20 Vice Chairman Williamson.

21 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
22 Chairman. I, too, want to express my appreciation to
23 all the industry witnesses and the unions who have
24 come today.

25 Ms. Andros, Mr. Seeger mentioned recently

1 concluded labor agreements. Could you describe the
2 features of the recent USW's agreement with purchasers
3 in this industry, or producers in this industry?

4 MS. ANDROS: Thank you for the question,
5 Commissioner, but in my position I don't engage in
6 collective bargaining, so I think that it would be
7 more better directed at management at the table here.
8 I can tell you generally we have made concessions in
9 the industry, two important one.

10 For example, five years ago members used to
11 pay, they would not have to pay anything for their
12 health care. Now they pay approximately \$240 a month,
13 and new hires that have been coming on recently do not
14 get divine benefit plans, and then thirdly, in
15 general, through attrition as workers leave they are
16 not re-hired so the workers who remain have to pick up
17 the slack to the extent it exists, so I can say that
18 if that's helpful.

19 VICE CHAIRMAN WILLIAMSON: Okay. One
20 additional question and maybe I'll ask Mr. Seeger to
21 go to the agreement, but Congressman Visclosky
22 expressed concern about, you know, what is maybe
23 happening to our educational system, you know, with
24 the loss of manufacturing in the U.S., and the
25 training of engineerings and scientists. But I was

1 also wondering about manufacturing workers. I assume
2 their skills have to go up if they are going to
3 compete globally. I was just wondering if you might
4 just sort of comment on how continuation or
5 noncontinuation of this order affects the future of
6 shall we say the workforce of this industry.

7 Mr. Schagrin talked about the age of the
8 members on this panel. That's his statement, not my
9 observation. But that always raises the question
10 about workers -- you know, the competitors in the
11 industry in the future, so I was wondering if you had
12 any thoughts on that.

13 MS. ANDROS: Well, thank you again for that
14 question, Commissioner. My first thought is if you
15 look back at some of the members who are here today,
16 they are not in the last legs of their life, so I
17 think that's probably like some anecdotal evidence.

18 VICE CHAIRMAN WILLIAMSON: Okay.

19 MR. ANDROS: But in general, not to this
20 industry, I could say our members tend to be older but
21 not all old, number one. Number two, we continually
22 as a union put a lot of emphasis on training and
23 retraining and we definitely work with management. I
24 know we have worked with U.S. Steel, for example, who
25 is here today as a pipe producer, to have training on

1 the job, and we also work with partnerships to be even
2 more general in communities, to have community, like
3 community college and vocational technical schools to
4 do apprentice programs. So we try to do what we can
5 at every level because I think it's key, and in this
6 industry if these orders were to go away, right, where
7 are these people going to be employed, and you're
8 going to lose those technical skills that you did
9 have. So if at any point in time maybe someone would
10 want to produce pipe here again, you've lost your
11 workforce. So, they all go together if that's
12 helpful.

13 VICE CHAIRMAN WILLIAMSON: Yes, thank you.
14 Mr. Seeger, anything you want to add on
15 that?

16 MR. SEEGER: Yeah, as far as the recent
17 contract, it was a four-year contract. I would say
18 the increases were along the lines of inflation and we
19 did ask for higher contribution to medical coverage.
20 In terms of training, I would agree with the previous
21 statement. Most of it is done within our company.
22 The union is are very receptive to it. The biggest
23 change is probably in the computer skills that are
24 required on the mills today. They do require some
25 programming skills and the drives are all programmable

1 today as opposed to 10-20 years ago.

2 By and large it's a specific skill to
3 running that tube mill. You know, I'm not sure that
4 it lends itself to a broad training program per se or
5 that they be transferable to other industries.

6 VICE CHAIRMAN WILLIAMSON: Okay.

7 MR. SCHAGRIN: Vice Chairman, I would just
8 add. Luckily the folks from the USW do appear to be
9 younger than I am, but I am stunned as I go out and
10 visit steel mills, pipe mills, I love to do that, that
11 the workforce is in general an older workforce. Young
12 people just don't seem -- we are not creating new jobs
13 in these industries, so there is not new opportunities
14 for younger people.

15 If I went into a living social office in
16 downtown, everybody is in their twenties. If I go
17 into a pipe mill, everybody is in their forties. And
18 so it's a problem that we are not creating new jobs in
19 manufacturing, and the other problem, I know there is
20 lot of concentration on hiring veterans because nobody
21 deserves it more than them, and I found that people in
22 the pipe industry and in the steel industry are just
23 amazing at how they focus on veterans because they get
24 a lot of those skills in the military that are
25 wonderful in a workplace, like in a pipe mill or a

1 steel mill.

2 I met a young man recently who was assigned
3 to Fort Campbell and he was home on leave because his
4 wife was having their second child, and I said -- and
5 they he was on his way back to Afghanistan, and I
6 said, you just had two children. Why would you go
7 risk your life in Afghanistan? I mean, it's good to
8 fight for our country. He said, because the military
9 at least will pay for my kids' medical expenses. He
10 said, if I leave even my skills, I can't get a job in
11 northern Kentucky or southern Indiana.

12 So, you know, for people coming out of the
13 military and with the kind of skills they get, you
14 know, working in pipe or tube or steel or foundries,
15 those are great jobs. That's why we need to start
16 creating jobs as demands increase in some areas
17 instead of constantly reducing the number of jobs.

18 VICE CHAIRMAN WILLIAMSON: Thank you for the
19 answer. Anybody have anything to add to that?

20 Mr. Vaughn.

21 MR. VAUGHN: Yes, Commissioner Williamson, I
22 think it is a great question and a great point. I
23 think we talk a lot about unfair trade and what it
24 means to have unfair trade, and part of what we're
25 talking about here is really market signals, and you

1 know, workers pick up on those signals as well, and
2 people want to know if I'm in an industry is the
3 industry going to be given a legitimate chance to make
4 the profits it needs to make additional investments,
5 to do what it needs to do to grow in effect with
6 market conditions. And when you have an industry
7 that's distorted by unfair trade, that sort of sends
8 the wrong signals not only to everybody who is in the
9 industry but to people who are thinking to go into the
10 industry.

11 And so I think that by enforcing these trade
12 laws and ensuring that the market is working, you
13 know, correctly and accurately, then I think a lot of
14 these problems ultimately will resolve themselves.

15 VICE CHAIRMAN WILLIAMSON: Okay, thank you.

16 Mr. Scott.

17 MR. SCOTT: Thank you. Again, Robert Scott.

18 I do a lot of research generally on the
19 effect of trade on manufacturing in addition to case-
20 specific research. In the last decade we have lost
21 about 6 million manufacturing job, so that downward
22 trend I think explains what's happening to average age
23 of the labor force. It is not a necessary outcome.
24 Other countries like Germany have managed to maintain
25 relatively stable manufacturing workforces.

1 In the United States, data indicates that
2 when a worker is laid off, especially an older worker,
3 they see a drop, many of them see a drop of 15 to 20
4 percent in wages and benefits and a substantial share,
5 up to 30 percent of them drop out of the labor force
6 and never get another job because if they are older
7 they don't have mobility, they can't get back into the
8 labor workforce. So, these kind of actions are
9 critical to help retain jobs in this kind of an
10 industry.

11 VICE CHAIRMAN WILLIAMSON: Okay. Thank you
12 for those answers.

13 I wasn't sure this was covered. The
14 producers have talked about more attractive other
15 markets, and I know there has been some testimony
16 about, Mr. Kurasz, about the EU market, and Mr.
17 Schagrín was, I think, I didn't get the countries
18 because I know in other cases we have heard about how
19 important and attractive the Gulf market is. So, I
20 was just wondering how important that market is now.
21 What is the conditions there and in like North Africa,
22 I think the director also mentioned places they could
23 export to?

24 MR. SCHAGRIN: We will give you more about
25 this in our -- this is Roger Schagrín -- in our

1 posthearing brief, Commissioner Williamson, but the
2 data comes from Global Trade Atlas. It's right in
3 your staff report, their main markets. It's no
4 surprise: Turkey sits between Europe and the Middle
5 East, so those are their main export markets. I mean,
6 I don't think you have to dig too deep. You know, you
7 have data for '09 to '11. Wow, even Europe looks
8 better when you look at '09 to '11. Everything was
9 pathetic in '09. Everything looks better in '11 than
10 '09. That doesn't mean it's good.

11 But right now it's falling off a cliff. I
12 mean, we have information from just last week the
13 United Kingdom is in a recession, Italy is in a
14 recession.

15 VICE CHAIRMAN WILLIAMSON: Yes.

16 MR. SCHAGRIN: Spain is in a recession,
17 Greece is in a recession. We can go on and on. So,
18 those won't be good markets. Interesting enough in
19 the Middle East their main market seems to be Iraq and
20 Syria. We all know what's going on in Syria. Unless
21 they are selling pipe for pipe bombs I can't imagine
22 it's a good market for anything else.

23 So, as I said in my opening, this is not a
24 reality we're proud of, but the Commission has to deal
25 with the reality, and the reality is they're in deep

1 trouble in all their exports. I think that we're all
2 glad they're here, but they're here because they know
3 the U.S. looks great compared to Europe and the Middle
4 East right now.

5 VICE CHAIRMAN WILLIAMSON: Okay, thank you.
6 My time has expired, but maybe posthearing you might
7 particularly address the Gulf states since that's what
8 used to be considered a glamour market. Thank you.

9 CHAIRMAN OKUN: Commissioner Pearson.

10 COMMISSIONER PEARSON: Thank you, Madam
11 Chairman. Welcome to all of you. It's interesting
12 once again to discuss welded pipe. I have had the
13 opportunity in the past to see some of your welded
14 pipe facilities, and I've learned a great deal from
15 that and I appreciate the hospitality that's been
16 shown.

17 Dr. Scott, I think your explanation of your
18 Figure C was better than my understanding of it.
19 Could we go back to that for a minute and help me to
20 figure out for sure what's being represented here?
21 Because I'm not familiar with the term nonresidential
22 GDP.

23 MR. SCOTT: Right. Investment, this is
24 investment in nonresidential structures in the GDP
25 accounts and so the title is a bit of a shorthand, but

1 it's investment in nonresidential structures, which is
2 essentially synonymous with nonresidential
3 construction. So we're looking in Figure C at the
4 change quarter to quarter in investment in
5 nonresidential structures, and where we see the liens
6 below the bars, those are, of course, declines in
7 investment.

8 So the recovery began, I believe, in the
9 third quarter of 2009, and so since the third quarter
10 of 2009 we see that in six of those 11 quarters there
11 has been a decline in investment in nonresidential
12 structures. In only five of those quarters has there
13 been growth.

14 COMMISSIONER PEARSON: Okay. And is this
15 type of volatility unusual if one looks at the various
16 segments of GDP? I mean is there something
17 particularly volatile about nonresidential --

18 MR. SCOTT: Investment in nonresidential
19 structures showed the largest decline in the first
20 quarter of GDP. I think the next largest decline was
21 in federal defense spending. Those are the two large
22 declines.

23 COMMISSIONER PEARSON: That's the first part
24 of 2012 that you're referring to?

25 MR. SCOTT: First quarter of 2012. If you

1 want to ask historically about the components of GDP,
2 investment tends to be volatile, especially investment
3 in structures. We also know, again, from the graphs
4 that I've showed you here, that investment in
5 nonresidential structures tends to be highly volatile
6 and it tends to lag behind the rest of the business
7 cycle in recoveries.

8 COMMISSIONER PEARSON: Okay. Just how is
9 the flow of money measured? Is it at the time a
10 contract is signed, and thus it bumps up one quarter,
11 and then in the next quarter there's no contract
12 signed and so the figure is down?

13 MR. SCOTT: I believe this is the actual
14 flow of spending in a given quarter. This is an
15 actual investment in a quarter. So it's not the
16 contract's signed. There are other indicators for
17 that. This is actual spending that takes place in the
18 GDP.

19 COMMISSIONER PEARSON: Okay. So the
20 purchasing of --

21 MR. SCOTT: Goods and services.

22 COMMISSIONER PEARSON: -- welded pipe would
23 be perhaps going up and down, along with the other
24 items that make up nonresidential construction
25 spending.

1 MR. SCOTT: Exactly. As they put the
2 buildings up and put the pipe in, it shows up in the
3 GDP accounts.

4 COMMISSIONER PEARSON: Okay. Thank you for
5 that. Mr. Schagrin?

6 MR. SCHAGRIN: Commissioner, I'll just add,
7 and we'll give it to you in the posthearing brief, I
8 was looking at some figures yesterday, you know, the
9 internet's wonderful for finding all kinds of stuff,
10 and so I had the same thoughts you did after I looked
11 at Prof. Scott's graphs yesterday and I said, well,
12 that tells us what spending is. I know that when I
13 listen to the business news there's a lot of talk
14 about permits and I wondered whether they segmented
15 information on permits for nonresidential versus
16 residential, and, in fact, they do.

17 We'll give it to you in our posthearing
18 brief. Looking at that data, it showed just a
19 tremendous decline of 30, 40 percent from '08 to '09,
20 and then on a permanent basis, it's bumping up by like
21 one or two percent. So, you know, that gives you more
22 of a sense looking out into the future how small the
23 rate of recovery is going forward compared to how
24 dramatic the drop was. So that's the kind of
25 corollary to your question where you're asking about,

1 you know, spending versus what does this tell us about
2 what's going on in the future.

3 So we'll give you that permit information
4 for nonresidential structures, which I think is done
5 on the basis of square footage that has been requested
6 in permits. I think that will be -- and we have it
7 for the whole period of review, and we'll give that to
8 you in our posthearing.

9 COMMISSIONER PEARSON: Okay. Thank you.
10 Then, Dr. Scott, in response to the Chairman's
11 question you had indicated that for apparent
12 consumption of welded pipe to recover fully to the
13 levels that we saw earlier in the period of review it
14 might take some eight or 10 years, and I just want to
15 clarify, is that based on an assumption of GDP growth
16 in the United States of somewhere in the two to three
17 percent annual range, or what rate of growth under
18 goods, the assumption of eight to 10 years?

19 MR. SCOTT: I'm just looking at the previous
20 business cycles in investment in nonresidential
21 structures which took, over the last two business
22 cycles took six and seven years to reach the previous
23 peak. I'm noting that this cycle is fundamentally
24 different. The decline was much deeper and the
25 recovery lags substantially behind those earlier

1 cycles. So it's going to take at least another one to
2 three years for this industry to recover at current
3 pace.

4 Yes, it would certainly require at least two
5 to three percentage GDP growth, and, more likely,
6 somewhat stronger GDP growth to pull nonresidential
7 construction along. We're going to have to see a rise
8 in demand in the economy. Two to three percent is
9 really not fast enough to get us there.

10 COMMISSIONER PEARSON: Okay. Thank you.
11 Mr. Moss, I'm curious about how large a factor in the
12 demand for certain welded pipe, circular welded pipe
13 -- is that what the C stands for, Mr. Schagrin? Thank
14 you. How big a factor are certain large construction
15 projects, because you are located quite close to this
16 large project at the lower end of Manhattan to build
17 the new World Trade Center. Have you seen an
18 influence on your business from that project?

19 MR. MOSS: We do supply the World Trade
20 Center, and the fire sprinkler contractor on it,
21 material. When you look in Washington, you see
22 cranes. One project isn't what we're talking about
23 here. We're talking about an industry. We're
24 specific to the fire sprinkler industry. Based on
25 units of production of sprinkler heads, it's off over

1 52 percent in the last four years. You're talking
2 levels that are, that aren't coming back any time
3 soon.

4 It's a damaged industry, so for us to see
5 our business come back, we need construction to pick
6 up regionally, the northeast for us, and we have
7 distribution throughout the rest of the country, so we
8 need to see the economy pick up at a much faster rate
9 than it is right now. Our industry is just dragging
10 along the bottom. The only thing that's keeping our
11 industry at 52, off 52 percent is the government
12 regulations that require a fire sprinkler in existing
13 construction and in renovation construction.

14 COMMISSIONER PEARSON: So you find that
15 you're retrofitting existing structures and putting in
16 more sprinkler pipe?

17 MR. MOSS: In the City of New York they are
18 retrofitting and putting into existing buildings, in
19 Boston they're doing the same. Our industry is
20 governed by laws, so even if tenants are moving in and
21 out of a facility, the core of the building doesn't
22 change, the core being the elevators and the
23 bathrooms, but the ceiling patterns change and that
24 requires fire sprinklers to be changed out. So we're
25 suffering, and we're suffering at a level of less 52

1 percent, but not nearly as bad as the rest of the
2 industry.

3 I think what we're really looking at here is
4 this is about jobs, and we face the same issue with
5 older workers in our facilities, and unless we have
6 demand pick up -- we are exporting our jobs overseas,
7 and in order for us to have a future workforce that's
8 willing to make pipe, thread pipe, do the jobs that
9 need to be done, install pipe, we must protect these
10 jobs and we must create opportunities for new workers.

11 Part of that opportunity is we have a demand
12 here. We must protect that demand and make sure that
13 our workers have, our children and our children's
14 children have places to go to work.

15 COMMISSIONER PEARSON: All right. Okay.
16 But it would be fair to assume that the World Trade
17 Center must be one of the largest discrete projects
18 currently underway in the United States that is
19 creating demand for circular welded pipe, and so I was
20 just trying to understand, is that one project big
21 enough to be noticed in the market?

22 MR. MOSS: No. Absolutely not.

23 COMMISSIONER PEARSON: Okay.

24 MR. MOSS: Absolutely not.

25 MR. SCHAGRIN: It's amazing, Commissioner

1 Pearson, because I was looking at the numbers. You
2 know, even with One World Trade Center, which is
3 something like, you know, several million square feet,
4 you know, the overall change is down from 1.6 billion
5 square feet of permits in '06 to 670,000, 680,000
6 square feet, so we're talking about a change of a
7 billion square feet. So one building with several
8 million square feet just doesn't make a dent in 1.6
9 billion. As big as the individual building is, it's
10 just not having a dent on the whole --

11 COMMISSIONER PEARSON: Okay. I hear what
12 you're saying. My time has expired, but could I ask
13 that in the posthearing -- some of your firms will
14 have people who could estimate how many tons of
15 circular welded pipe are going into the World Trade
16 Center building. I would be curious to know that just
17 because I don't have a sense of, you know, how one big
18 project influences the industry overall. So if you
19 could provide that, that would be very helpful. Thank
20 you, Madam Chairman.

21 COMMISSIONER OKUN: Commissioner Aranoff?

22 COMMISSIONER ARANOFF: Thank you, Madam
23 Chairman. I join my colleagues in welcoming all of
24 the witnesses on this morning's panel. Appreciate
25 your being here. The Respondents point out that U.S.

1 producers were adding capacity in 2009 when production
2 and demand were declining, and I wanted to give the
3 panel the opportunity to explain why that was the
4 case.

5 MR. KURASZ: I can speak specifically about
6 Allied Tube and Conduit as far as capacity. So we, in
7 order to be competitive we train our employees and our
8 management team on lean in, not only on the floor, but
9 in the office, and we try to take costs out of our
10 systems and out of our facilities. In doing that, you
11 create opportunities of higher efficiency with
12 existing equipment. We actually gain capacity by
13 lowering our costs and removing waste from that
14 process.

15 Other than that, the other, we didn't add
16 capacity, we actually added a business to our facility
17 with the Morrisville acquisition, so that capacity
18 already existed. So we did not physically go out and
19 add additional mills, we just lowered our costs,
20 removed waste from the process, and in doing so, our
21 changeover time came down, our ability to run the
22 product quicker, faster, at the same quality levels
23 that normally increase the level of capacity.

24 MR. MAGNO: Mark Magno with Wheatland Tube.
25 During the period that you're discussing, Wheatland

1 actually took out capacity. We closed an acquisition
2 that we had made prior, the former Sharon Tube
3 Company. We closed that facility primarily because of
4 demand, and, in our viewpoint, significant increase of
5 unfair trade imports. We closed that facility, and it
6 remains closed today.

7 MR. SCHAGRIN: Commissioner Aranoff,
8 obviously because you have such great coverage of the
9 domestic industry you have a lot of variety amongst
10 all the 15 companies or so responding to your
11 questionnaires and so there's lots of ups and downs,
12 but I will make one general comment, and that is that
13 in any competitive industry in the United States of
14 America or anywhere in the world these companies are
15 always trying to increase productivity, lower costs,
16 even though steel is probably 70 to 75 percent of
17 their costs.

18 They're always working hard to compete, and
19 change and lower those production costs, which means
20 higher throughput, higher productivity from their
21 workforces, and that invariably results in increased
22 capacity on the same mills. You see that throughout
23 steel mills, pipe and tube mills. I'm going to
24 contrast that in our posthearing brief with the
25 information you get from producers in other countries

1 where sometimes if I see people who are stagnant for a
2 long period of time I said that's not possible. I've
3 dealt with these industries long enough.

4 You can't be a competitive industry in
5 anyplace in the world, and unless you're opening or
6 closing facilities, changing things, in a present
7 facility, over any five or 10 year period, if your
8 capacity is not increasing, then your feet are in
9 concrete and you couldn't possibly be a competitive
10 industry. So I think you'll find throughout pipe and
11 tube, or steel, or any manufactured products, good
12 producers who stay in business are always tweaking the
13 manufacturing process. It increases productivity,
14 increases the possible output and has an effect on
15 capacity, even with present facilities.

16 COMMISSIONER ARANOFF: Okay.

17 MR. KURASZ: Ed Kurasz with Allied. If I
18 can add to that.

19 COMMISSIONER ARANOFF: Sure.

20 MR. KURASZ: These are incremental
21 improvements, so when we talk about increased
22 capacity, we're not talking about major increases,
23 we're talking about incremental through the
24 productivity improvements.

25 COMMISSIONER ARANOFF: Okay. Well, I

1 appreciate those answers. I would add that in their
2 brief, the Turkish Respondents argue that basically it
3 was irresponsible management decisions on the part of
4 the U.S. industry that leads to our aggregate data
5 showing increased capacity over the period. One
6 explanation that none of you gave that may be true for
7 some domestic producers, I don't know, is that there
8 was some commitments to projects that were made before
9 the market started to fall off at the end of 2008 that
10 were implemented in 2009.

11 Because of funding, it was too late to stop.
12 I didn't hear any of you make that specific argument,
13 but, in any event, if there's anything that you want
14 to add posthearing looking at the industry as a whole,
15 that would be helpful. I'm going to direct the next
16 question to Ms. Andros, although others are free to
17 also respond. The Turkish Respondents had argued that
18 the domestic industry's poor financial performance was
19 due to three things that they characterized as more or
20 less sort of self-inflicted harm.

21 One of them was this irresponsible increase
22 in capacity argument, but the second one was that
23 hourly wages in the U.S. industry are too high to be
24 competitive, and so I wanted to give Ms. Andros an
25 opportunity to respond to that, if you wanted.

1 MS. ANDROS: Well, I don't know that I'm the
2 person within the union that could respond to that, so
3 I think it would be better served for the members of
4 the industry here to describe it, but I can say,
5 generally, this union works very hard with our
6 companies. We know we need to compete or we're going
7 to go out of business. We're very import-sensitive,
8 so we're very well-aware of that as a union, that we
9 can be harmed by infra trade.

10 We're trying to keep manufacturing and
11 retaining jobs and trying to grow manufacturing here.
12 Extremely difficult period of time. So I would say
13 that whatever our wages are, they're competitive, and
14 we're well-aware of that. Other than that, I can't
15 speak directly to this particular industry. Thank
16 you.

17 MR. SEEGER: If I could. David Seeger. I'm
18 sorry. Two things. One, just on that increased
19 capacity because I think it's an important point, what
20 we will do is we'll invest in these mills, as per
21 Roger and Ed's comments, and we've put on new saws,
22 new entries, new high speed threaders, all of which
23 were designed to bring our cost structure down. By
24 default, they end up, since your mill is running more
25 efficiently, they do add capacity, but there were no

1 new mills put in, which would be more of a structural
2 change in that market.

3 In response to your, to the labor question,
4 the labor component to make this product is less than
5 20 percent of the cost. It is not a high labor-
6 intensive product. It's quite low. Steel, by far, is
7 the biggest component at around 70 percent, freight
8 would be the second largest component, labor is
9 probably the third or fourth. I don't think there's
10 any -- if I cut the labor cost 50 percent, it would
11 not put me anywhere near these import prices, so I
12 take exception to that comment. Thank you.

13 COMMISSIONER ARANOFF: Go ahead, Mr. Vaughn.

14 MR. VAUGHN: Yes. Thank you, Commissioner
15 Aranoff. I mean, you know, what strikes me about
16 these two explanations is just how if you look at --
17 you guys have great data on this. I mean the
18 capacity, you know, that they're talking about, if you
19 look at the change in the industry's capacity from
20 2008 to 2009, according to your data, it was less than
21 100,000 tons. The change in the hourly wages,
22 according to your data, was \$3 an hour, and that was
23 combined with an increase in the industry's
24 productivity from 2008 to 2009.

25 Then, if you take those numbers and then you

1 compare them to the fact that from '08 to '09, this is
2 on your page I-7 of the staff report, consumption fell
3 by almost 700,000 tons in one year, I mean I think
4 you'll see that the explanation that these people have
5 been giving about the problems that they've been
6 facing in the market just overwhelms, you know, these
7 kind of, you know, very, you know, small points that
8 have been made by the other side. Even if you just,
9 you know, take the data and take the argument
10 seriously, once you start to look at the data, the
11 argument just sort of falls apart.

12 COMMISSIONER ARANOFF: Okay. Thank you. If
13 you look at Table III-11 in the staff report, which is
14 the company by company financial data so it's
15 confidential, you see that from 2010 to 2011 some
16 domestic producers experience increased net sales
17 volumes and others see their net sales volumes
18 decline. Either today, or if it's confidential, in
19 the posthearing, I wondered if you could comment on
20 what might account for these differing trends.

21 MR. SCHAGRIN: Commissioner, we'll address
22 it in the posthearing, but thank God we're not a
23 communistic country. Most of the explanation will be
24 good old competition, and that's good in any industry.
25 Because it's all confidential, we'll give it to you,

1 any explanation we can beyond the fact that these
2 producers compete against each other for sales, we'll
3 give that to you in our posthearing.

4 COMMISSIONER ARANOFF: Okay. While you're
5 doing that posthearing, I'm looking at that same
6 table, if you have any explanation, and there may not
7 be any, for why domestic producers' unit cogs and SG&A
8 seem to vary so greatly from company to company and
9 how that's consistent with this being a commodity
10 product, that would also be helpful. Thank you.
11 Thank you, Madam Chairman.

12 COMMISSIONER OKUN: Commissioner Pinkert?

13 COMMISSIONER PINKERT: Thank you, Madam
14 Chairman. I join my colleagues in welcoming all of
15 you, particularly the USW members in the back, and
16 appreciate your being here not just to express your
17 concern and interest in the case, but also to help us
18 to understand the issues in the case. I want to begin
19 with a question for Mr. Schagrín and it concerns your
20 statement that certain fencing products are being
21 imported as mechanical tubing. I'm wondering what
22 steps you've taken to try to address that issue.

23 MR. SCHAGRIN: Roger Schagrín. Thank you,
24 Commissioner Pinkert. I'm going to try to make a long
25 story as short as possible. This has been going on

1 for probably 18 to 24 months. We have been addressing
2 it through all the avenues given to us by Customs,
3 which is *E* allegations, they have an *E* allegation
4 system, meetings here with investigators and
5 enforcement people in Washington, D.C., and as well,
6 this meeting was scheduled, really, at my request, but
7 prior to the scheduling of this hearing, there's a
8 Customs training seminar going on in Laredo, so we can
9 actually speak to the people in Laredo.

10 I've also spoken to them several times.
11 We're just trying to get enforcement. You'll be happy
12 to know, and they wouldn't mind me saying this, I
13 actually raised with people, the Department of
14 Commerce, should we make a scope clarification request
15 that fence tubing was included in the scope of the
16 order. The person who used to work here, at the ITC,
17 in Mr. Van Toai's position a long time ago doing pipe
18 and tube, you know, almost laughed and said you mean
19 you want a scope clarification request that says fence
20 tubing is in the order when the order specifically
21 says fence tubing is in the order?

22 I said, yes, but maybe that will help
23 Customs understand that the order means what it says.
24 So we're doing everything we can, and then key to
25 making a long story short is the poor Customs Service

1 after it was transferred from Treasury to Homeland
2 Security and its main purpose became antiterrorism
3 instead of commercial enforcement, they're just so
4 woefully understaffed and underappreciated that it's
5 just something that at some point the U.S.
6 government's going to have to decide whether they
7 believe Customs Enforcement, you know, really is an
8 important priority or not because this is just the tip
9 of the iceberg.

10 It's very, very galling for someone to just
11 say, well, we send an A513 specification, so because
12 that specification says in the AU's handbook A513 is a
13 mechanical specification we can send anything we want
14 in the United States and use the excluded mechanical
15 tubing. You know, the construction is clear. If it's
16 circular welded pipe first, no matter what you call it
17 afterwards, it's within the scope of the order. So
18 we're doing our best.

19 I know from people in the fence business
20 we're talking about tens of thousands of ton a year
21 that are coming in from Mexico that are doing this. I
22 mean they've taken most of the Texas, which is one of
23 the largest markets for fence products in the United
24 States. It's a big problem.

25 COMMISSIONER PINKERT: Well, perhaps the

1 other panelists can help me to understand the
2 background to this issue a little bit. Under the
3 scope of this order, is a fencing product usable in
4 all kinds of different applications, including
5 mechanical and other applications?

6 MR. KURASZ: Ed Kurasz, Allied Tube. We
7 have a very large mechanical tube, which is A513
8 business, and a very large fence business, which is
9 not ASTM A513, and of the two, the fence product is
10 less strict on the tolerances, so the, certainly fence
11 should not be used for a mechanical operation. It's a
12 nonstructural member. Basically, it's a post in the
13 ground or a top rail. If you put a stencil on a
14 fencepost, A513, you can then use the same dimensional
15 physical characteristics of that product and use it in
16 a fence application.

17 If you look at the other standard tube
18 products, or pipe products, ASTM A-53, there's other
19 further processing and quality checks and hydrostatic
20 tests, seam annealing, much further rigor going in to
21 manufacture that product to make it fit the purpose.
22 Out of all the product lines, fence is probably the
23 least sophisticated application. I don't know if that
24 answers your question.

25 COMMISSIONER PINKERT: It does answer my

1 question. I see that other panelists are shaking
2 their heads in the affirmative. Do you want to just
3 go on the record with that?

4 MR. MAGNO: Mark Magno with Wheatland Tube.
5 Agree with Mr. Kurasz' comments. The fence tubing,
6 or fence products, generally don't cross over into
7 that A-53 specification that Wheatland concentrates so
8 much more into because of the testing and the pressure
9 requirements of A-53 pipe.

10 COMMISSIONER PINKERT: Thank you. Any other
11 comments on that issue before I move on to 2007? All
12 right. Looking at the data on 2007, and some of which
13 is proprietary, it looks like demand was not suffering
14 terribly in 2007. What was going on with financial
15 performance for the industry in 2007?

16 MR. SEEGER: Yes. I'm trying to put it into
17 context. I'm sorry. David Seeger. You know, we had
18 the China case that went on in 2007. If you're
19 looking at it in context as of today or just what
20 drove the 2007 financials? I'm not sure.

21 COMMISSIONER PINKERT: I'm trying to
22 understand the dynamics in the market, so I'm looking
23 at that historical data from 2007 and I'm trying to
24 understand what was driving the financial performance
25 of that year.

1 MR. SEEGER: The demand, by far, was a whole
2 other animal. As Roger mentioned, it was a 1.6
3 billion nonresidential construction market, which is
4 probably where 75 to 80 percent of this product goes,
5 so in terms of our market, it was one of the banner
6 years that we had seen. '08 it started to drop off a
7 little bit. In '09 it came crashing down. '07, from
8 a demand standpoint, was quite strong.

9 MR. SCHAGRIN: This is Roger Schagrin.
10 Commissioner, I think what you're driving at is why,
11 given how strong demand was in '07, like it was in '06
12 and '08, why were the industry's financials so much
13 poorer in '06, '08.

14 COMMISSIONER PINKERT: Correct. I was
15 trying to avoid saying anything that might be
16 interpreted as proprietary information.

17 MR. SCHAGRIN: No. The C tables are all
18 public.

19 COMMISSIONER PINKERT: Okay.

20 MR. SCHAGRIN: I think the answer to that,
21 even though if you look at overall imports being
22 higher in '06 than '07, a lot of those were imports
23 from China coming in in late '06 so they were in
24 inventories and they were really -- because we filed
25 the China case in June of '07. I think June 7, as I

1 remember it, because I wanted it to be on *D* Day, but
2 we missed it for some reason. I'm kind of a history
3 buff, but my co-counsel wasn't so it was lost on them.

4 You know, there was just tremendous pressure
5 on pricing in the marketplace in spite of the very
6 strong demand because the import levels were so high.
7 So I would say almost the entirety, if not the
8 entirety, of the reasoning for the poor results in '07
9 compared to '06 and '08 were the imports from China.
10 Then you'd see with similar demand levels in '08, when
11 the imports from China went out of the market and
12 before demand collapsed, that the industry was able to
13 bounce back so quickly in terms of profitability,
14 which is why the China case was extremely helpful to
15 the industry.

16 It's a pity we had the great recession which
17 continues in nonresidential construction, or else this
18 industry would have had a chance to do well. Imports
19 always ruin the good years. I'm glad they put in the
20 statute looking at injury in the context of the
21 business cycle because there's a lot of good business
22 cycles a lot of industries in the U.S. miss out on
23 because of imports. This was certainly the case of
24 what happened with this industry in 2007.

25 COMMISSIONER PINKERT: Mr. Vaughn?

1 MR. VAUGHN: Yes. Just to kind of back up,
2 you know, what Roger was saying, I mean if you look at
3 your data, what is striking about 2007 is is that even
4 though demand was relatively strong in that year, and
5 these people saw their cost of goods sold go up from
6 \$783 a ton to \$837 a ton, the unit value for their
7 sales, the price they were getting, actually fell.

8 I think that was sort of the real issue
9 there in terms of the operating income, and that's
10 consistent with Mr. Schagrin's testimony that you had
11 this kind of overhang of the imports that were
12 weighing on the market and holding down prices. Then,
13 as that got through the system in 2008, prices were
14 able to go in a more market-based direction. I think
15 that's really what was going on in that 2007 time
16 period.

17 COMMISSIONER PINKERT: Thank you very much.
18 Thank you, Madam Chairman.

19 COMMISSIONER OKUN: Commissioner Johanson?

20 COMMISSIONER JOHANSON: Thank you, Madam
21 Chairman. I would like to begin by thanking the
22 witnesses for appearing here today, and also to thank
23 the workers for coming all the way here to Washington
24 today to witness this hearing. Commissioner Pearson a
25 few moments ago said that this is one of many hearings

1 he has attended on pipe and tube, and this is my very
2 first one. I'm very aware of the orders.

3 I've been in this field for a while and I've
4 heard a lot about them, so this is real education for
5 me today and I appreciate you all further educating
6 me, and also for the Respondents' panel for doing the
7 same this afternoon. Mr. Schagrín, you spoke a few
8 minutes ago concerning Commissioner Pinkert's question
9 regarding Mexico and what is happening with Mexico.

10 Do you have an estimate as to how much you
11 believe the official data on imports from Mexico are
12 understated? I know you're in Laredo today, your
13 folks are in Laredo today trying to work on this. I
14 was wondering, though, if you have any idea as to what
15 the numbers might be.

16 MR. SCHAGRIN: Commissioner Johanson -- this
17 is Roger Schagrín -- I think we gave some estimates in
18 our prehearing, and I think overall, comparing some
19 general data that was available to us about what, you
20 know, is showing up in terms of exports from Mexico or
21 reported imports in the United States in these product
22 lines. Overall, it's underreported by about half or
23 so. I think those were our estimates in our
24 prehearing, but we'll go back and look at that again
25 and give you whatever additional information we can in

1 our posthearing brief.

2 COMMISSIONER JOHANSON: If you all learn
3 anything during the next few days from your visits in
4 Laredo, if you could let us know as well. I think
5 that would be helpful. I guess it's timely that you
6 have folks there today working on that.

7 MR. SCHAGRIN: Yes. This is Roger Schagrin.
8 But for this hearing being scheduled, I'd be in
9 Laredo. I want to tell you, the quality of the dust
10 you breathe in Laredo, Texas is quite special, and so
11 you kept me from doing that, but it was important
12 work. I would have been happy to suck up all that
13 dust from all those trucks coming through the desert
14 just to meet with the Customs folks. I'm hoping there
15 will be productive meetings, and we'll be happy to
16 share with you anything we can from those meetings,
17 Commissioner Johanson.

18 COMMISSIONER JOHANSON: All right.
19 Following up on Mexico, I note in Table IV-19 that
20 Mexico, and Turkey as well, were able to increase
21 their global exports despite increased Chinese exports
22 in recent years. Do you all know why it might be
23 happening with those two countries that make that
24 possible? This is all, I will probably address it as
25 well to the Respondents this afternoon.

1 MR. SCHAGRIN: Again, this is Roger
2 Schagrin. I would have one general comment about that
3 because all of those tables about exports, which come
4 from *Global Trade Atlas*, generally go from '08 through
5 '11, and I think you're generally seeing, you know,
6 some declines from '08 to '09 and then increases again
7 as you go to '10 and '11, so I think some of it is
8 just the nature of the overall what had been a
9 worldwide recession and recovery, and then it depends
10 on the countries because 7306.30 does cover mostly
11 products that are subject to the case with the
12 exception of real mechanical tubing, you know, which
13 would be used in auto parts, et cetera, which is also
14 in this data, and so, for example, there is for Mexico
15 the supply of actual real mechanical tubing which
16 would be embedded in this data that would come up to
17 the United States, and we know we've had quite a
18 recovery in the U.S. in auto production.

19 I don't know about the Turkish product. I
20 have no idea within that 7306.30 whether you have
21 Turkish mechanical tubing that's possibly going to
22 auto producers in Germany, but I think the Turks would
23 be able to explain that better. I did note that I
24 believe the single largest export market for Turkey
25 was the United Kingdom, and the economy in the U.K.

1 is, as we know, back into a recession now. So we'll
2 give you more in our posthearing that we can about
3 those tables and the changes.

4 COMMISSIONER JOHANSON: Thank you for your
5 response. Moving on to a different topic, that is oil
6 country tubular goods. As you all know, there is
7 increased demand for that product right now. Does
8 that make it less likely that the subject producers
9 will increase their exports, significantly increase
10 their exports CWP given the demand in oil country
11 tubular goods?

12 MR. VAUGHN: Commissioner Johanson?

13 COMMISSIONER JOHANSON: That's Mr. Vaughn.

14 MR. VAUGHN: Yes. I'd just like to sort of
15 make one comment and then other people can sort of
16 talk, you know, pitch in with their information. I
17 think if you look, for example, at the shipments of
18 OCTG from Turkey, of welded OCTG from Turkey to the
19 United States, it is an extraordinary increase. I
20 mean it is not in line with what's been happening in
21 terms of consumption of welded OCTG, and so I don't
22 think you can just say that that increase is, you
23 know, moving in line with the consumption.

24 It seems to me as though they are just, you
25 know, very, very aggressively increasing sales. So I

1 think that from this you should interpret the data to
2 indicate that they're extremely export-oriented, that
3 they're very aggressive in terms of trying to grow
4 their markets and that this is a good example of what
5 they do when they're not subject to order, and that if
6 this order, if, the welded OCTG market is an example
7 of what happens when they're not subject to an order,
8 and if the order here is revoked, you will see an
9 aggressive pitch to make sales with welded standard
10 pipe as well.

11 As these people have testified, this market
12 is not necessarily, it is, it has some weaknesses in
13 this market, it's not necessarily growing in the way
14 that some other markets are growing, but the fact that
15 this is a weak market means that the few sales that
16 are out there, or the sales that are out there, are
17 very valuable and are very important to these people.

18 So when you revoke an order and invite more
19 imports into a weak market, those imports can be
20 extremely harmful. So I think that the behavior that
21 you're seeing in the welded OCTG market, the very,
22 very aggressive sales that are going on by Turkish
23 producers in that market, is very consistent with the
24 notion that in a weaker market, such as this one, they
25 will still be aggressive and those sales will have a

1 devastating impact.

2 COMMISSIONER JOHANSON: You addressed Turkey
3 and its production of OCTG. How about other subject
4 countries? Would you see the same? Is that your
5 prediction?

6 MR. VAUGHN: Yes. I would like to address
7 that more in the posthearing brief in terms of going
8 into the other countries because I haven't, you know,
9 focused on those as much as I had on Turkey, but I do
10 think that to the extent you see this type of very,
11 very aggressive behavior in the welded OCTG market,
12 the proper way to interpret that is not that they're
13 just necessarily going to stay in that market, but
14 that they're looking to be aggressive and make sales
15 wherever they get the opportunity.

16 Those sales are, they can be very harmful in
17 an up market, as we saw in this case when China came
18 in in '06 and '07 and hurt a very strong market for
19 welded standard market, and they can be really harmful
20 in weak market, as we're seeing right now with the
21 imports that came in from Oman, India, UAE and
22 Vietnam.

23 COMMISSIONER JOHANSON: All right. Thank
24 you for your response. I look forward to reading that
25 in your posthearing brief. Once again, this is all

1 new to me and the relationship between OCTG and CWP is
2 something I'm still trying to figure out. I guess
3 I'll be hearing more from you all on that. Yes, Mr.
4 Schagrin?

5 MR. SCHAGRIN: Commissioner Johanson, this
6 is Roger. Can I just add one thing that's critical to
7 keep in mind since you're new to this product is that
8 for a lot of the U.S. mills that make CWP, they have
9 no capability of making OCTG so they aren't able to
10 switch. One thing that Mr. Getlan said this morning
11 was he didn't want this Commission to just focus on
12 CWP, but he wants you to think of the total output of
13 the Turkish mills and look at their OCTG output as
14 well.

15 Well, we'd encourage you to look at that on
16 a Turkish industry-wide basis. So it is the fact that
17 for some mills, and maybe some mills in Turkey, they
18 can either make CWP or OCTG, but, you know, that just
19 means that you need to look at the whole Turkish
20 industry's capacity and excess capacity because the
21 market for OCTG, which grew a lot and imports from
22 Turkey are surging, it's now flattening out. The rig
23 count is now down for about the past six or seven
24 weeks.

25 It's down from a high of about 2,075 to,

1 it's right about 1,950. So obviously it can't go on
2 forever because what was a huge increase from a rig
3 count of about 800 up to 2,100, it's now flattening
4 back out. So I also don't think you can look at the
5 Turkish data and say, well, this is going to go on
6 exponentially forever. Obviously, we all know there
7 is zero OCTG consumption in Turkey, so they're
8 dependent just on their exports to the U.S. Thank
9 you. The time is out. Thank you again.

10 COMMISSIONER JOHANSON: Thank you. My time
11 has expired.

12 COMMISSIONER OKUN: Well, why don't we just
13 keep with that subject of product shifting. I know in
14 prior hearings on this subject we've had the
15 opportunity to talk about it a little bit, but maybe
16 just to see if there's anything changed, and then to
17 evaluate Respondents' arguments about, you know, which
18 I think you were just touching on, Mr. Schagrin, which
19 is if it's a more valuable product would you expect to
20 see them move into CWP if the, move more exports into
21 a circular welded pipe if OCTG prices remain high.

22 So can you just add to that? For this
23 record, is there anything in particular we should be
24 looking at in looking forward with regard to the other
25 markets and the higher value and how we should

1 evaluate those arguments?

2 MR. SCHAGRIN: This is Roger Schagrin. Once
3 again, Chairman Okun, I would caution that it's not
4 every pipe mill in Turkey, just as it's not every pipe
5 mill in the U.S., that can choose between CWP and
6 OCTG. Some mills have the extra capabilities, and
7 testing and API license to make OCTG, others don't.
8 Secondly, never going to deny that OCTG is a higher
9 value product than CWP, but I would note that the
10 Turks have gained market share in the U.S. in CWP, I
11 think they have lots of CWP capacity.

12 I read, with interest, and have looked over
13 data on another product that I think probably has
14 values much lower than CWP and probably is the lowest
15 value steel product in the world, which is
16 reconstruction bar, and in rebar, this Commission
17 sunset the order against Turkey. I'll point out very
18 unusual circumstance. It seemed, reading the report,
19 a lot of which was confidential, that most of the
20 Turkish industry had been excluded from the orders,
21 unlike this case in which all Turkish producers are
22 subject to the orders.

23 I would note, just having read comments from
24 Mr. D'Amico when he released his quarterly earnings
25 and had his conference and that made me look at the

1 SEMA data for rebar, compared to shipments of about
2 400,000 tons during that sunset review, it seems like
3 Turkey is now shipping about 100,000 tons a month of
4 rebar to the U.S., so that's a pretty low value
5 product and I'm sure some Turkish rebar mills can make
6 other products as well, so I think the Turks will
7 access the markets.

8 I'm sure prior to this year most of their
9 rebar exports were going to Europe, but the collapse
10 of the European economy is forcing the rebar to the
11 U.S. They'll do the same thing in CWP because of the
12 collapse of the European economy. I'm sure to save
13 freight they'd rather sell to Europe. If I were in
14 Turkey I'd rather sell to Europe. Europe collapses,
15 they'll sell CWP to the U.S., and they won't be able
16 to continue selling 25,000, 30,000 tons a month as
17 they've done in the first several months of this year
18 of OCTG because the OCTG inventories are building and
19 the U.S. OCTG market is just getting saturated and
20 pretty soon customers are going to start backing off
21 given this over inventory situation.

22 COMMISSIONER OKUN: Mr. Vaughn, did you want
23 to add anything on product shifting arguments?

24 MR. VAUGHN: Yes. You know, going back to
25 the data that Commissioner Johanson was making, I

1 think it is important -- you know, he talked about the
2 Turkish imports, and I think that is an interesting
3 table because what it shows is, if you look at that
4 HTS 7306.30, you know, which does not include OCTG,
5 just other products, you see that the three biggest
6 markets listed on there for Turkey are, as we talked
7 about earlier, the United Kingdom, the United States
8 and Iraq.

9 If you look at the AUVs for those shipments,
10 they're getting better AUVs for their sales to the
11 United States then they are to the UK and to Iraq, and
12 so I think it shows that they are interested in
13 exporting a lot of products. This is all on page 4-37
14 of the staff report.

15 I think it shows they are interested in
16 exporting multiple products, they're interested in
17 exporting, you know, multiple products to the United
18 States, and I think that it shows that the United
19 States, from their perspective, you know, given what's
20 been going on in some of these other markets, you can
21 see, for example, their sales to Romania are down,
22 their sales to Canada are flat, their sales to Belgium
23 are down, you know, that this is a relatively
24 attractive market for them, you know, for this
25 product.

1 So I think this data is totally consistent
2 with the idea that they would continue to aggressively
3 do whatever they're trying to do on the other
4 products, but also aggressively export this product.

5 COMMISSIONER OKUN: Okay. So I guess that
6 addresses the other question I was going to ask
7 because the Respondents had actually used their data
8 to argue that the prices in the U.S. are really about
9 the average, or the prices of Turkey's other export
10 markets, and therefore, in terms of incentive to leave
11 their other markets, there's not as big a spread.
12 Would you add anything to the answer you just gave?

13 MR. VAUGHN: Yes. No, I think that's a --
14 yes. I mean, first of all, if you look, for example,
15 at this table, I mean you have to kind of -- you know,
16 they give the averages for all their exports is 929,
17 but you can see that obviously there's some very, very
18 high AUV exports going to Germany, which is probably a
19 different product. If you look at, you know, by far,
20 the three biggest export markets that they have listed
21 on there are the UK where the AUV is 828, Iraq where
22 the AUV was only 787 in 2011, and the U.S. where at
23 least the AUV they were getting was 862.

24 Then they have several other markets on
25 there such as, you know, Romania, for example, where

1 the AUV is only 795. So you can see that, from their
2 perspective, actually, this is quite an attractive
3 market. I mean they're selling, you know, very
4 significant volumes to markets that have much less
5 attractive prices. So I think, you know, both in
6 terms of the size of this market and in terms of what
7 these AUV data would indicate, this is an attractive
8 market.

9 COMMISSIONER OKUN: Okay. Appreciate all
10 those responses. Then turning on the U.S. side, and I
11 understand, Mr. Schagrin, the argument that not all
12 these producers do shift into OCTG, but in terms of
13 other products where pricing may be better or demand
14 trends may be better, can the producers talk a little
15 bit about how you make those decisions and whether it
16 affects the data that we collect in terms of what
17 you're shipping here, your prices? In other words, if
18 this is a market that's really lagging, if you're able
19 to, are you shifting into other product areas to be
20 able to do that? Anyone want to start on that front
21 row there?

22 MR. KURASZ: Sure. Ed Kurasz with Allied
23 Tube. The fire sprinkler pipe is produced at our
24 facilities on dedicated mills. We have a galvanized
25 product line and we have a nongalvanized product line.

1 Along with Wheatland, we have an in line galvanized
2 process, so that mill is dedicated to sprinkler pipe.
3 We don't have another avenue, another recourse to
4 fill that mill, so pretty limited. We do not run any
5 OCTG product whatsoever at Allied.

6 COMMISSIONER OKUN: Okay. Others? Mr.
7 Seeger?

8 MR. SEEGER: Yes. David Seeger. Just maybe
9 a rough rule of thumb. If you're making OCTG on a
10 mill, you could probably make standard pipe on that
11 mill as well. It would be a downgraded product. What
12 you can't do as just a standard pipe mill, convert
13 over to an OCTG product, which would be a substantial
14 upgrade. Much higher specifications required. So for
15 our mills that we run the standard pipe on, we cannot
16 shift that over to an OCTG product. We do have OCTG
17 mills in other parts of the country that we would
18 utilize but those particular facilities, we would not
19 do that, or cannot do that, I should say.

20 COMMISSIONER OKUN: Okay. Yes? Mr. Stefko?

21 MR. STEFKO: It's Mike Stefko. We are
22 fortunate that we do make oil country tubular goods
23 and standard pipe and line pipe at all three of our
24 welded facilities. Due to the nature of the markets,
25 when one is running hot and the others are cold, we

1 can focus our efforts on that. In a steady state
2 environment we are committed, as I said in my
3 testimony, to the standard pipe market. We have more
4 or less a partition at our mills through the
5 forecasting process, production and planning process,
6 that we are dedicating a certain amount of production
7 to all of our products.

8 As David Seeger just mentioned, you know,
9 there are some like sizes between A-53 and oil country
10 tubular goods, but there are many sizes that aren't
11 there that you can't direct convert, for like a nine
12 inch size, a seven inch size, on that, which are not
13 typically standard pipe products along those lines.
14 We're fortunate that with the horrible fallout in A-53
15 demand in the U.S. we're able to focus some of, more
16 of our efforts into line pipe to support that.

17 Those sizes are interchangeable. The input
18 steel, the hot-rolled coil is a little different, and
19 yes, there are some different testing and other things
20 that we can do in our own plant. If we were to rely
21 just on A-53 at our three plants, we'd end up having
22 to close all three of those plants because of the
23 demand that is not there and the pricing levels that
24 are coming in that we have to compete with and cannot.

25 I'm prepared to talk about circular welded

1 pipe and the A-53 capacity, the standard pipe
2 capacity. If you need anything else on oil country
3 tubular goods, that's considered an energy product for
4 us. I can get the Commission back up data after the
5 session here, and to help any other questions, by my
6 counterpart who handles oil country tubular goods for
7 our company.

8 COMMISSIONER OKUN: Okay. Appreciate those
9 comments and that offer. Mr. Schagrin, just for
10 posthearing, I think this is also a response for one
11 of the earlier questions, and just, I know this is a
12 large industry, a lot of producers, but just helping
13 us understand whether the variability we see is
14 related to those who can produce other lines or not,
15 that would be helpful in evaluating the condition of
16 the industry. Yes, Mr. Kurasz?

17 MR. KURASZ: Madam Chairman, just one quick
18 point?

19 COMMISSIONER OKUN: Okay.

20 MR. KURASZ: Mike Kurasz, Allied Tube. The
21 majority of those that reported data do not
22 manufacture OCTG, so when you run through the list of
23 those reported, it's only a handful that do, so
24 they're pretty much locked into that standard pipe,
25 CWP product line.

1 COMMISSIONER OKUN: Okay. Very helpful.
2 Thank you very much. Vice Chairman Williamson?

3 COMMISSIONER WILLIAMSON: Thank you, Madam
4 Chairman. The staff report at page II-4 indicates
5 that in 2011, 75 percent of sales by U.S. producers
6 were from inventory. This is really kind of unlike
7 what we see in other cases where there's much more
8 greater focus on just in time delivery and made to
9 order production to avoid the high cost of holding
10 inventory, so I wonder, are producer inventories less
11 of a cost problem in this industry?

12 MALE VOICE: Yes. I don't know that I would
13 say it's less of a problem. It's more of a necessary
14 evil as far as why the inventory is there. You know,
15 we would probably inventory, you know, no more than
16 two to three weeks of sales volume as far as the
17 amount of inventory that we would keep on the floor to
18 sell from. Certainly when you're competing against
19 the imports you're competing against that inventory
20 that's on the docks or wherever it may be.

21 I don't want to say that from a cost
22 perspective or a smart business practice it's not a
23 problem. It is a problem, but it's just evolved that
24 way as a necessary evil.

25 COMMISSIONER WILLIAMSON: Sort of a

1 marketing problem?

2 MALE VOICE: Yes.

3 COMMISSIONER WILLIAMSON: What about do both
4 producers and distributors maintain significant
5 inventories?

6 MR. KURASZ: Ed Kurasz, Allied Tube. I can
7 tell you that there's been a trend in over the last
8 few years where due to some of the volatility in steel
9 and inventory and the focus on working capital, that
10 the distributors and in our other businesses, OEMs
11 have pushed that responsibility back on the mills, so
12 we look at it as a make to stock situation where the
13 contractor used to have inventory, the distributor
14 used to have more inventory and we had less inventory.

15 But now, as I said, that's pushing back
16 forward where you only have a 48-hour time delay or
17 time period to ship material to fill an order, so
18 we're not getting the longer lead times, we're not
19 getting the larger orders from the channel, so the
20 channel is taken out except for the manufacturer, so
21 we need to have that product on the ground to ship to
22 meet those requirements. That's in general.

23 VICE CHAIRMAN WILLIAMSON: Okay. Mr.
24 Stefko.

25 MR. STEFKO: Mike Stefko. I think it is

1 product specific also when you are talking about
2 circular welded pipe, whether it is a fenced product,
3 sprinkling product, or a standard pipe product, okay?
4 They all have their different markets and dynamics.

5 We did have an overburden of inventory
6 whenever it did crash, and that was because no one was
7 buying off our production. I forecast our production
8 for various mills out -- it used to be six months, and
9 now it is 12.

10 Our production planning department and
11 purchasing department goes along those lines to
12 produce to a forecast, and inventory for us in our
13 situation at TMK IPSCO is a very bad thing.

14 It is lead on by our -- we sell 99 percent
15 through distribution, and our distribution is looking
16 at their inventory and where they want to turn that
17 also. So instead of buying a rail car, or a truckload
18 of one size or gauge, and that used to be a big
19 discount, now they are buying numerous sizes per
20 truckload or rail car.

21 Because what they want to do is they want to
22 take their big footprint and make it smaller. They
23 want to turn their inventory and turn cash. At the
24 same time by our point, and our production scheduling
25 that we have, that is really locked in roughly three

1 months out, and the lead time for hot rolled coil is
2 considered, we have to lock it in, make it, ship it,
3 and that's it.

4 We don't buy any more than for our
5 forecasts, and we know what our yields are, and if our
6 yields are better, or we get a cancellation, a
7 forecast is a snapshot in time, and not necessarily a
8 firm order that we have two months out.

9 If that inventory is there on our next
10 production cycle, we will make less by that amount.
11 So we don't manufacture all the sizes monthly. Some
12 are manufactured either monthly, bi-monthly, or once a
13 quarter. So we factor all of that in there.

14 So in the inventory situation on our part,
15 it is not a good thing, and we, too, want to turn our
16 raw material inventory, and we want to turn our
17 finished goods inventory quickly, and if we have any
18 secondary material or scrap, that also is scrutinized
19 on a regular basis to move it out the door.

20 VICE CHAIRMAN WILLIAMSON: Okay. Thank you
21 for that. Is there a situation when your producers
22 maintain warehouses in multiple locations where they
23 stock pipe?

24 MR. KURASZ: On our CWP products, we keep
25 our product at our mill locations. We have three

1 locations: One in Philadelphia, one in Harvey,
2 Illinois, and one in Phoenix, Arizona.

3 So we produce there and the low cost
4 solution is to leave that product there and not touch
5 it. Obviously, every time you touch the product, you
6 add costs to it, and our markets do order in
7 truckloads. So we are shipping complete truckloads
8 from those warehouses.

9 And if I add about from a cost perspective,
10 working capital is a major initiative at Allied, and
11 so much so that it is part of our compensation
12 program. So we do watch it. We enhance our supply
13 chain team. So we have demand planning.

14 We look at it every day, and we make
15 adjustments to it to keep the costs at a minimal, the
16 carrying costs at a minimal.

17 VICE CHAIRMAN WILLIAMSON: Thank you. Mr.
18 Magno.

19 MR. MAGNO: I am Mark Magno, Wheatland Tube
20 Company. We inventory at our producing facilities,
21 and in the little area of Wheatland in Shurn,
22 Pennsylvania. We have one warehouse where we have
23 both producing facilities supply it, and so on mixed
24 truckloads, we can ship it out of there.

25 But the end-markets are so incredibly

1 competitive for us to add added costs to have
2 warehousing just hasn't been feasible, and then back
3 to the point of availability of import, years and
4 years ago, it used to be that imported pipe was
5 generally purchased on a very long term basis.

6 You bought futures in that and you had to
7 wait for a long time, but really in today's business
8 environment, it is available on the dock or somebody's
9 inventory today.

10 Order a truckload today and you can get it
11 tomorrow. You don't have to wait three to six months
12 for material.

13 VICE CHAIRMAN WILLIAMSON: Okay. So that
14 means that they are having to stock, the distributors
15 of the imported pipe, are having to stock quite a bit?

16 MR. MAGNO: Yes, and frankly our customers
17 have pushed back that inventory requirement on to us
18 as a manufacturer.

19 VICE CHAIRMAN WILLIAMSON: Okay. What is an
20 ideal level of producing inventories for this
21 industry? It sounds like, Mr. Stefko, that you are
22 saying that they are too high now?

23 MR. STEFKO: Mike Stefko, TMK IPSCO.
24 Regarding that question, ideally it is that when you
25 come up on your next rolling, you don't have any on

1 the floor. Inventory is bad, and I prefer to consider
2 it staged product, because we do make a wide sized
3 range of 2 inch through 16 inches on the OD, and
4 various walls other than just your standard and extra
5 heavy.

6 We have a customer that comes in with a
7 grocery cart that needs a myriad of sizes, and they
8 don't all produce at the same place, at the same time,
9 and so if we produce one or two certain sizes, they
10 have to wait for that third size to be produced.

11 So it is staged before it goes out the door,
12 okay? But in a real or in a perfect world, we run out
13 of pipe in this staged area, at which time we are
14 rolling that next size.

15 But it is not specific in a rolling cycle at
16 a mill. Typically during changeovers, there might be
17 maintenance, and there is other things that happen.
18 So we quote it the week of for delivery, and generally
19 it is made that week of, depending on that, and then
20 going through the testing and going out the door.

21 But rolling cycles do breed, and they are
22 not exact as quoted, and the market industry also
23 understands that.

24 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

25 MR. KURASZ: Ed Kurasz, President, Allied

1 Tube. As Mike said, inventory is a function of
2 rolling cycles, and if you run a product every four
3 weeks, you would hope to turn your inventory 12 times
4 during that year.

5 As part of the general industry introduced
6 in lean, we are trying to change those cycles to two
7 weeks.

8 So if you can change your rolling cycles to two weeks,
9 and not generate as much scrap, and reduce costs, then
10 your inventory should in theory come down by half.

11 But we do have product that might have a six
12 week rolling time, and when that turns, it is a
13 function that it would be an eight turn for the year.
14 But ultimately we are shooting for that 12 turns a
15 year, and it is just enough as Mike said, that when
16 that next rolling comes up, the last piece of pipe
17 would leave the facility .

18 VICE CHAIRMAN WILLIAMSON: Okay. Good.
19 Looking at it from a distributor's point of view, what
20 is the ideal level of distributor inventories for the
21 industry? Mr. Moss.

22 MR. MOSS: Robert Moss, Long Island Pipe.
23 Being a distributor, we try and keep a depth of
24 inventory, because we have to offset their rolling
25 cycles, and our customers are not taking truckloads.

1 They are taking bundles and pieces.

2 So we have to have available inventory on
3 the floor. Generally we try and raise our inventory
4 in the spring because we know that demand generally
5 increases in the spring building periods.

6 And we try and decrease that inventory in
7 the fall. The offset is trying to follow the pricing
8 structures as the prices of the -- as the material
9 price changes, and we may raise our inventories as we
10 did last November and December, where we bought pretty
11 heavy.

12 And we have maintained higher inventories to
13 go ahead, and any spike at all, we have to be able to
14 capitalize on because the building cycle -- that where
15 you used to have a couple of weeks to respond to a
16 customer's need, and you are hearing that from these
17 guys, the needs now are if you have it, you get the
18 order, and if you don't have it, we are on to the next
19 guy. You have to have inventory.

20 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
21 My time has expired, and this may be confidential,
22 but I was wondering if you felt that distributor
23 inventories are now at sort of the ideal level?

24 MR. MOSS: From what I read, they are low at
25 the current time. From what I believe of my own

1 inventory, and I am responsible for this, I believe it
2 is a little bit high at the current time.

3 But I am generally an optimist, and I feel
4 that tomorrow will always be a little bit better than
5 yesterday, and that is not always the case, but we
6 want to be able to take advantage of a situation if it
7 occurs, and therefore I do keep deep inventory at this
8 time.

9 VICE CHAIRMAN WILLIAMSON: Okay. Thank you
10 for all of those answers.

11 CHAIRMAN OKUN: Commissioner Pearson.

12 COMMISSIONER PEARSON: Thank you, Madam
13 Chairman. I am delighted to know that there is at
14 least one optimist in the welded pipe business.
15 Earlier in your comments, you had discussed the
16 weakness of demand in Europe, and the implications
17 that that has for Turkish producers.

18 But do you know whether any of the other
19 subject countries rely substantially on the European
20 market for their sales?

21 MR. SCHAGRIN: Commissioner Pearson, this is
22 Roger Schagrin, and you have all the data in all of
23 the tables in Section 4 of the Staff report. I think
24 the answer is pretty much no.

25 Most of the other producers are located

1 either in Brazil or South America, or the others are
2 in Asia, except for Mexico, where most of their
3 shipments are either to North America or to Central or
4 South America.

5 So I think Turkey is the only country
6 depending on Europe, and for all the other countries,
7 of which you have some public global trade outlets
8 data, you have virtually questionnaire response data.

9 Of course, their biggest problem is China.
10 I mean, China just has such massive -- I mean, I think
11 you have data on general exports by countries of the
12 world, and China's welded pipe export is pretty much
13 as all other countries in the world combined.

14 They are just so gigantic in everything.
15 So, yes, these other countries wouldn't be affected by
16 Europe. That is the good news for them. The bad news
17 is that in the areas that they are in, they are
18 affected by China.

19 COMMISSIONER PEARSON: Okay. But then what
20 about the state of the construction markets in Latin
21 America and Asia? Those would generally be stronger
22 than than Europe, right?

23 MR. SCHAGRIN: I will let Dr. Scott have a
24 shot at that, but my understanding is that Brazil has
25 really come off the bubble. Brazil -- and I know that

1 their President was here recently, and had gone from
2 really rapid growth to a very significant slowdown in
3 Brazil.

4 Mexico is heavily tied to the United States,
5 their economy. So they seem to be puttering along at
6 the same rate of putter that we are, which is not very
7 good, but I will let Dr. Scott add anything else about
8 any of the other specific countries and their GDP
9 situations.

10 DR. SCOTT: Well, clearly the countries in
11 Asia are doing stronger than the rest of the world,
12 but ultimately they depend on demand from the U.S. and
13 Europe, and the two largest markets in the world, and
14 the U.S. is doing okay at the moment.

15 Clearly the downturn in Europe is a major
16 source of concern. I think for everybody, it can have
17 ripple effects throughout Asia even.

18 MR. SCHAGRIN: We will consider it more in
19 the post-hearing brief.

20 COMMISSIONER PEARSON: Okay. Thank you.
21 Oh, Mr. Vaughn.

22 MR. VAUGHN: Thank you. Commissioner
23 Pearson, I just wanted to say that one of the things
24 that the Staff report does have on page 4-42, you can
25 look at sort of global exports under that, and again

1 it is that sort of basket category: HTS-730-6.30.

2 And what is striking about that is that
3 China is up, as you would expect from '08 to '11, and
4 Turkey is up somewhat, and we talked about Turkey
5 earlier, in terms of that going to the lower priced
6 markets than the United States.

7 But once you get away from those markets,
8 you see the EU, shipments from the EU to the rest of
9 the world is down, and shipments from Japan are flat.
10 Shipments from the Ukraine to the rest of the world
11 are down.

12 Shipments from Mexico are basically flat,
13 and shipments from all other markets to the rest of
14 the world are down quite a bit. So there is just --
15 you know, there is not a lot of evidence that there is
16 some sort of booming market out there that people are
17 able to take advantage of.

18 There were 3.7 million tons of exports of
19 that category in 2008, and there were 3.6 million tons
20 in 2011, and a lot of that is being taken up by China.
21 So it doesn't seem as though -- and again we are all
22 sort of facing a disadvantage here, because so many
23 people chose not to respond to the Commission's
24 questionnaires.

25 But the staff has done what it can do here,

1 and when you look at the data, it does not appear that
2 there is some sort of big market out there that
3 everybody can take advantage of.

4 COMMISSIONER PEARSON: Okay. Well, thank
5 you for that, and whatever you can add in the post-
6 hearing, Dr. Scott, would be appreciated. From
7 previous investigations on other products, I am aware
8 that in the energy sector there is -- that when that
9 is expanding, then there is a lot of demand for line
10 pipe, and also for OCTG.

11 But I am curious. When you see those
12 projects expanding is there also some demand that
13 spills over into standard pipe for lower or less
14 demanding uses?

15 Mr. Stefko.

16 MR. STEFKO: Mike Stefko. Yes,
17 Commissioner, there is. On a less stringent product,
18 or specification, where the pressures are low, at
19 times standard pipe can be used, and shipped out bare
20 and coded, and linked up in a pressure line.

21 But over the last years, we have seen very,
22 very, little of that going on. I believe it was PECO
23 here from the Northeast had a requirement out there
24 that they could use that in their specification. But
25 that is the only one that I am aware of in the last

1 years that did happen that way.

2 And line pipe, no matter if the old patch is
3 booming, because it is the oil and gas market, and as
4 Mr. Schagrin mentioned earlier, the oil market, the
5 rig count is off a bit. It is not going up
6 exponentially. It is almost at a steady state right
7 now.

8 So along those lines, we still need line
9 pipe, which is not considered an energy product by us,
10 to hook up the various cities, the flow, and the take
11 away. There is an infrastructure that still needs to
12 be built, and as they are building various lines from
13 Canada through the U.S., and various other areas, to
14 transport oil and gas, that product is still going to
15 be generating sales, no matter what the -- well, there
16 is a bit of an effect, but not a direct effect, that
17 line pipe sales will stop if the rig count falls off.

18 It will slow, but they still need their
19 infrastructure for line pipe, and again very little A-
20 53 is used in that application.

21 COMMISSIONER PEARSON: Okay. Well, perhaps
22 in the post-hearing -- well, Mr. Kurasz, did you have
23 a comment?

24 MR. KURASZ: Yes, Commissioner. I was just
25 going to mention that of the products here today with

1 the fence, sprinkler, and A-53, that would only touch
2 the A-53 piece of our CWP. So fence and sprinkler
3 would in no way even qualify a little bit to be used
4 in those applications.

5 COMMISSIONER PEARSON: Except to the extent
6 that a pumping station would need a fence around it.

7 MR. KURASZ: Other than that, yeah.

8 COMMISSIONER PEARSON: Okay. For purposes
9 of the post-hearing, if you could tell us a little
10 more about that. If you think of the pipe that is
11 going into an energy product, can you say that there
12 is some percentage of it that may be A-53?

13 MR. SCHAGRIN: Probably we could, and it is
14 probably zero. I mean, generally because of the API
15 requirements, and we have seen this like in off-shore
16 oil rigs, construction items, that API basically
17 requires that everything that goes around with oil and
18 gas drilling, API, for their own safety reasons, they
19 pretty much require that everything that goes around
20 in oil and gas drilling -- and probably not the
21 fencing around the pumping statement -- has got to
22 meet API specifications.

23 So I know that I was shocked to find out --
24 you know, years ago -- that plate for the platforms,
25 or piloting pipe for the platforms, had to meet API

1 specifications. It couldn't meet regular specs, and
2 that is the API requirement.

3 So I think that there is virtually no use of
4 A-53 products in the surge of oil and gas drilling,
5 you know, in terms of knock-on effects. And you can
6 go on to whether you are building new energy
7 conversion to do gas into electricity. Those are all
8 pressure pipe products. There is just not a lot of A-
9 53 usage in the "energy patch".

10 COMMISSIONER PEARSON: Okay. So I would be
11 correct to understand that if we are looking at any
12 linkage between energy and this welded pipe that it
13 would be the construction that relates to structures
14 that are needed for the energy sector?

15 MR. SCHAGRIN: One area that -- if they are
16 building new homes --

17 COMMISSIONER PEARSON: Not to move a product
18 through?

19 MR. SCHAGRIN: Correct. So, for example, if
20 the Balkan shale is going wild, and the energy
21 companies want to put up office buildings, which isn't
22 an energy use, you know, but thank god that they are
23 putting up new office buildings in North Dakota. How
24 wonderful is that.

25 And then they will use A-53 pipe, but it is

1 not in their energy usage because they need office
2 buildings.

3 COMMISSIONER PEARSON: Well, my time is
4 winding down, but I did have one more question for Ms.
5 Andros. You had mentioned that the union is working
6 with community colleges to develop training programs
7 to help improve worker's skills.

8 And I was curious. Is that training focused
9 primarily on current workers in pipe mills to help
10 them develop skills either to work there better, or to
11 go into other lines of work, or is it focused more on
12 people who want the skills needed to work in a pipe
13 mill, and that would be coming into the workforce?

14 MS. ANDROS: Thank you. To the best of my
15 knowledge, these are training programs for young
16 people.

17 COMMISSIONER PEARSON: For younger people?

18 MS. ANDROS: Yes, and as often -- and when I
19 was growing up, we had vocational educational schools
20 as an alternative to high school, and I think that has
21 kind of gone away in the last number of years.

22 And so we have tried work with our
23 communities to have training programs so that you have
24 the skills needed not to go just into the pipe
25 industry, but the steel industry.

1 And U.S. Steel is here, and they may be able
2 to speak to this as well, and which is different from
3 retaining programs, and I think that we are also
4 constantly trying to -- you know, we have certainly
5 tried to work on legislation in Congress to have funds
6 for worker retraining. I don't know if that helps.

7 COMMISSIONER PEARSON: Well, thank you for
8 that. I would just say to the union members in the
9 back of the room that after listening to us today, you
10 may think that you have got enough training and
11 experience to replace Commissioner Pearson given the
12 questions that he has asked, but we are very glad to
13 have you here, and thank you for making the trip to
14 Washington.

15 CHAIRMAN OKUN: Commissioner Aranoff.

16 COMMISSIONER ARANOFF: Thank you, Madam
17 Chairman. I wanted to ask some questions about
18 accumulation, but one of the factual premises to the
19 Turkish producers' argument in favor of Turkey not
20 being accumulated with the other subject countries is
21 that subject imports from Turkey have held a constant
22 market share in the U.S. market, averaging under two
23 percent for more than 25 years, with or without orders
24 in place.

25 And so I wanted to start by asking whether

1 you agree with that factual premise before I move on
2 to their argument.

3 MR. SCHAGRIN: I disagree with the factual
4 premise as it relates to accumulation. I don't
5 disagree that their market share has been ruffling the
6 two percent range. It has gone up over our POI period
7 of review because of the fact that there are 30
8 thousand tons in 2006, and there are 30 thousand tons
9 in 2011, with roughly a 40 percent drop in the market,
10 is a much higher market share.

11 But that would actually put them at about
12 the two percent level in 2011, and it was much less
13 than that in 2006.

14 MR. VAUGHN: Commissioner Aranoff, I would
15 just comment briefly. I agree with what Mr. Schagrin
16 says. I mean, I actually find that if you look at
17 your Table I-7, you can see that they had 1.4 percent
18 of the market, and then down to 0.1, and then up to
19 2.9.

20 And then they were down to 2.2, and then up
21 to 2.7, and then down to 2.2. I did not find this to
22 necessarily be what I would think of as stable. I
23 mean, I think if you compare these numbers to each
24 other, there is quite a bit of variation from year to
25 year.

1 You know, 1.4 percent to 2.2 percent, that
2 is almost doubling your -- or coming close to doubling
3 your market share. So when you consider that they are
4 under order, which has obviously put a big restraint
5 on what they can do, the notion that they are just
6 doing the same thing year after year, I just don't
7 think that is correct.

8 COMMISSIONER ARANOFF: Okay. So in arguing
9 that the Commission should exercise its discretion not
10 to accumulate imports from Turkey, my reading of the
11 Respondent's brief is that they rely principally on
12 three things.

13 One is this issue about holding a steady
14 share in the U.S. market, which we have discussed.
15 One is the idea that Turkish producers' principal
16 export markets are different from the principal export
17 markets of subject producers in the other subject
18 countries.

19 We have touched on that a little, but you
20 are welcome to add on that subject, and the third is
21 the general idea that Turkish producers have a
22 regional focus, and that is something that the
23 Commission has certainly looked at in making
24 accumulation decisions in other reviews.

25 But I would be interested in your view on

1 whether the facts in this case demonstrate -- and
2 particularly looking into the reasonably foreseeable
3 future, the kind of regional commitment threshold that
4 the Commission has typically relied on in deciding not
5 to accumulate.

6 MR. SCHAGRIN: Commissioner Aranoff, this is
7 Roger Schagrin. I will start with the last part
8 first, and I have a comment on the market shares, and
9 that is that I would find that this fact scenario put
10 forward by the Turks is just completely almost the
11 opposite of arguments put forward by other producers
12 about their regional concentrations, such as Japan and
13 corrosion resistant sheet or hot rolled, or plate.

14 And where they were saying not only do we
15 have a regional concentration, but they were saying to
16 the Commission that we have contractual commitments or
17 relationships with Japanese auto companies, or
18 Japanese manufacturers throughout the Southeast Asia
19 region.

20 I don't think the Turks have any
21 relationship with any of their buyers in any of the
22 markets in Europe and the Middle East other than
23 offering them lower prices in markets for a commodity
24 product, because this is not a product that is
25 consistently used in any kind of manufacturing.

1 It goes into construction and so I find that
2 to be a very, very different factual predicate from
3 when the Commission has exercised its discretion to
4 use regional.

5 The other point is that -- and it really
6 goes to the commodity nature of CWP in the U.S.
7 market. Now everybody can sell here, given the
8 distribution channels, and virtually every single one
9 of the subject countries -- and I recognize that a
10 couple of them have asterisks, but every one that has
11 public information, they are all between 2 and 4
12 percent market shares.

13 None of them are big. I mean, the Turks
14 can't say, hey, look at us. We are tiny, and look at
15 the other countries in this review, they are huge. We
16 are so different.

17 They are all relatively small, and so if you
18 start letting them all out because they are small
19 while the orders are in effect, they are all going to
20 be larger, but cumulatively, which is the whole
21 purpose of accumulation, they are all going to harm
22 the U.S. industry on a cumulative basis.

23 So the Turks are essentially saying that we
24 showed up and nobody else did. You know, we are at 2
25 or 2.5, or 2.7, and don't look at the others. But you

1 don't have to worry about us going much above five or
2 six, and just don't let anybody else out.

3 But if you really do this honestly,
4 everybody is small and has the potential to grow, and
5 this is a commodity product, in which that is the
6 bedrock of accumulation. How much of a commodity
7 fungible product is it, and this is the poster child
8 for that. So I would make that additional comment.

9 COMMISSIONER ARANOFF: Mr. Vaughn, you
10 wanted to add something?

11 MR. VAUGHN: Yes, I would just add that I
12 would agree obviously with Mr. Schagrin's comments,
13 and just a couple of other points. I mean, I think
14 that the premise of your question is very good here.

15 I mean, I think that this is really not
16 comparable to what was going on in those other cases,
17 at least in some of the other steel cases with which I
18 am familiar.

19 I thought that what the Commission's sort of
20 thought process in some of those other cases was, is
21 that because of the concentration in this or that
22 market that a particular country's producers would
23 operate in the U.S. market differently than, say, some
24 other countries.

25 In other words, just to take a hypothetical

1 example. There might be a country that is so focused
2 on its particular region that it would be shipping
3 extremely low volumes to the United States, and
4 therefore, it is not really comparable to the other
5 people.

6 The mere fact that one person is in on
7 region, and another person is in another region,
8 unless you can show some kind of connection between
9 that and what is going to be going on in the United
10 States, there doesn't seem to be any reason why you
11 would necessarily take that into account for purposes
12 of accumulation.

13 And here, you know, they haven't shown
14 anything. You know, like the sort of concentration
15 that you have seen in some of these other cases.

16 COMMISSIONER ARANOFF: Okay. I appreciate
17 those answers. Those are helpful. Some requests
18 following up on topics that my colleagues raises
19 earlier today.

20 There was a discussion about anti-dumping
21 countervailing duty orders in effect on this product
22 in other countries, and Mr. Schagrin, you listed a few
23 of them.

24 I am not sure that we have them all in our
25 staff report right now, and so if you could work with

1 our staff to make sure that we have them. You
2 mentioned 10 or 12, and I don't think we have 10 or
3 12.

4 MR. SCHAGRIN: And just to clarify,
5 Commissioner Aranoff, those were as to the countries
6 imposing duties against China.

7 COMMISSIONER ARANOFF: Right.

8 MR. SCHAGRIN: And the Staff report focused
9 on the countries that are subject to the
10 investigation, but we will be happy to supplement that
11 information with the Staff to get information on China
12 as well.

13 COMMISSIONER ARANOFF: Yes, thank you very
14 much. And one question that I had bearing on whether
15 or not there would be an incentive for any of the
16 subject producers to take product that is currently
17 being sold in other markets, and ship that to the U.S.
18 market instead if the orders were revoked.

19 Imports of this product into the U.S. are
20 duty free, to the extent that they are not subject to
21 anti-dumping or countervailing duties. If there is
22 anything that you can tell us about the non-U.S.
23 export markets that are served by the subject
24 producers, and whether they have higher duties,
25 regular customs duties in effect on the product that

1 would be an additional fact that would go to the issue
2 of incentive.

3 MR. SCHAGRIN: We will do that in the post-
4 hearing. As I remember, most of what you would call
5 the OECD countries during the Uruguay round made an
6 agreement of zero for zero on steel products, and that
7 was with a 10 year phrase out.

8 So as of 2004 the vast majority of OECD
9 countries, with the exception of Mexico, went to zero
10 tariffs. So, the EU, Canada, Korea, Japan, ourselves,
11 and other countries.

12 My guess is that other countries in the
13 Middle East probably sells tariffs, and Mexico sells
14 tariffs, but we can clarify that in the post-hearing.

15 COMMISSIONER ARANOFF: Okay. I appreciate
16 that, and one final request. I know that you were
17 having a conversation with the Chairman earlier about
18 when the order against imports of this product from
19 China went into effect in the U.S., and imports were
20 displaced from the U.S. market, and where did they go.

21 And there has been a relatively general
22 discussion of that. I think it covered that, well,
23 they didn't go to Canada, or not for long anyway, and
24 they may have gone to Asia, other countries in Asia.

25 So my request would be that if there is any

1 other information that you can put on the record or
2 point our staff to that would look on a more country
3 by country basis -- the data that is in the prehearing
4 briefs refers more universally to Chinese exports --
5 that would be helpful as we are looking at where the
6 subject producers' exports are going relative to where
7 any displaced Chinese volume is going.

8 MR. SCHAGRIN: We will try to address that
9 in the post-hearing.

10 COMMISSIONER ARANOFF: Thanks. I know that
11 is not necessarily easily done, but any efforts will
12 be appreciated. Thank you, Madam Chairman.

13 MR. SCHAGRIN: The good news is that we have
14 some time, and not like the usual.

15 CHAIRMAN OKUN: Commissioner Pinkert.

16 COMMISSIONER PINKERT: Thank you, Madam
17 Chairman. This question overlaps to some degree with
18 what Commissioner Aranoff was just asking. But how
19 would we know whether in a particular third-country
20 market that Turkey was facing increased competition
21 from Chinese exports?

22 MR. SCHAGRIN: This is Roger Schagrin. It
23 is pretty touch, Commissioner Pinkert, because to be
24 honest, we all use this global trade atlas data, and
25 it is a great resource, but it is only as good as the

1 country data.

2 And I have found that Chinese exports and
3 imports, it is pretty bad. We all know from past
4 cases that we have had here that U.S. data ain't so
5 hot anymore, you know.

6 Nobody really cares, and that is part of the
7 problem with the diminution of our customs services in
8 the U.S. I meet these brokers, and boy, they are a
9 lot younger than we are. You know, they are coming
10 out of college, and I don't think that they care that
11 much because we have so many zero tariffs on where
12 they place things.

13 So you make a good point, Commissioner
14 Pinkert. It is really tough to just look at this
15 data, particularly China data, and say, oh, this is
16 great. Now we know everything, and we can rely on
17 this. It is not the most dependable data in the
18 world.

19 COMMISSIONER PINKERT: Dr. Scott, I see that
20 you are shaking your head in the back.

21 DR. SCOTT: Yes, thank you. This is Robert
22 Scott. I have looked to -- I have used the on-line
23 version of the similar data that comes from the United
24 Nations, the world trade data that they have.

25 And I have looked at the country data, and I

1 particularly agree with what Roger says about the
2 China trade data. I have compared China's reports of
3 their total exports to the world with totally reported
4 imports of goods from China, and by all the countries
5 in the world.

6 And there is a huge gap of about 200 or 300
7 billion dollars between those two, and they should be
8 fairly similar numbers. So there are some inherent
9 flaws in those kinds of international trade data
10 bases. It makes it tough to do this analysis. But I
11 think that there is some work that could be done if
12 you understand the nature of the data.

13 COMMISSIONER PINKERT: Thank you. Now, Dr.
14 Scott, I know that you have thought a lot about wage
15 levels in the United States and elsewhere, and I
16 wanted to give you an opportunity to comment on
17 whether wage levels in this industry have some bearing
18 on competitiveness with exports from less developed
19 countries.

20 DR. SCOTT: Well, first, I want to say that
21 I am glad that you gave me that opportunity. Again,
22 this is Robert Scott. I wanted to comment on this
23 question when it came up earlier.

24 First of all, wage levels in the United
25 States are not the highest in the world. If you go to

1 the Bureau of Labor Statistics data for all
2 manufacturing industries, the average wages in the
3 United States, including benefits, are on the order of
4 \$35 an hour.

5 Whereas, there are a number of countries in
6 Europe, for example, in Germany, where they are on the
7 order of \$55 to \$60 an hour. We are about halfway
8 down the list of OECD countries.

9 Wages here are certainly higher than they
10 are in countries like Turkey, and other developing
11 countries, but on the other hand, we also have much
12 higher productivity in the United States.

13 So productivity makes up for the higher
14 wages, and that is why wages in the United States are
15 higher. You heard from business speakers earlier that
16 labor costs only make up about 20 percent of the costs
17 of production.

18 And there is of course some inherent
19 comparative advantages to producing steel pipe here in
20 the United States. It costs perhaps as much as \$200 a
21 ton to ship that product here to this country, and
22 that provides a substantial insulation, which helps
23 make up for some of that difference in labor costs if
24 it is not made up for already by differences in
25 productivity. I hope that helps.

1 COMMISSIONER PINKERT: Thank you. Now, this
2 is more of a legal question, Mr. Schagrin. When I do
3 a vulnerability analysis, I start with the condition
4 of the domestic industry at the time that I am
5 performing the analysis, or as close to that time as I
6 can get.

7 Is that the right starting point for a
8 vulnerability analysis, or should I be looking at
9 something else, at conditions outside the U.S., or
10 some other set of factors.

11 MR. SCHAGRIN: Commissioner Pinkert, Roger
12 Schagrin, I think that it is certainly okay to focus
13 on the U.S. industry's situation, in terms of
14 vulnerability.

15 I think that the process is different than
16 looking in a Title VII investigation at material
17 injury and threat, where you are supposed to be
18 focusing on the current period of this, because the
19 orders have been in effect, and you have a period of
20 review of generally six years.

21 I think that it is appropriate to look at
22 vulnerability in the context of what is the situation
23 for this industry now, as compared to the period of
24 review.

25 And in an industry like this, where you have

1 seen a 40 percent drop from the beginning of the POR,
2 to the end of the POR, in demand. And most of that
3 occurred in the middle, and then you have had only the
4 small bumping up.

5 It certainly is clear that compared to this
6 industry and where it was at the beginning of this
7 POR, or at the time of original investigations, demand
8 is so weak that that would make an industry, in the
9 context of not just how weak is demand today, but how
10 weak is demand in the context of the normal cycle for
11 this industry.

12 And these are almost unprecedented over the
13 30 years the Commission has been dealing with this
14 product, and showing almost unprecedented levels of
15 weak demand. The fact that with relief, and with new
16 cases, we still have plants being shut down.

17 And of course that is mentioned on your
18 record, and I think that you can take that in the
19 context of over this period how vulnerable is this
20 industry, compared to normal.

21 And I think that's why it is appropriate to
22 not just look at how do they look today compared to a
23 year ago, but how do they look today compared to the
24 normal cycle over a six year period of review for any
25 given industry that you are looking at.

1 And I think that it is perfectly appropriate
2 to take that information consideration in considering
3 vulnerability, and you have that authority within the
4 statute to determine what time period am I going to
5 focus on in determining the vulnerability of the
6 industry to what change in imports will occur if the
7 orders are Sunset.

8 COMMISSIONER PINKERT: My last question
9 arises from the fact that in the Turkish Respondent's
10 brief that there is an emphasis, or at least a
11 mention, of the age of the orders in question here.

12 And, Mr. Schagrín, you just referred to
13 conditions before the orders went into effect. What
14 significance is the age of the orders that we are
15 reviewing in this case?

16 MR. SCHAGRIN: In terms of the statute, it
17 is clear to me, and I was around when Sunset was
18 introduced, age is not, and it is the one area -- and
19 bless us all -- in which age is not supposed to be
20 considered.

21 And yet everybody comes to the Commission,
22 and it is the difference between the statute and
23 reality. Obviously everybody comes to the Commission
24 and say, wow, my order is really old. Get rid of it.

25 And if industries have recovered, and if

1 things have changed, then that can be a factor. But
2 this idea that you should look at what is going to
3 happen in the reasonably foreseeable future
4 differently as to an older order, or an order that
5 went into effect five years ago, to me it is
6 nonsensical.

7 I just don't get it. I can't blame the
8 Respondent. I can't blame Borusan for not wanting to
9 pay their lawyers, and I think they are different
10 lawyers than these, you know, for going through
11 administrative reviews, and for wanting to export more
12 to the U.S.

13 But I just don't think -- and as I said, age
14 is not an issue in these investigations, and I won't
15 hold it against any of my opponents from trying to
16 make age an issue. It just is not an issue.

17 COMMISSIONER PINKERT: Mr. Vaughn, I see you
18 shaking your head.

19 MR. VAUGHN: Yes. We have been through
20 several reviews where people have sort of made these
21 types of hints, or made these types of suggestions,
22 and it is very clear if you look at the language of
23 the statute that it is a five year review. It comes
24 up every five years.

25 The standard is exactly the same every

1 single time. It does not change. It does not vary.
2 That is very, very clear from the legal standard, and
3 I think the Commission generally does a very good job
4 in terms of keeping that in mind, and I think that
5 argument just is totally irrelevant.

6 I mean, you are faced with an order that is
7 up for review. You have to decide whether or not the
8 factors that you are required to look at under the
9 statute indicate that revocation of the order will
10 lead to material injury.

11 The age of the order is just not one of
12 those factors. It is just not something to be taken
13 into account. So I strongly agree with what Mr.
14 Schagrín said.

15 COMMISSIONER PINKERT: Thank you. Thank
16 you, Madam Chairman.

17 CHAIRMAN OKUN: Commissioner Johanson.

18 COMMISSIONER JOHANSON: Yes, thank you,
19 Madam Chairman. I am wondering how the Commission's
20 affirmative determinations in the preliminary phases
21 of the investigations on imports from India, Oman, The
22 United Arab Emirates, and Vietnam, have impacted the
23 industry? Have you all seen a change in the market?

24 MR. MAGNO: This is Mark Magno with
25 Wheatland Tube. We have not seen actually an impact

1 in the market. We have not seen a decrease of imports
2 from those subject countries, and continued with the
3 very, very slow economic demand, non-residential
4 construction demand, still putting tremendous pressure
5 on to the marketplace.

6 COMMISSIONER JOHANSON: Thank you. Mr.
7 Schagrín, did you care to comment?

8 MR. SCHAGRIN: I would just add that I have
9 all the import data in front of me, Commissioner
10 Johanson, and that unfortunately for the industry the
11 imports from those countries, which just had their
12 preliminary subsidy determinations at the end of
13 March, were very, very high in the first quarter of
14 this year.

15 And then fortunately for the industry, and
16 as much as the Counsel involved, two of those four
17 cases were negative preliminary subsidies. So the
18 pressure is on us dumping experts to do a better job
19 on the dump side, and we won't get those until later
20 this month.

21 So unfortunately while the Commission's
22 preliminary determination last fall holds out the
23 prospect for the imposition of duties and restoring
24 fair trade, we just haven't seen any dissipation of
25 the import levels from those producers thus far, and

1 hopefully will after we get our preliminary dumping
2 determinations later this month.

3 COMMISSIONER JOHANSON: All right. Thank
4 you for your response. The Respondents have argued
5 that the domestic acquisition and expansion activities
6 demonstrate a strengthening of the market here in the
7 United States. Do you all have a comment on that?

8 MR. SEEGER: This is David Seeger. I think
9 that it is almost just the opposite. You are seeing
10 the consolidation in the industry as some of the
11 weaker players just aren't able to hang on any longer.

12 They will either be bought out by the bigger
13 players, or absorbed similarly with what we did with
14 the ATCOR Plant. We are utilizing that equipment for
15 our other facilities.

16 So I think that those acquisitions are
17 actually a signal of a consolidation of an industry
18 that just is not as big as it used to be. You know,
19 the number of players that used to be in these types
20 of hearings are probably half of what they used to be.

21 Not all of that equipment is still in
22 production. A great deal of it is out of production.
23 So I wouldn't view that as a positive. I would view
24 it as a negative.

25 COMMISSIONER JOHANSON: Yes, Mr. Kurasz?

1 MR. KURASZ: Yes. Ed Kurasz, Allied Tube.
2 If I go back and look at -- you know, Tyco looked at
3 our business and it didn't fit their model, and
4 obviously it wasn't attractive to the heavy
5 manufacturing, and the amount of unfair trade imports
6 that are coming into the country, and really most of
7 our product lines.

8 But this portion of ATCOR, it is one-third
9 of Allied, and it is probably 15 percent of ATCOR. So
10 there are other products within our ATCOR family that
11 do not fall into this type of review, and I think that
12 is the attraction that CDNR had with our business.

13 But I can assure you that the way that my
14 forecasts are going, this is a heightened alert right
15 now with CDNR around the CWP products.

16 COMMISSIONER JOHANSON: All right. Thank
17 you. And, I'm sorry, Mr. Moss, I cannot see your
18 name tag, but with Long Island Pipe Supply. I have a
19 question for you.

20 I was wondering if you could clarify, and
21 you might have touched on this, and maybe I didn't
22 fully grasp it, but do distributors have exclusive
23 relationships with certain suppliers of pipe, or is it
24 simply who has the lowest cost product at that time of
25 the purchase?

1 MR. MOSS: Buying steel pipe is an auction.
2 The lowest price gets the order.

3 COMMISSIONER JOHANSON: So that is just the
4 way it is? I assume that you have preferred -- that
5 maybe someone will have a preferred supplier, but on
6 the whole, they can go to whomever they want at that
7 time with the cheapest price and buy the product?

8 MR. MOSS: The market dictates the price.
9 It is very much a generic product. I call them if it
10 is round, black, and holds water, that it covers what
11 we need to do, and so therefore the low price has to
12 get it because we have to sell to our customer at the
13 lowest price. So we have to be able to buy at the
14 best price.

15 COMMISSIONER JOHANSON: So it is a very
16 competitive market?

17 MR. MOSS: Extremely.

18 COMMISSIONER JOHANSON: Like I guess from
19 day to day things change?

20 MR. MOSS: Extremely.

21 COMMISSIONER JOHANSON: Okay. Thank you.
22 That helps me understand better. And, Dr. Scott, you
23 touched upon this, and I was wondering if you could
24 maybe discuss it a bit more.

25 On the whole issue of shipping costs and

1 container availability, have there been changes that
2 have impacted exports or imports to the United States
3 due to shipping changes in shipping costs, et cetera?
4 Are you familiar with that?

5 DR. SCOTT: I haven't followed them in great
6 detail, of course, other than the fact that we do know
7 that there has been a huge increase in energy costs
8 over the last 4, 5, or 6 years, and that has increased
9 overall the long distance shipping costs.

10 COMMISSIONER JOHANSON: Has that provided an
11 advantage for domestic producers in any way? I assume
12 it has.

13 DR. SCOTT: I think that it has, and that is
14 one reason why you have seen some companies talk about
15 reshoring production to the United States, but in
16 cases where you have importers that are willing to
17 supply here at very low costs, despite the high cost
18 of shipping, which is often the case in these cases,
19 that advantage is canceled out.

20 COMMISSIONER JOHANSON: And touching further
21 -- oh, I'm sorry, Mr. Schagrin.

22 MR. SCHAGRIN: I would just say,
23 Commissioner Johanson, that it seems that the overall
24 increase in shipping costs over the last several years
25 has had more of an impact on more specialized

1 products, and inputs into further manufactured goods,
2 and a lot less of an impact on commodity products,
3 where there is a lot of world over capacity.

4 And as Professor Scott said, you hear about
5 reshoring of products, like Master Lock moving a lock
6 manufacturing facility from China to the U.S., or
7 Caterpillar just moved an engine factory from Japan to
8 Georgia.

9 But trying to move a steel mill, we just
10 don't move steel mills. So in these kind of mundane
11 and very large capital intensive, there we seem to see
12 very little impact on trade from the changes in
13 shipping costs.

14 COMMISSIONER JOHANSON: Yes, Mr. Vaughn?

15 MR. VAUGHN: Yes, I would also point out
16 that certainly at the beginning of this year at least,
17 there was a drop off in freight costs. I mean, if you
18 look sort of at the Baltic Dry Index, at least as of
19 the last time that I looked at it, which was a few
20 weeks ago, but it was down quite a bit in February and
21 March from where it had been during 2011.

22 COMMISSIONER JOHANSON: Okay. Thank you.
23 And I would like to go off on a different tangent as
24 far as energy costs go. Natural gas prices, compared
25 to other countries, are lower, or that is my

1 understanding at this point, due to hydraulic
2 fracturing, et cetera.

3 And I think especially in comparison with
4 certain countries like Turkey, where as far as I know,
5 there is little or no natural gas production, I would
6 think that would give U.S. producers an advantage now
7 in going forward. I was wondering if some of you
8 could touch on that, please. Thank you. Mr. Seeger,
9 please.

10 MR. SEEGER: It is a good observation, and I
11 think going forward is probably the key there as the
12 natural gas is converted over into power plants and so
13 forth, where we would get our normal energy needs
14 from.

15 You know, say from a coal burning power
16 plant converted over to a natural gas power plant.
17 You have hit on a lot of good areas that drive our
18 costs, and certainly energy is one of them.

19 And to Mr. Schagrin's point, I think that is
20 a good strong reason why you are seeing some of this
21 reshoring, as we do have cheap energy here, and we do
22 have a strong mineral and metal base here, the two
23 biggest components of our cost structure. I don't
24 think that we have enjoyed it yet, but I think that it
25 is coming.

1 COMMISSIONER JOHANSON: Do you see plants
2 converting over by chance, to natural gas from, let's
3 say, coal?

4 MR. SEEGER: You mean power plants?

5 COMMISSIONER JOHANSON: Right.

6 MR. SEEGER: Absolutely.

7 COMMISSIONER JOHANSON: Okay.

8 MR. SEEGER: But that will take years.

9 COMMISSIONER JOHANSON: It will take a lot
10 of money, too, I assume? I don't know the costs on
11 that, but I would assume it would be expensive. Okay.
12 Yes, Mr. Stefko.

13 MR. STEFKO: Yes, Mike Stefko, TMK IPSCO.
14 In response to your question, natural gas,
15 unfortunately, although abundant in the U.S., the
16 price of natural gas in the market has gone very low,
17 and it has gone to the point where they have stopped
18 drilling for natural gas and converting back over to
19 oil production.

20 That is part of the reason why the rig count
21 is off also. So the price of natural gas has to come
22 back up. The good news is that it is low. Okay. If
23 a power plant was using it, fine.

24 But to convert, we are not drilling for as
25 much natural gas right now because the costs to pull

1 that out through the hydraulic fracturing method that
2 they are using and others, it is too expensive to
3 extract it from the ground. So it is the good news
4 and bad news of it right there.

5 COMMISSIONER JOHANSON: All right. Thank
6 you, and am out of time, but I would like to state
7 that at some point hopefully I will get to a steel
8 plant and actually see how things operate.

9 I am at somewhat of -- I wouldn't say
10 necessarily a disadvantage, but I think it would help
11 me if I did have a better understanding of how the
12 industry works, and I am sure that will happen at some
13 point. Thank you.

14 MR. SCHAGRIN: You are more than welcome,
15 Commissioner Johanson. The only reason that you
16 haven't been to one yet is that all of your other
17 colleagues have been to so many pipe plants that they
18 don't want to keep doing it. But you are free to go
19 on your own, and you are welcome at any of these pipe
20 plants at any time.

21 COMMISSIONER JOHANSON: At some point, I
22 assume that I will. Thank you.

23 CHAIRMAN OKUN: Commissioner Williamson.

24 VICE CHAIRMAN WILLIAMSON: Just a few
25 questions. Mr. Moss, what share of your business is

1 due to Buy America, of the legal requirements, or the
2 local preferences for domestically produced goods,
3 domestically produced pipe?

4 MR. MOSS: Probably under five percent.

5 VICE CHAIRMAN WILLIAMSON: Okay. What about
6 -- there has been some talk about imports of tubing
7 produced to ASTM Specification 8513 being used for
8 galvanized fencing.

9 I guess most of us talked about it in terms
10 of Mexico. Since you have more of an East Coast
11 focus, I was just wondering whether or not you see
12 this product in the U.S. market, and if so, does it
13 compete with circularly welded pipe?

14 MR. MOSS: We are not involved in fence
15 tubing at all. We are in A-53, 795, and 135.

16 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
17 Coming from New York City, I was going to ask you
18 about the impact of the World Trade Center, but since
19 Commissioner Pearson beat me to it, I was wondering
20 about the Second Avenue Subway, and whether or not
21 other transportation infrastructure projects are
22 having any impact?

23 MR. MOSS: To answer very honestly, you are
24 asking if we felt any upturn. We didn't feel any
25 upturn from any of the government projects. We didn't

1 see any of it that we could measure.

2 To be honest with you, we sell to thirty-
3 five hundred contractors, and we need to see a lot of
4 it. We need to see this economy to recover. That's
5 what we need. We need the economy to recover.

6 VICE CHAIRMAN WILLIAMSON: Okay. And
7 lastly, you mentioned, I think, that you also
8 distributed to big box stores, too.

9 MR. MOSS: That's correct.

10 VICE CHAIRMAN WILLIAMSON: And to the extent
11 that you have residential renovation projects and
12 things like that, I was just wondering whether or not
13 demand from those big box stores are significant
14 enough to play a factor.

15 And the reason why I am asking this question
16 is that often, they, as much as anyone, is pushing for
17 the lowest price, and in some other cases, we have
18 seen them as a major demander of imports. And I was
19 just wondering if that is a factor here?

20 MR. MOSS: Repeat the last part of the
21 question?

22 VICE CHAIRMAN WILLIAMSON: Well, what I am
23 wondering is how important is demand for sales through
24 the big box stores?

25 MR. MOSS: Very important. To the smaller

1 contractor, if you walk down the plumbing aisle of
2 Home Depot, it is mislabeled. That is actually for
3 the trade. There is valves, and there is fittings,
4 and no homeowner has equipment to thread pipe.

5 And that demand is quite high. Quite high.
6 I would not say I am aware of specific numbers, but I
7 am aware of just one group that supplies into the Home
8 Depot, and they supply in their group of stores 25
9 thousand tons a year into the retail market. So the
10 Home Depot is very much contractor focused.

11 VICE CHAIRMAN WILLIAMSON: Okay. To the
12 extent that they are creating pipe conscious, is that
13 putting -- do they draw on imports, or to what extent
14 is that a factor in thinking about the competition
15 with domestically produced CWP?

16 MR. MOSS: When you go to a retail
17 situation, and to sell into a retail situation, it is
18 quite the same thing as these gentlemen go through.
19 It is an auction.

20 It is a very unpleasant situation, and the
21 low man gets it, and generally speaking there is never
22 a concern about the product in a commodity. They know
23 what they are buying. It is a commodity. So it is
24 low man gets it, and that is what they are looking
25 for.

1 VICE CHAIRMAN WILLIAMSON: Okay. And the
2 sales to the big box stores, is that a growing share,
3 or has it always been a significant share?

4 MR. MOSS: We manufacture or fabricate in
5 our Albany facility what you would call 10 footers of
6 hardware pipe, and when distributors who sell into the
7 box stores run out of product, they need to get
8 product, and they are willing to pay a higher cost.

9 So here in the United States, we supply
10 those distributors when they run out of product. In
11 Canada though, since they have had the dumping on what
12 is called long nipples, or anything over 12 inches of
13 pipe, against China, if you go on the shelves of the
14 product sold in Home Depot that is over 23 inches long
15 is made in Albany, New York, by our facility, and that
16 amounts to about 7 or 8 percent of our total sales out
17 of that factory now.

18 VICE CHAIRMAN WILLIAMSON: Okay. Thank you
19 for those answers.

20 MR. MOSS: You're welcome.

21 VICE CHAIRMAN WILLIAMSON: Madam Chair, I
22 have no further questions. I want to thank all the
23 witnesses for their testimony.

24 CHAIRMAN OKUN: Let me see if there are any
25 other questions. Commissioner Johanson.

1 VICE CHAIRMAN WILLIAMSON: I'm sorry, Ms.
2 Andros had wanted to say something.

3 CHAIRMAN OKUN: Okay. Go ahead.

4 MS. ANDROS: Thank you. I just actually
5 wanted to answer a bit of Commissioner Williamson's
6 question in regard to some of the New York City
7 improvements that they are doing, and as you
8 mentioned, the subway.

9 And none of that is subject to the Buy
10 America Statute. So there is no requirement at
11 municipal levels, and in different States, they may
12 have some Buy America laws that might help the
13 domestic industry, but not in New York, and not in
14 most States.

15 So, just for another example, of course the
16 towers that are being built are obviously private, and
17 I think that there might have been some public money
18 involved.

19 So there would be no requirement legally is
20 my point on any of those kinds of projects to think
21 that it has to be domestically sourced. That is just
22 the broader point that I was going to make.

23 VICE CHAIRMAN WILLIAMSON: I used to work
24 for the Port Authority. Thank you.

25 CHAIRMAN OKUN: Commissioner Johanson.

1 COMMISSIONER JOHANSON: Yes. Mr. Moss, you
2 stated a moment ago that what needs to happen to
3 improve the industry is for us to get out of the
4 recession. I was wondering, does non-residential
5 construction, does that trail the economy when we come
6 out of a recession? Is that the general rule
7 historically?

8 MR. MOSS: I have been through -- when we
9 started in 1976, and I am not an economist, and so I
10 am only going to give you my opinion, but in 1976, we
11 started and it was a recession if you recall.

12 In '89 or '91, there was a recession. In
13 2001, we had 9/11, and we have that construction drop.
14 But I have never in the 36 or 37 years now that I
15 have been in business ever seen a condition that has
16 been this bad or lasted this long.

17 It is really a scary situation, and when I
18 speak to bankers, I say what do you see coming up in
19 the commercial construction, and they honestly say we
20 are not lending.

21 COMMISSIONER JOHANSON: But is it a case
22 that you assume that in this recession that non-
23 residential construction will pick up only after a
24 recession abates?

25 MR. MOSS: I think -- and again I am not an

1 economist, and my opinion doesn't weigh much, but I
2 certainly have one like everyone else, and so I will
3 be glad to give it to you.

4 I think or I would have hoped that it would
5 have been over long ago, but I think a lot of things
6 have to happen in the United States. One is the gross
7 national product at two percent is not something that
8 we should be proud of. It is just keeping things
9 stagnant. I think that we need to have some growth.

10 I think that we need to defend our
11 industries because that is where the growth is going
12 to come from, and I think that it is most important
13 that we educate our children to be able to go in and
14 do these jobs. So a lot has to happen to correct what
15 has happened.

16 COMMISSIONER JOHANSON: Yes, Dr. Scott?

17 DR. SCOTT: I would just further elaborate
18 on what it takes to get out of a recession like this.
19 The last time the United States was in a very deep
20 recession was in the early 1980s when we had a double-
21 dip recession.

22 And in order to get out of that recession,
23 we had as I recall -- and I can put the details in the
24 notes -- we had, I think, five consecutive quarters of
25 GDP growth well in excess of 5 percent, and I think up

1 to 8 percent in one peak quarter.

2 So that is what it took to drag us out of
3 that recession when the last time unemployment got up
4 into the 10 percent range.

5 COMMISSIONER JOHANSON: Thank you for your
6 response, and I would like to thank the witnesses
7 again for appearing here today.

8 CHAIRMAN OKUN: If there are no other
9 questions from my colleagues, let me turn to the Staff
10 to see if they have any questions of this panel.

11 MR. CORKRAN: Thank you, Madam Chairman.
12 Douglas Corkran, Office of Investigations. The Staff
13 has no additional questions.

14 CHAIRMAN OKUN: Do those in opposition to
15 the continuation of the order have questions for this
16 panel of witnesses?

17 Mr. Getlan, you are shaking your head no,
18 and so no questions. Then before we break for lunch,
19 let me take this opportunity to again thank all of you
20 for appearing here today, and for answering our many
21 questions.

22 We look forward to the post-hearing
23 submission and your continued cooperation, and again I
24 am not sure if the witnesses will stay for the
25 afternoon session, but we appreciate your presence

1 here as well.

2 I will remind the parties that the room is
3 not secure, and so please take any confidential
4 business information with you, and looking at the
5 clock, I am going to say let's come back at 2:00.

6 (Whereupon, at 12:50 p.m., the hearing in
7 the above-entitled matter was recessed, to reconvene
8 at 2:00 p.m. this same day, Thursday, May 3, 2012.)

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1 pronunciation. I'm sure they'll be very forgiving to
2 you as well as you ask them questions today. But when
3 -- anyway, our first witness will be Mr. Bulent
4 Demirioğlu, chairman of Borusan Mannesmann. Mr.
5 Demirioğlu also serves as president of the Turkish
6 Pipe Manufacturers Association and is a board member
7 of the Steel Exporters Association. Mr. Demirioğlu
8 will be detailing industry conditions in Turkey and
9 the role or effect of the orders on Turkish imports.

10 I'd also like to introduce to my right Mr.
11 Zafer Atabey, executive vice president, sales and
12 procurement, standard and special pipes, at Borusan
13 Mannesmann. Mr. Atabey will detail Borusan's strategy
14 of focusing on nonsubject, higher value products and
15 the limited capacity for expanding shipments of
16 standard pipe to the United States.

17 Our final speaker will be Matt Nolan of
18 Arent Fox, who did not have to travel quite as far to
19 be here. But Mr. Nolan will address the recent
20 positive performance of the U.S. industry and why
21 revocation of the orders will not have an adverse
22 impact on U.S. producers.

23 I'd like to begin our presentation today on
24 a point that probably goes to Commissioner Pinkert's
25 question towards the end of the morning session

1 concerning the age of the orders. And in doing so,
2 I'd like to note the provision in the WTO agreements,
3 which are of course what are the authorities and what
4 the U.S. sunset proceedings operate under, and these
5 five-year reviews. And the WTO antidumping and
6 subsidies agreements provide that duties shall be
7 terminated, shall be terminated within five years of
8 imposition unless revocation would be likely to lead
9 to a continuation or a recurrence of material injury.

10 So these provisions provide a presumption
11 that duties will be terminated in five years, a
12 presumption that there will not be continued injury
13 unless there is evidence to the contrary. And we do
14 think that is relevant in a case like this, where
15 there has been an order in place for decades, for 26
16 years.

17 Petitioner's counsel, industry counsel, is
18 correct, of course. There is no statutory requirement
19 that the Commission consider the age of the order in
20 terms of whether to revoke. But we do think it's
21 relevant. I think in a situation when an order has
22 been in place as long as this order has, that there is
23 a perception that the order is the normal market
24 condition, and that any revocation of the order will
25 disrupt those normal market conditions.

1 It is our view that the opposite is true,
2 that 26 years after addressing unfair trade, in a
3 situation like this where there are not unfairly
4 traded imports -- you have no subsidy rates for years
5 under the CVD order, and dumping margins that have
6 ranged from de minimis to low single digits, even in
7 the context of an environment where there was unfair
8 zeroing taking place.

9 We think that orders lasting this long are
10 distorting, and revocation would in fact instill or
11 return normal trade market conditions. We also think
12 age of order can be relevant because of the trends
13 that you're able to observe over the life of the
14 order. So if you see some trends over 5 years versus
15 26 years, you might have greater confidence in terms
16 of where those trends are headed in the market in
17 terms of volume of imports in particular, market share
18 in particular.

19 So a 26-year history is quite a bit of
20 history, where you might gain greater confidence from
21 the data in the record and where things are headed,
22 and where things would be if the orders are revoked.

23 So as I've mentioned, the orders have been
24 in place for 26 years, and that's quite a bit of time.
25 Just for those of you interested in popular culture,

1 you might be -- just to remember how old these orders
2 are, this might be what folks in this country were
3 listening to, not necessarily the commissioners: Huey
4 Lewis and the News, Run-DMC, the Bangles. Some things
5 never change, people still listen to Madonna. She's
6 still out there. And watching movies such as *Top Gun*
7 and *Ferris Bueller's Day Off*. These are all hits in
8 1986.

9 Again, I hope I don't insult the Commission
10 by suggesting that this cultured group was listening
11 to all of these, but just a reminder of where we were
12 26 years ago. In any event, it has been a long time,
13 and it's well-timed to take a careful look at whether
14 the U.S. industry is going to be adversely affected by
15 Turkish imports should the Commission decide to revoke
16 the orders.

17 Before turning to our witnesses who have
18 traveled so far, I do want to make a few points,
19 particularly in the context of the volume of imports
20 and why revocation will not likely lead to a
21 meaningful increase in subject imports from Turkey.
22 And without any meaningful change in the volume of
23 Turkish imports, we can also posit that Turkish
24 imports will not have an impact on the domestic
25 industry.

1 These points are important in establishing
2 that Turkish imports will not have a discernible
3 adverse impact on the domestic industry, thus
4 requiring decumulation and at the same time support
5 revocation of the Turkish orders.

6 There are a number of facts on the record
7 that support and indicate that the volume of imports
8 will not increase if the Commission revokes this
9 order. There has been some discussion this morning on
10 market share, and we would like to continue that
11 discussion. The bottom line is -- the blue line is
12 the average market share for which we have evidence on
13 the record from the staff report, since 1985, which is
14 before the orders were in place. That vertical green
15 line indicates when the orders were imposed.

16 The data points on the blue line or just
17 around the blue line indicate actual market share
18 figures from the staff report, and the red line, of
19 course, are the market share indicators for the U.S.
20 industry. And while counsel for the domestic industry
21 seemed to indicate that the recent activity shows
22 volatility in market share, I would suggest that that
23 would be volatility only in a centrally planned
24 economy. That is not volatility.

25 You have 1.7 percent average market share.

1 It has gone up a little bit, down a little bit.
2 Importantly, this has all been -- this consistency has
3 taken place while -- again, reference the 26 years.
4 There have been recessions, deep recessions. There
5 have been boom times. The U.S. industry has had
6 market share during this time at a peak of 73 percent
7 down to 41 percent, but that's volatile. But Turkish
8 imports and its share of the U.S. market has not has
9 an impact on U.S. market share.

10 I would also like to note based on this
11 chart that this is different than some of the other
12 subject countries. That was mentioned in the morning
13 session. This level of consistency and low level of
14 imports is different than other subject countries.
15 Brazil disappeared from the market after the orders
16 were in place. Korea's market share ranged from less
17 than 2 percent to 16.9 percent, Mexico up to 5.6
18 percent, which also experienced less than 1 percent.
19 There is greater volatility. This stability is
20 unique.

21 And we have included in our presentation
22 other charts that indicate market share as well
23 relative to the U.S. imports and -- I mean imports
24 into the U.S. and the domestic industry.

25 Another point on volume and likely whether

1 there is going to be an increase in volume and imports
2 if the Commission revokes the order is capacity and
3 capacity utilization. The specific figures relevant
4 to this inquiry are proprietary, of course, but we can
5 say that circular welded pipe capacity has not
6 increased during the period of review. Our witnesses
7 will discuss why there are no plans, and they have no
8 plans, to increase capacity in this product line. And
9 capacity utilization is very high in the last couple
10 of years by Turkey.

11 This high capacity utilization reflects that
12 capacity is being limited to serving only those
13 existing customers. As most of these plants can
14 produce nonsubject products, the focus has been on
15 allocating capacity to subject products for only what
16 is needed to maintain current business really. Thus,
17 given the recent trends in capacity and capacity
18 utilization, again it is very likely that Turkish
19 imports will not increase in volume or market share if
20 the orders are revoked.

21 There was a lot of discussion this morning
22 on Turkey's third-country export markets, and we will
23 engage in that discussion as well, no doubt. But
24 there was very little discussion of Turkey's market,
25 which really is a story onto itself, and Turkey's

1 economy is a story onto itself. In all of the
2 discussion of recessions and doom and gloom in terms
3 of the economic conditions here in the U.S. and
4 abroad, Turkey has a very strong economy, and we do
5 have couple of slides here. This is recent history,
6 2010-2011, with some comparable sized economies, and
7 the growth rate in recent years, over 9 percent in
8 2010, about 8-1/2 percent in 2011, high growth,
9 economic growth, in Turkey.

10 This is an OECD projection covering the
11 years 2011 to 2017 for all OECD countries. Look at
12 Turkey, 6.7 percent projected growth. Is it slower
13 than 9 percent? Yes, it is. Is it higher than any of
14 these OECD countries? Is it a growth rate that the
15 U.S. economy or U.S. would be proud to have and would
16 strive for? Absolutely. And what is very important
17 here is that the Turkish construction industry and
18 construction activity largely fuels this economic
19 growth.

20 So the biggest consumer construction
21 projects for standard pipe is active and growing, and
22 is, as you can see from these projections, likely to
23 continue to consume that pipe.

24 So with these figures and statistics, they
25 indicate that Turkish imports will not increase

1 significantly if the orders are revoked. But to
2 provide greater context and detail on these points,
3 I'm pleased to introduce again Mr. Demirioğlu, who
4 will speak first, and then followed by Mr. Atabey.

5 MR. DEMIRIOĞLU: Okay. Thank you. Chairman
6 Okun, Commissioners, ladies and gentlemen, good
7 afternoon. My name is Bulent Demirioğlu. I am
8 chairman of Borusan Mannesmann Company, president of
9 the Turkish Pipe Manufacturers Association, and board
10 member of Steel Exporters Association.

11 Today I am speaking on behalf of Turkey
12 steel pipe producer. I appreciate the opportunity to
13 speak to the Commission today. To start with, I have
14 to thank to my American colleagues. It is a great
15 honor for me to hear from them that they are afraid
16 from some tiny Turkish producers that they will invade
17 American market by millions tons of pipes, making huge
18 dumping margins, building big losses to do that, and
19 gain market share. I don't know if there is some
20 foolish in the door to do that.

21 The Turkish standard pipe industry urged the
22 International Trade Commission to revoke the orders
23 from circular welded pipe from Turkey. These are not
24 necessary to prevent injury to the U.S. industry.
25 Steel products like pipe by nature cannot be subject

1 to long distance trading, especially between
2 continents. They are low-priced products, but heavy
3 items. The freight component becomes very quickly
4 prominent, and the cost makes them uncompetitive
5 against local production.

6 When there are some intercontinental
7 imports, either they are very marginal, which are
8 Turkey case, or there is a limited local production,
9 or there is a big difference in the efficiency and
10 competitiveness between industries of exporting and
11 importing countries, which is a problem of the
12 importing country in the third sector.

13 Turkish steel pipe producers are extremely
14 efficient and competitive. There is no custom duty to
15 import pipes to Turkey. But there is almost no
16 imports from anywhere, starting from China or Korea or
17 other -- Ukraine. The import to Turkey is almost
18 none.

19 When we look to the figures of Turkish
20 export to the United States, they are only around 2
21 percent of the U.S. consumption, and less than 1
22 percent of Turkish production, and less than 1-1/2
23 percent of the Turkish pipe exports. Why in this case
24 so important given these marginal figures?

25 Turkey is a responsible trader. That's why

1 we are here. Turkey exports to 122 countries other
2 than U.S. Our companies maintain sale offices in
3 several countries. A lot of marketing efforts
4 worldwide has been done. We are fortunate to have one
5 of the largest and fastest growing economies in the
6 world, the construction and industrialization fueling
7 this economic growth.

8 Turkey economy grow by average 5.2 percent
9 between 2007 and 2011, and the GDP tripled. The
10 Turkish economy grew 8.5 percent in 2011, and the
11 construction sector enjoyed 18.5 percent and 11.2
12 percent respectively in 2010 and 2011. We are also
13 unfortunate -- fortunate to be next door to Middle
14 East, to North African markets, to East Asian Turkey
15 republics, and of course to EU.

16 Along with our traditional regional partner
17 in Europe, the Middle Eastern, North African, East
18 Asian countries are looking to Turkey to serve their
19 needs. We have a competitive edge in serving these
20 markets based on the quality of our products, customer
21 services, and proximity to the customers. At the same
22 time, we continue to serve our longstanding customer
23 in the United States. We do not apologize for our
24 participation in the U.S. market.

25 It is, of course, the largest and the most

1 dynamic market in the world, and it will be foolish
2 for any sophisticated global company to ignore it.
3 During the past 26 years, there have been several
4 cases filed and over 60 reviews against Turkish
5 producers. Before 2004, high inflation rates, up to
6 50 to 60 percent each year, and high volatility of
7 steel price distorted heavily the dumping calculation,
8 for several antidumping reviews produced very erratic
9 but low margins, result between consecutive years and
10 different companies, such as -- I will give some
11 examples, 3 percent, 4 percent, zero, 3, 3.3, 2.5,
12 3.1, 7, 3.3, zero, 0.8, a series of 0.2, 1.5, 1.8 and
13 et cetera.

14 With the new zeroing concept, all goes to
15 zero particularly. These orders are restrictions on
16 our fair access and fair competition. And the Turkish
17 industry has shown that such restrictions are not
18 necessary. After 26 years of having these orders in
19 place, it may seem that these orders are a normal
20 market condition, but they are not. And revoking
21 these orders will not be a disruption to normal market
22 condition, but would rather reestablish a normal,
23 rational market.

24 Dumping can only be a short-term tactical
25 tool, for a couple of days, weeks, or a month maximum,

1 for liquidation purposes, end of season sales, or
2 surprising a competitor by striking. There is not any
3 company in the world rich enough to make continuous
4 dumping. Economic crisis is not particular to the
5 United States. It touch every country and every human
6 being in this world.

7 During this 26 years of dumping cases,
8 producers in the United States have had ample time to
9 reshape their business and regain their
10 competitiveness. Now, it's time to let them compete
11 freely in the world market, which even will sharpen
12 their efficiency and competitiveness. We will welcome
13 them in Europe, in Turkey, and other export markets.

14 In closing, I again appreciate the
15 opportunity to speak to you and your consideration of
16 the points we make. I am sure that the Commission
17 will make the right decision for the benefit of all
18 the stakeholders. I am available to answer any
19 question you may have. Thank you.

20 MR. ATABEY: Good afternoon, and my name is
21 Zafer Atabey. I'm the executive vice --

22 CHAIRMAN OKUN: Please bring your mike a
23 little closer, Mr. Atabey.

24 MR. ATABEY: Okay. That's fine?

25 CHAIRMAN OKUN: Yes.

1 MR. ATABEY: Okay. I am the executive vice
2 president, sales and procurement for standard and
3 special pipes at Borusan Mannesmann. In this role,
4 I'm responsible for purchasing the steel used in our
5 pipe production and for sales of pipe in both Turkey
6 and for our export markets.

7 I am pleased to be here to discuss Borusan's
8 current and projected business in standard pipe, but
9 also Borusan's business in nonsubject products. This
10 nonsubject business is significant and limits any
11 growth in the subject standard pipe business.

12 I would like to focus on two main points
13 today. First, Borusan Mannesmann is highly focused on
14 growing its business on high value-added products such
15 as line pipe, mechanical tubing for automotive
16 industry, and OCTG, all of which is nonsubject
17 merchandise. Our dedication to executing this
18 strategy has resulted in Borusan earning its highest
19 ever profits in 2011.

20 The second main point I will discuss is that
21 Borusan has capacity limitations on standard pipe, and
22 thus Borusan is not in position to significantly
23 increase production of standard pipe for any market,
24 including the United States.

25 I would now like to expand on these main

1 points. First, as mentioned, Borusan is executing a
2 strategy that is focused on high value-added products
3 such as line pipe, mechanical tubing, and OCTG. All
4 of these nonsubject products generate significantly
5 higher profit margins than subject standard pipe. We
6 have experienced significant growth in our shipments
7 of these products both in Turkey and in other markets.
8 There is tremendous demand in Turkey, as heavy
9 construction projects require large volumes of heavy
10 structural pipe.

11 These projects include shopping malls,
12 commercial buildings, stadiums, and even airports. We
13 are also producing high volumes of nonsubject
14 mechanical tubing, which serves Turkey's growing
15 automotive industry. We are also significantly
16 growing our business by serving regional export
17 markets, notably in the EU. Much of our business in
18 these markets for line pipe are used in energy sector
19 and mechanical tubing for the EU's automotive
20 industry.

21 While we have already seen tremendous growth
22 in our nonsubject pipe business, we expect this trend
23 to continue, and perhaps even at a higher pace. Heavy
24 construction is expected to continue to grow. More
25 importantly, the energy industry is also growing, and

1 Turkish producers such as Borusan have an important
2 role to play.

3 One significant example is the natural gas
4 pipeline that will be built through Turkey.
5 Regardless of the route of the pipeline, which is
6 still being finalized, the pipeline will be a huge
7 undertaking that will connect the gas producing
8 regions of the Middle East and the Caspian region to
9 European consumer markets. About 65 percent of this
10 pipeline will run through Turkey, and it's estimated
11 that the project will require about 250,000 pipes and
12 over 2 million tons of steel.

13 Borusan already received a compliance
14 certificate to supply this project, and several other
15 significant Turkish pipe producers have as well. As I
16 noted at the outset, Borusan realized its highest
17 profits ever in 2011. This would not have been
18 possible except for Borusan's strategy of focusing on
19 its high value-added nonsubject pipe products. This
20 is a strategy that is working and that we will
21 continue to execute.

22 The second main point I wish to make
23 concerns our limited capacity to growing our standard
24 pipe business. On this issue, I would like to make
25 several observations. First, Borusan has not added

1 production capacity for subject merchandise in many
2 years, and has no plans to add such capacity also in
3 the future.

4 Second, Borusan produces subject pipe only
5 at one plant, and that plant subject merchandise is
6 produced on lines which also can produce nonsubject
7 products, including the high value added nonsubject
8 products I just discussed. Given the demand in Turkey
9 and in our regional export markets for this high
10 value, nonsubject products, we have been operating at
11 very high capacity utilization.

12 In this environment, it will be illogical
13 for us to shift production from our nonsubject
14 products to standard pipe, which generates less profit
15 for Borusan. While we have not and will not invest
16 further to increase capacity to produce subject
17 merchandise, we will continue to provide limited
18 supply of standard pipe to our longstanding customers.
19 While not at the same level as our nonsubject
20 products, we will still make profits on our sales of
21 standard pipe, and our existing customers rely on
22 Borusan for this product.

23 Borusan has a very controlled marketing for
24 standard pipe in the U.S. market. one exclusive
25 channel that's a master stocking distributor, so you

1 will not see any mass offerings disturbing the general
2 market. Of course, our capacity utilization has not
3 always been as high as in the last couple of years.
4 During those periods, however, one does not see the
5 increased production or shipments of standard pipe.
6 This is because Borusan is well positioned to adapt to
7 a low-demand environment.

8 We have very low fixed costs, and we have
9 flexible labor arrangements. For example, we are able
10 to employ workers on a temporary basis, and also have
11 the flexibility to reassign workers to busier parts of
12 the business. In short, even if we do not maintain
13 the same level of production and profitability in our
14 nonsubject business, this will not lead to increased
15 production or shipments of standard pipe, including to
16 the United States.

17 In conclusion, the standard pipe business
18 for Borusan is a relatively small part of our business
19 and will continue to be. Borusan has enjoyed
20 unprecedented success by focusing on high value-added
21 products, which are in very high demand in Turkey and
22 in our regional export markets. This demand is
23 expected to continue. Because of this strategy and
24 the environment I have described, revocation of the AD
25 and CVD orders will not lead to significant increased

1 shipments to the United States.

2 Thank you for your time, and I would be
3 pleased to respond to any questions you may have.

4 MR. NOLAN: All right. Madame Chairman and
5 members of the Commission, good afternoon. I'm Matt
6 Nolan. Some of you know me already from past cases.
7 It's a pleasure to be here in front of you again today
8 defending the Turkish producers and to try to get this
9 order revoked, if we can. We were a little outgunned
10 this morning. It felt a little bit like *Butch Cassidy*
11 *and the Sundance Kid*, with the number of people in
12 this morning. But we are pretty passionate about
13 Turkey, so we are going to carry on and do our best to
14 defend their interests here.

15 I'd like to sort of start off with a quick
16 discussion. You know, there is no question that the
17 U.S. steel industry, along with the rest of the U.S.
18 economy suffered incredibly as a result of the
19 financial crisis and the ensuing deep recession from
20 2008 and 2009. We would be foolish not to recognize
21 that fact.

22 We all have family members and friends who
23 have been impacted by this. I've got a 23-year old
24 graduate who can't find a job right now because of the
25 economy the way it is. So the fact is we've had a

1 terrible time, and the U.S. steel industry, along with
2 everybody else, has suffered from that.

3 Having said that, the recession by itself,
4 that fact doesn't constitute a reason to maintain the
5 order. It is a condition of the U.S. industry. It is
6 not a harbinger of whether Turkish imports are going
7 to cause an effect on that recovery or the future of
8 that industry. There has to be a causal link here
9 someplace.

10 If Turkey had left the market, except for
11 one ton, would we still have this discussion? I
12 submit probably not. So there has to be a reason why
13 Turkey -- the order against Turkey over other
14 countries needs to be maintained here, and it goes
15 beyond simply because there is a deep recession in
16 effect.

17 What I'd like to do is to talk about what is
18 going on in the data because this morning you heard
19 sort of a 30-, 40,000-foot overview from the U.S.
20 Petitioners. We talked about the economy. We talked
21 about the recession. We talked about how construction
22 is down. We talked about the future. We talked about
23 how the U.S. is in the toilet, Europe is in the
24 toilet, the Middle East is a war, all these bad
25 things. Gloom and doom.

1 The data does not support that. And I
2 submit that you need to review the data on the record
3 in making your deliberations and decisions.
4 Speculation is not what we do here. Reviewing the
5 record and trying to project forward from the record
6 is what we do here, and what we are going to spend our
7 time working on.

8 So let's talk about the first bugaboo in the
9 room, low profitability. Capacity utilization
10 pricing, productivity, and profitability have all
11 improved significantly in the U.S. industry since the
12 low point of the recession. I'm not saying they're
13 back to normal. I'm not saying they don't have a long
14 way to go. But we're at a whole lot better place now
15 than we were two years ago.

16 All indicators are up 10 to 20 percent in
17 2010 and 2011. Average unit values are up 20 percent,
18 as did gross profits increase 20 percent on average.
19 Note, this occurred while Turkish imports were
20 virtually flat during the same period of time.
21 Turkish imports are stable; U.S. is improving. No
22 causal link.

23 This calls into question a basic argument
24 preferred by the Petitioners that imports declined
25 during recessions and then come back with a vengeance

1 when recovery begins. In fact, we have a bit of the
2 opposite, and I'm going to put the first of a series
3 of charts up here for us to review. This first chart
4 superimposes capacity, production, and import numbers.
5 The blue line at the top is consumption.

6 Now you can see what happens in the
7 financial freeze and the recession. It almost fell
8 off a cliff, not surprising. Demand fell to a low
9 point here, and then slowly starts to recover, which
10 is the data on the record. At the same time, you have
11 U.S. capacity, which is up on this line, and slowly
12 increasing, modestly, but increasing during most of
13 the period of time, particularly from 2008 on. It's
14 going up.

15 This contrasts with demand, which is
16 dropping sharply, and then slowly recovering. I'm not
17 making a judgment call about why the increased
18 capacity. There may be very good reasons they did it.
19 It's not something that you do foolishly. But the
20 fact is, during a demand freefall and continued
21 downturn, capacity continued to increase in this
22 industry to some extent.

23 If they're making the plants more efficient,
24 that's a good thing. If they're keeping old capacity
25 that shouldn't be there, it's obsolete, that's not a

1 good thing.

2 Now, let's contrast that with U.S.
3 production down here. It has continued up. It went
4 down slightly, but actually didn't go down nearly as
5 much as the demand drop did. So it kind of held its
6 own a little better, and then it's coming back.
7 Contrast that with imports. Imports drop much more
8 precipitously, all imports, not just Turkish imports.
9 All imports drop precipitously into 2009.

10 Remember, between 2007 and 2008, we have the
11 Chinese case. So a huge amount of tonnage drops out
12 of the market because the Chinese depart. But what
13 happens? Do you see a huge increase in imports coming
14 into the market, which is what you expect from the
15 Petitioner's remarks this morning? The answer is no.
16 In act, the record evidence supports the concept that
17 imports dropped continuously even when the Chinese
18 left.

19 Now, the bottom line is Turkey. Mr Getlan
20 already showed a chart that showed Turkey is a small
21 part of this market. In the context of production and
22 total imports, turkey is scraping along the bottom
23 line here. Yes, it grew slightly in 2007 to 2008 when
24 the Chinese tonnage left the market, a huge amount,
25 and there are other timing factors. But that then

1 slowly moved back down, and has now stabilized again.

2 This does not suggest an industry poised for
3 invading the U.S. market. In fact, at one point this
4 morning, one of the Petitioners recalled that price is
5 everything in this market. If price is everything,
6 then the low price should automatically gain market
7 share. If Turkey is low-priced, why isn't it gaining
8 more market share? Perhaps because they've chosen not
9 to invade the market.

10 Now, there is a lot of variability in the
11 numbers when you look at the U.S. industry, and we
12 can't go into the details here because it's all
13 confidential data. I would urge the Commission to
14 look carefully at the individual firm data that has
15 been posited on profitability numbers for this
16 industry because there is a great deal of variability
17 in those numbers.

18 Profitability is not a uniform thing. It
19 varies by company. A company is well managed or
20 poorly managed depending on which of those are, you
21 are profitable or you are not. I would also suggest
22 that you look carefully about the investment numbers.
23 There is a lot of investment going on in this
24 industry during the period of review. Advancing
25 plants, improving plants, that's not consistent with

1 simply closing plants because you don't -- you have
2 too much capacity and have to get rid of it.

3 Let's talk a little bit about capacity
4 utilization. This is a debate we get into a little
5 bit every time we talk about pipe. I'm actually
6 surprised we haven't had this discussion already this
7 morning because it seems like every time I talk about
8 pipe, we get into this.

9 What is capacity in a business? The U.S.
10 industry reports it has very low capacity. It always
11 has low capacity in this business. If you look at the
12 review from 2006, their capacity utilizations numbers
13 were in the 45 to 55 percent range. It's kind of
14 where we are in this review cycle.

15 So do we have a situation where there is
16 always another import coming in that's causing a
17 problem, or do we have chronic over-capacity in this
18 industry? I'm not fit to make that judgment call. I
19 can only pose the question that I don't think it's a
20 simple as whack the next import mole that comes up on
21 the machine.

22 So how do you measure capacity in reality in
23 this business? In the last review, the Wheatland
24 representative, sales representative, testified as
25 follows, quote: "Our pipe mills have traditionally

1 operated 7 days a week, 24 hours a day. That's 7/24
2 service." With due respect, I don't think that's
3 defensible. Machines break. In a perfect world,
4 theoretical capacity for any mill is 24/7, 52 weeks a
5 year. In the real world, machines need to be
6 maintained. They have down time. You have to switch
7 out machines. You have to have changeover time for
8 different product runs. Things happen.

9 So the real capacity number that we should
10 be talking about in these hearings and in our briefs
11 or in our remarks is scheduled capacity. Theoretical
12 capacity is the capacity in a perfect world.
13 Scheduled capacity is the actual capacity that a mill
14 projects it can run at on a consistent basis.

15 I would urge the Commission, because I can't
16 talk about the specifics, to look at the capacity
17 numbers being projected here and what assumptions are
18 being made about that capacity. In the real world,
19 average capacity runs more along the lines of two
20 shifts a day, six days a week. You can run over
21 capacity. You can run under capacity. But on average,
22 that's about what mills would run at. And for an
23 older mill, particularly those hot mills that we
24 talked about this morning, the Petitioners, those
25 mills have higher down time. They're older mills.

1 They have bigger maintenance issues, so they cannot
2 run as quickly or as efficiently as a newer mill.

3 Capacity utilization is also a function of
4 what you make. If you make multiple products,
5 standard pipe, OCTG, line pipe, mechanical tubing, et
6 cetera, in a mill, and have the ability to make those
7 products, isn't utilization really a function of your
8 overall plant capacity in utilization, not just the
9 one product, particularly when you can shift from one
10 to the other?

11 U.S. producers are quick to point out that
12 their capacity utilization rate is 50 percent, but yet
13 their overall plant utilization for products is over
14 60 percent, even assuming their assumptions on
15 projected capacity.

16 So again, I urge the Commission to view
17 these numbers with a little bit of skepticism and
18 think about what the assumptions are that is going
19 into them. I also would suggest that you consider the
20 concept of whether we have chronic over-capacity in
21 this industry. After 26 years, we still have over-
22 capacity or underutilized capacity in this business.
23 At some point, we have to have rationalization in the
24 industry.

25 Finally, capacity is a function of demand.

1 We all know what happened to demand after the
2 financial crisis. I've already gone over that. But
3 curiously, while demand is shown to be dropping, U.S.
4 producers actually are increasing their output by 7
5 percent. I'm not saying it's irresponsible. I'm not
6 saying it's right or wrong. It's a fact that is on
7 the record, and suggests that capacity, over-capacity,
8 is being self-induced to a certain extent.

9 So let's talk about the fact or the argument
10 that Turkey has abundant over-capacity and will ship
11 huge amounts of pipe as soon as the order gets lift.
12 This chart is a review of some of the major markets
13 that Turkey has been importing or exporting to over
14 the years. The Petitioners quite rightly -- and
15 probably will get on my case about this, about the
16 size of the European bar. The green bar is all of
17 Europe.

18 Now, we aggregated it. We could split them
19 out in individual countries. But we're talking about
20 at least a half a dozen or more countries that are in
21 that one particular bar. Look how large it is. Then
22 you look at the United States, which is the blue bar,
23 fairly modest, about the same as Iraq and Syria. Iraq
24 and Syria wouldn't seem to be that big a market,
25 according to the Petitioners. And yet the U.S.

1 penetration rate is about the same as those markets.
2 And then you have all others, which again is larger
3 than the U.S. exports or the Iraq-Syria exports.

4 What I haven't put down on this chart, and
5 probably should have put down, is the domestic
6 consumption rate in Turkey. If we had added that bar
7 to this chart, it would have gone through the top of
8 the page because 60 percent of what gets produced in
9 Turkey is consumed in Turkey. So the bar for that
10 part would go way over the top, and that has no signs
11 of abeyance.

12 This is another chart that shows the
13 relative penetration rate of total exports from Turkey
14 in the size of the U.S. market. We've already been
15 through this before. All we're really trying to
16 illustrate here is U.S. is not a driver for the
17 Turkish production, the Turkish pipe producers.

18 This number is something I put up because
19 there is information about total production in Turkey
20 of steel pipe. Some of the information that's put on
21 the record is not -- is proprietary. We found some
22 public data that we could share with you so that we
23 could talk about it in the hearing room. This
24 information comes from the Steel Pipe Manufacturers
25 Association in Turkey.

1 This is the actual production numbers for
2 all types of pipe in the Turkish economy. I want you
3 to take a close look at some of these numbers. Total
4 production of 3.7 million tons in 2011, that's a
5 pretty good number. Now, mind you, that includes
6 standard pipe, line pipe, OCTG, mechanical tubing,
7 structural hollows, everything they make, and they
8 make everything in Turkey.

9 The second thing I want to point to you is
10 the consumption number. That is the consumption in
11 Turkey for this product. That is 60 percent of what
12 they make. So the Turkish market is not an
13 aberration. It's not a small market for Turkish
14 producers. It is the majority of what they make.

15 The second set are the export numbers.
16 They're not insignificant, but they're also spread
17 over 122 countries. You heard Mr. Demirioğlu talk
18 about that this morning. Yes, there is some
19 concentration in the EU market. That's true, and in
20 the Middle East and North Africa markets, that is
21 true. But it is spread out in the EU markets over a
22 number of countries, and I don't think every country
23 in Europe is in deep trouble. Germany is not. They
24 have their own issues. Spain is definitely having a
25 bigger time of it. But these products are diversified

1 for exports to 20 different countries in the European
2 area, so it's not so simple as to say all the eggs are
3 in one basket. And I actually think that's a strength
4 because the Petitioners this morning made the point
5 that Turkey ships to all these small markets, a small
6 market here, a small market there. None of these have
7 an impact.

8 I've put it to you, a smart businessman will
9 diversify their risk by shipping to 30 countries
10 instead of 1, because if 1 goes down, you've got 29
11 other countries to ship to. This is the Turkish
12 strategy in terms of market diversification from a
13 geographic basis. It's a smart business decision, and
14 they're efficient enough to be able to pull it off.
15 If you look at the U.S. numbers, they don't ship
16 outside the U.S. except probably to Canada.

17 So China, when it exited the market, took
18 out a huge amount of tonnage. We talked about that.
19 At that moment, countries had a very big opportunity,
20 an opportunity to take over a part of the market share
21 that the Chinese exited. You go back to this chart
22 again. I just want to make sure we emphasize this.
23 The opportunity in 2007 and 2008, hundreds of
24 thousands of tons of Chinese material left the market.

25 You would have expected to see a big spike

1 in imports, assuming they wanted to take advantage of
2 that. They did not. No imports did, and Turkey
3 maintained a modest presence in the face of what could
4 have been a major opportunity. Sometimes does not
5 compute if the record suggests one thing, and the
6 Petitioners argue something else.

7 My colleague, Mr. Getlan, has already
8 addressed the question of diversity of products made
9 in Turkey. We can't talk about the specifics because
10 it's confidential, but I would urge you to look at the
11 confidential record information on Turkish
12 diversification of production. It's very instructive
13 on where they're going with their material and what
14 they're producing.

15 So the evidence on the staff report
16 indicates that Turkey has limited capacity to make
17 standard pipe, that their mills are quite busy, that
18 there is little inventory, and that the focus is to
19 move away from standard pipe into higher value-added
20 products like OCTG and line pipe. And by the way, I
21 listened this morning to the testimony about the OCTG
22 market as cooling. The rig count in the U.S. and
23 Canada is down, but it's down off an incredible high.
24 So, you know, once you get the market up, it's not
25 going to stay up forever at the same level, but it's

1 already at a very high level.

2 That also ignores the count of the new
3 system of directional drilling that we're doing in
4 this industry. This is something I know a fair amount
5 about because of my work in the energy industry.
6 Today, you drill one well, and you'll point it in 18
7 different directions. In fact, the oil -- the shell
8 fracking that we're doing now is all directional
9 drilling. That uses and consumes huge amounts of
10 pipe, OCTG pipe, but huge amounts of pipe.

11 You can have one well and use five time the
12 amount of pipe on that well than you would have done
13 five or ten years ago. So bear in mind that rig count
14 statistics is not the whole story there.

15 The staff report also shows that besides
16 altering its product mix, Turkey is enjoying great
17 demand at home as the Turkish economy continues its
18 rapid growth. Fortuitously, the *Economist* magazine,
19 from April 7th, has a nice article on Turkey in it.
20 And it says in this article, and it has a lot of
21 statistics which I commend to the Commission's
22 attention -- we'll put this in our post-conference.
23 "Figures released on April 2nd show that Turkey's GDP
24 rose 8.5 percent in 2011 after a 9 percent increase in
25 2010. These are the sort of growth rates that mighty

1 China would be pleased with, not to mention the United
2 States." I doubt the U.S. industry would be very
3 concerned about Turkey if we were running at a 7 or 8
4 percent growth rate. This tells you that the Turkish
5 economy is moving. They're going to be buying more
6 pipe. There is going to be more construction. There
7 will be less material leaving that country. And if
8 we're in the mood to speculate a little bit about the
9 future of the economies, the data that we have
10 suggests that for Iraq and Syria, the red, they're
11 stable.

12 So if we're supposed to have such a racking
13 Arab Spring in those countries, why are they still
14 stable? Another fact that seems to fly against the
15 face of what the Petitioners are saying. The European
16 markets didn't go into recession on January 1st, 2012.
17 We've had this problem for two years now, at least.
18 Look at what has happened since 2009 on European
19 exports for Turkey. They're going up at a steady
20 clip.

21 If this is normal, than why is it that we're
22 going to fall off a cliff? The record evidence
23 suggests that exports to the European countries is
24 continuing to improve, not deteriorate, and these are
25 countries that have been having economic difficulties,

1 not yesterday, but for two years. So there is a
2 disconnect with what the Petitioners are telling you.

3 Finally, I'd like to talk a little bit about
4 the concept of -- well, two things. One other
5 digression. I'm sorry, I have to do this. If we're
6 going to speculate, we haven't talked about the Gulf
7 region very much yet. There was article in *The Wall*
8 *Street Journal* on April 27th, Friday, and the title of
9 this article is, "Gulf Splurges on Home Improvement."
10 The headliner of this article is government outlays in
11 the Middle East region are set to reach \$488 billion
12 this year, and they are going to go up 35 percent from
13 2009.

14 The result of the Arab Spring is not just
15 conflagration or conflict in Syria. It is a massive
16 infrastructure buildup in the other Gulf States so
17 that they avoid the same fate that Syria has had.
18 They are going to spend a huge amount of money
19 building airports, buildings, roads, lots of things
20 that require non-residential construction material,
21 including pipe.

22 So Turkey actually has a new market it's
23 developing, the Middle East Gulf Cooperation Council
24 of States.

25 Finally, let's talk about underpricing and

1 underselling. It is true, unit values for Turkey are
2 lower than in the United States. That's in the staff
3 report. But let's talk a look at some cost data here.
4 As you can see from this chart, Turkish pipe producers
5 pay less for the single most important import, hot-
6 rolled coils, than U.S. producers do. Turkish flat-
7 rolled coil is this line. U.S. domestic sales of
8 flat-rolled coil is this line. That is at least 70
9 percent of the cost of making pipe, perhaps more.

10 That also suggests that domestic Turkish
11 prices are going to be lower than U.S. prices because
12 the chief raw material going into that product costs
13 less. And just as an aside, there are no orders on
14 hot-rolled coil from Turkey, not in the United States.
15 So this is presumably a fairly traded product,
16 although they don't ship much out because they use all
17 of it currently right now, I think.

18 So if you look at those numbers, the main
19 product -- the main input product is higher. Add to
20 that that U.S. producers are, for better or worse,
21 saddled with a fairly high cost structure. I'm not
22 passing a judgment on this. I'm stating a fact.
23 During the POR, unit labor costs increased 16 percent
24 for U.S. producers, according to the staff report, in
25 a declining demand environment.

1 SG&A expenses rose 35 percent to almost 9
2 percent of net sales. These labor costs are a fact of
3 life for U.S. producers, but they're not necessarily
4 conducive to an industry being competitive and will
5 result in higher prices. And as a closing, I would
6 suggest or also make sure you understand, average unit
7 prices have been going up. The U.S. is getting better
8 prices for its stuff. Some of it is because hot-
9 rolled coil prices are going up, and they have to pay
10 more, but their AUVs are going up, along with
11 everybody else.

12 So the industry at the end of the day has a
13 long ways to go, is doing better, is saddled with a
14 high cost structure, and claims that there is this
15 huge amount of pipe that's going to come flowing in
16 from Turkey simple are not supported by the record.

17 Thank you. We'll take questions now.

18 CHAIRMAN OKUN: Thank you. Before we begin
19 our questions this afternoon, let me take this
20 opportunity to thank this panel of witnesses. We very
21 much appreciate your participation here, and
22 particularly to our witnesses from Borusan for
23 traveling such a long way to be with us and to answer
24 questions. So we very much appreciate that. And Vice
25 Chairman Williamson will begin the questions this

1 afternoon.

2 VICE CHAIRMAN WILLIAMSON: Thank you, Madame
3 Chairman, and I too want to express my appreciation to
4 the witnesses for coming, especially Mr. Atabey and
5 Mr. Demirioğlu, for coming from so far.

6 Just to finish up on this last point that
7 Mr. Nolan made about the Gulf States, because I had
8 asked the Petitioners this morning and didn't get an
9 answer, and I know in our staff report we don't really
10 break out Gulf States. We think the largest -- so we
11 don't really have a good idea, at least from the data
12 I've seen in the staff report, about the size of where
13 are the hot markets in the Middle East. And so I was
14 wondering if may be post-hearing, or if there is any
15 comments you can make on that, because the Gulf has
16 been a hot market for a long time.

17 MR. NOLAN: Sure.

18 VICE CHAIRMAN WILLIAMSON: Although it has
19 had its issues, too.

20 MR. NOLAN: No. And it has got -- it was
21 affected by the recession as well. We all know what
22 happened to Dubai when the market froze, and
23 everything kind of stopped for construction for
24 awhile.

25 VICE CHAIRMAN WILLIAMSON: Yes.

1 MR. NOLAN: But those markets have come
2 back, and we would be pleased to address that in the
3 post-conference brief. I think there is a lot of new
4 things going on over there, a lot of building going
5 on. And it's going to support a lot of capacity.

6 VICE CHAIRMAN WILLIAMSON: Okay. Because
7 what we heard about this morning was Syria and Iraq
8 and --

9 MR. NOLAN: You know, the reality is Iraq is
10 in reconstruction mode.

11 VICE CHAIRMAN WILLIAMSON: Yes.

12 MR. NOLAN: I mean, the war is over there.
13 They're not free of violence, but they're having to
14 rebuild the entire country. So they're eating a lot
15 of pipe, and our guest addresses that.

16 MR. DEMIRIOĞLU: Yes, especially once -- it
17 has already started, already started. You have seen
18 on the bar chart that Iraq is a very important
19 consumer for Turkish producer. But once the political
20 stabilization will be established firmly, we are
21 expecting that Iraq will consume 20 million tons of
22 steel and steel products per year, and not less than
23 10 to 12 years because they have done nothing since
24 1979 starting of Iraq and Iran War.

25 VICE CHAIRMAN WILLIAMSON: Okay. How does

1 that compare with the Gulf States in terms of volume,
2 particularly more in the near term?

3 MR. DEMIRIOĞLU: No, no. If Iraq recovers,
4 starts to recover firmly, we are expecting that the
5 tube market only in Iraq will not be less than 500,000
6 tons per year.

7 VICE CHAIRMAN WILLIAMSON: Okay, okay.
8 Thank you. But, yes, if you can get sort of a more
9 complete picture on the post-hearing, that would be
10 appreciated.

11 So, Mr. Getlan, you represent four producers
12 in Turkey. Can the Commissioner expect questionnaire
13 responses from all of them?

14 MR. GETLAN: You received questionnaire
15 responses from three of them, from three of the four,
16 and the fourth, we would have to go back to ask again
17 if they'd like to submit a response. They did provide
18 data, relevant data, in the initial phase of the
19 proceeding relating to their position in the market.

20 VICE CHAIRMAN WILLIAMSON: Okay. And what
21 can you tell us now about the other producers? And,
22 of course, whatever you can provide post-hearing would
23 be appreciated.

24 MR. GETLAN: Sure. Well, certainly any
25 breakdown in data by company we would have to do post-

1 hearing since that's proprietary. But one thing,
2 that, you know, location is important in this market.
3 And Borusan is more -- and you heard it in the
4 comments here today -- does have a heavier presence in
5 the EU just in terms of their location in Turkey. And
6 I do think you will see additional growth in shipments
7 to the Gulf States and MENA region because Turkish
8 producers have put their -- you know, they're located
9 in the south of Turkey closer to those regions.

10 So they basically have diversified markets
11 even within -- diversified export markets even among
12 the major producers.

13 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
14 I don't know if Mr. Demirioğlu or Mr. Atabey want to
15 add anything to that about your strategy because, I
16 mean, you're the people who conceived and are
17 executing it in terms of role in the --

18 (Pause.)

19 MR. ATABEY: Okay. So let's say in the
20 recent years, there are several pipe producers in the
21 south of Turkey who are -- I think two of them are
22 capable of producing standard pipes, which is subject
23 merchandise also for the United States, but they are
24 not having any significant volumes.

25 So since they are logistically in a

1 marvelous place, because especially in northern Iraq,
2 it's very near, and there are very convenient freight
3 costs. So practically there is no reason for them to
4 -- how to say -- ship material to -- or better to say
5 -- they say European Union and the United States
6 market are less interesting for them while there is an
7 emerging market like Iraq, say, or in MENA, let's say.
8 And instead, Borusan Mannesmann, we are located near
9 to European Union zone, let's say, in the northwest of
10 Turkey. So we are logistically very convenient to
11 ship to European Union countries, including Rumania,
12 even Germany, Italy, and even we have a plant in
13 Italy, but just for mechanical tubings for DON
14 products, for automotive.

15 So we are more focused on the European
16 Union, and some of the other Turkish are more focused
17 on, let's say, Middle East. It depends on the
18 location.

19 VICE CHAIRMAN WILLIAMSON: Okay. Is most of
20 that distribution to Europe by truck?

21 MR. ATABEY: By vessel, open load. And
22 especially in the -- you will see how European Union
23 is in recession, and Turkish exports are growing.
24 But, you know, so we cannot explain only the success
25 of sales just as a result of the economic trends. So

1 I think some good business management can help.
2 Especially in the last years, we have increased our
3 service level, especially I talk on behalf of my
4 company. So we have provided consignment stock,
5 special services, special products, so this helped a
6 lot to increase our sales, even if the European
7 economy is not really so strong. We have our very
8 nice presence, and we are Borusan Mannesmann, and
9 Mannesmann is a number one name in pipe producer name
10 in Europe. It's a very well-known name.

11 VICE CHAIRMAN WILLIAMSON: Okay, good.
12 Thank you. That's helpful for understanding. Thank
13 you. What would you say has been the effect of the
14 antidumping and CVD orders on your exports of pipe to
15 the United States?

16 MR. ATABEY: Okay. So let's say the current
17 application of -- so we don't have any CVD, so we are
18 having minimis always. Today's dumping rates just
19 hurt a little bit our profit margin, but it doesn't
20 have any effect on the volumes because the dumping
21 margins are always low, and we expect even further
22 reduction after the new review.

23 So let's say even if there will be -- in the
24 last couple of years, the dumping rates would be zero,
25 the volume would not be different. So the difference

1 would be an extra profit because we have a strategy on
2 different product groups, as I explained. So we have
3 line pipes, mechanical pipes for automotive, and our
4 lines are very capable of producing everything. So
5 we just go for the highest profitability market or
6 product segment. And for the remaining, we produced a
7 standard pipe for local market, and also the American
8 market. And the American market, we have a very long
9 presence, and we have very reliable business,
10 historical customers. So we serve a certain volume
11 and that's it, you know.

12 VICE CHAIRMAN WILLIAMSON: Okay. Thank you
13 for those answers, and my time is about to expire.
14 Thank you.

15 CHAIRMAN OKUN: Commissioner Pearson.

16 COMMISSIONER PEARSON: Thank you, Madame
17 Chairman. I also welcome you. It's always helpful to
18 foreign producers able to come to our proceedings.

19 The domestic industry has expressed the view
20 that it may take eight to ten years for demand fully
21 to recover in the United States for the welded pipe.
22 Do you have an opinion on that? Is that a correct way
23 to understand demand in the United States?

24 MR. DEMIRIOĞLU: Mr. Pearson, I think we
25 have to learn to live with the crisis. That's become

1 the normal way of living. Now nobody can say that the
2 recovery will be faster or longer, but we have to be
3 -- to learn to live -- to be very agile to adapt
4 ourselves to changes. What can I say?

5 COMMISSIONER PEARSON: Right.

6 MR. DEMIRIOĞLU: The recovery can take one
7 year. It cannot be ended by ten year. I cannot say.

8 COMMISSIONER PEARSON: Okay.

9 MR. DEMIRIOĞLU: But only the figures show
10 that the United States is recovering much more quickly
11 than the rest of the world. This is the mega trend
12 that I can see. But years, it's difficult to say.

13 COMMISSIONER PEARSON: Mr. Nolan?

14 MR. NOLAN: You know, obviously we're not --
15 even PhD economists with lots of experience are having
16 trouble with gazing into this crystal ball right now.
17 We're in my mind sort of in uncharted territory. We
18 haven't had a situation economically like this since
19 the Depression. And, you know, how long it's going to
20 take to get out of it, and how the economy is going to
21 restructure as a result of it I think is still an open
22 question.

23 There are some things you can look at. I
24 mean, I looked at the American Institute of
25 Architects, who they track how many new building

1 permits and how many new projects are coming underway.
2 They revised their growth estimates down for 2012 for
3 earlier in the year because they thought it was going
4 to be at three and a half, and then it went to two and
5 a half or something like that. They're still
6 projecting 6.4 percent for 2013, but that just tells
7 you how uncertain the science is because even I'm not
8 sure I believe those numbers. I think it's getting
9 better. I think the trend line show it's getting
10 better.

11 But I think, you know, things are
12 restructuring in this economy. And that begs the
13 question of is this industry in need of restructuring.

14 COMMISSIONER PEARSON: Well, let me ask it
15 this way. Let me think again about the question.

16 MR. GETLAN: Can I add a comment?

17 COMMISSIONER PEARSON: Please.

18 MR. GETLAN: So one thing to keep in mind --
19 and I think the numbers and the figures we've cited to
20 and put on the board here reflect this, and certainly
21 the comments of our Turkish colleagues here -- the
22 Turkish industry is not dependent on that recovery, is
23 not waiting for that recovery to take place. I mean,
24 they have certain historical relationships in the U.S.
25 and with that customer service and the quality of

1 their products. They've maintained that through the
2 years, well before the economic collapse, and since.
3 And what is more telling is that this industry, the
4 Turkish producers as a whole, because the staff report
5 data, of course, consolidate not just the other
6 producers as well. But you've heard directly from
7 Borusan as well today, and that is that they have
8 shifted their focus on very high value-added, higher
9 profit margin products, where the markets for those
10 products are thriving. And whether that's the energy
11 market in the U.S., whether it's the automotive
12 industry in Turkey, whether it's construction,
13 structural pipe in both Turkey and Europe, they are
14 focusing on those products.

15 And so it may be that non-residential
16 construction in the United States does not recover to
17 its prior levels for seven or eight years. But I
18 think what you've heard today from Mr. Atabey and Mr.
19 Demirioğlu is that it is not going to affect their
20 shipments to the U.S. I mean, if their customers
21 decide not to purchase from them, they will not be
22 selling to them. But they certainly aren't dependent
23 on that for their success.

24 It's remarkable that Borusan is able to sit
25 here today and say that they have earned record

1 profits in 2011, given the economic conditions that
2 were dwelled upon this morning, both in the U.S. and
3 globally. That does not suggest a company that is
4 waiting for significant recovery in the non-
5 residential sector here.

6 COMMISSIONER PEARSON: Okay. Looking at
7 past business cycles in Turkey and the European Union,
8 has the same pattern appeared there that was described
9 this morning where residential construction goes into
10 a recession after the rest of the economy and then
11 also comes out of that recession after the rest of the
12 economy?

13 MR. DEMIRIOGLU: Yes. Of course we had a
14 similar recession in 2002. Due to the banking crisis
15 we had the recession for two years almost, but the
16 recovery was quick, and now the banking system in
17 Turkey is almost the better of all the EU and the
18 housing is booming for the time being in Turkey, and
19 the government is trying to a little bit cool down,
20 not to create an inflation.

21 COMMISSIONER PEARSON: Mr. Atabey?

22 MR. ATABEY: But we have also the same
23 economical slowdown in 2008, but the recovery was very
24 fast, much faster than anywhere else.

25 COMMISSIONER PEARSON: Okay. I suppose

1 there's an argument that the structure of the Turkish
2 economy is enough different than the structure of the
3 U.S. economy that coming out of a downturn that the
4 patterns could be quite different.

5 MR. NOLAN: Obviously, the Turkish economy
6 is young, growing. It's like the new BRIC type of
7 thing. It's a fast growing economy. It's put in the
8 same class with Korea these days in terms of the pace
9 of growth in the economy. They've gone through the
10 mill. I mean, in 2000, they had 50-percent inflation
11 rates. They had a financial crisis. The Lira was
12 running a million dollars to one.

13 I remember going to Turkey in 2001 or '02,
14 and my hotel bill was so big, it was in the billions
15 of Lira, so they had to split the bill in half because
16 it wouldn't fit on my Amex accounts. That's old
17 history for the country now. They've got a handle on
18 the economy, responsible management stewardship of the
19 economy, and it's been running double-digit growth
20 rates as a result, and as Mr. Demirioğlu said, their
21 biggest issue now is inflation. They've got to keep
22 it under control.

23 COMMISSIONER PEARSON: Mr. Demirioğlu, do
24 firms other than Borusan Mannesmann have affiliated
25 companies in the EU or elsewhere in the world?

1 MR. DEMIRIOĞLU: No, we have affiliated
2 companies in Borusan Mannesmann. A company in Italy
3 producing mechanical precision tubing for the car
4 industries. In that sense, no other Turkish
5 company -- no. There is also Noksur having a company
6 in Spain making line pipes, spiral-welded line pipes.
7 There are some having steel mills in Algeria. One
8 competitor had a steel mill in Algeria recently in
9 operation. Other, they have sales offices and
10 representative offices in several countries.

11 COMMISSIONER PEARSON: Okay. Thank you. Do
12 Turkish producers have long-standing traditional
13 customers in the United States, long-term business
14 relationship?

15 MR. ATABEY: So I talk on behalf of Borusan
16 Mannesmann because I think we represent a big part of
17 imports as Borusan Mannesmann, so as I told in my
18 statement that we have only sole distributor, so he
19 acts as an importer, and he has several smaller
20 distributors, and we have very long-lasting
21 relationship, and even we have customers that prefers
22 Borusan Mannesmann material to any material, cheaper
23 material or more expensive local material. They
24 prefer Borusan Mannesmann, so we have very old
25 relationship.

1 COMMISSIONER PEARSON: Okay. And would the
2 same be true with customers elsewhere in the world,
3 long-term relationships with customers?

4 MR. ATABEY: Yes, surely. Surely.

5 COMMISSIONER PEARSON: Okay. For the
6 purposes of the post-hearing, could some of that be
7 put on the record so that we have a better sense and
8 also perhaps indicate whether there are long-term
9 contractual relationships with some of those sales,
10 contracts of three years, five years, something in
11 excess of a year?

12 MR. NOLAN: Sure.

13 COMMISSIONER PEARSON: Okay. Madam
14 Chairman, my time's expired.

15 MR. DEMIRIOĞLU: May I add something to your
16 statement?

17 COMMISSIONER PEARSON: I'm sure the Chairman
18 will allow me to continue.

19 CHAIRMAN OKUN: Yes, please.

20 COMMISSIONER PEARSON: Please respond.

21 MR. DEMIRIOĞLU: Okay. I think, Mr.
22 Pearson, the problem of the steel product manufacturer
23 is they are not enough customer oriented. Look at the
24 big steel manufacturer. They are mainly distributor,
25 not sellers, and their customer relation is very not

1 full strong. They go for profits rather than customer
2 services.

3 This is bit different in Turkish pipe
4 manufacturing industry. They are much more customer
5 oriented, whatever the customer either the export or
6 the domestic customer. That's makes the difference.
7 As I explained, they have a lot of offices, sales
8 offices. They make a lot of marketing activity.
9 They're worldwide in 123 countries.

10 COMMISSIONER PEARSON: Okay. Thank you very
11 much.

12 CHAIRMAN OKUN: Commissioner Aranoff?

13 COMMISSIONER ARANOFF: Thank you, Madam
14 Chairman, and welcome to all the witnesses on this
15 afternoon's panel. As you know, the Commission has
16 ongoing new investigations, anti-dumping
17 investigations, involving imports from four countries
18 of this product, including Oman and the UAE, and one
19 of the things that we noted in those cases was the
20 arrival of significant new production capacity for
21 this product in those countries.

22 You've testified that the Middle East is a
23 good market, and in particular, that the Gulf States
24 are going to present a lot of demand opportunities,
25 and so I wanted to ask you how you see Turkish

1 producers competing with the indigenous producers that
2 have just recently invested in state-of-the-art
3 facilities right there in the region?

4 MR. DEMIRIOĞLU: I don't really know the
5 companies, the tube-making in the Emirates and Oman
6 and those regions, but I know that there is some
7 Chinese installed there to turn around the anti-
8 dumping. The product qualities are rather different
9 than the Turkish quality one, and also I'd like to say
10 that life is getting difficult each and every day.
11 The competition is becoming more and more tough. I
12 agree with your statement.

13 COMMISSIONER ARANOFF: Okay. You also
14 talked a lot about the government spending that's
15 projected to be going on in the Gulf region, and a
16 little while back, the Commission looked at sunset
17 review involving rebar from Turkey, and that was back
18 before the crash, and we had a lot of evidence in
19 front of us at that time that there was just
20 incredible building boom going on in that region, and
21 that's what the evidence showed at the time, and
22 that's what the Commission ruled based. Of course,
23 that turned on a dime, and a lot of those projects got
24 canceled, so feel free to comment on that, but I guess
25 my question is do we have any actual spending numbers

1 to show that any of these new government spending
2 projects that are being predicted are actually
3 happening or just sort of projections about what
4 governments say they're committed to spending? I'm
5 finding it difficult to have a lot of faith in
6 projections, particularly coming out of that region?

7 MR. NOLAN: I think it's healthy to have a
8 skepticism about projections coming out of every
9 region including whether we're going to have a doom
10 and gloom economy here for the next 10 years. That's
11 just a general statement. With rebar, indeed the
12 market was extraordinarily hot, and things did crash,
13 but I don't think anybody saw the train coming down
14 the track.

15 The crash that we had back with the
16 financial crisis, there were signals there, and post
17 hoc, everybody's been rationalizing and talking about
18 it, but it was sudden. It was dramatic, and it wasn't
19 something that anybody had seen. I will note that
20 when the rebar order was terminated, if you look at
21 the following two years, almost no rebar from Turkey
22 entered the U.S. market. There's product coming in
23 now, but --

24 COMMISSIONER ARANOFF: Yes, and almost
25 nothing was built in the U.S. market.

1 MR. NOLAN: But the fact of the matter is,
2 for the foreseeable time after the order was
3 terminated, there was no material coming in. It is
4 what it is. I mean, whether that was because of the
5 construction contraction, I mean, you'd say okay.
6 Fine. They would have reduced it, but they didn't
7 bring any in as a practical matter. That suggests
8 they had other markets they must have been shipping to
9 because it wasn't just the U.S. that crashed. The
10 material had to go someplace, so I guess the answer is
11 healthy skepticism about future? Absolutely, I agree
12 with you.

13 The absolute projections on this, these are
14 all budgeted numbers that have been reported in the
15 newspapers. Until you actually write the check and
16 spend the money, it hasn't happened yet, but they're
17 making all the noises, and they have every political
18 and self-preservation incentive to do it now because
19 the last thing these economies want is another Arab
20 Spring on their hands.

21 MR. GETLAN: Can I make just an additional
22 point there? The Gulf States, we've talked about
23 here, it's more projection really, which is what
24 you're concerned about. The Gulf States as we know it
25 and the countries you mentioned are not significant

1 current export markets for standard pipe for the
2 Turkish producers. It doesn't show up in the data,
3 but we understand Iraq is a very significant growing
4 market, and there are actual spending figures and very
5 current reports on what is planned in Iraq.

6 I said in my opening statement that when you
7 focus completely on the data for standard pipe, you
8 tend to lose sight of what's really going on or
9 getting the full picture, and I think you would see
10 that even in these export markets for standard pipe,
11 there's a certain level of stability, and that's
12 consistent with what you've heard in terms of the
13 strategy of maintaining that business, still
14 profitable business.

15 Really, that's not where the action is.
16 That's not what has generated the record profits for
17 Borusan, and so in terms of Gulf States, we will
18 comment, as we said we would in response to
19 Commissioner Williams's question and to yours as well
20 as to what extent do they present a potential
21 additional export market for standard pipe.

22 I think what you'll also see is that given
23 the energy business and industry in that region, it's
24 likely to be a very significant market for the non-
25 subject products that the Turkish producers make and

1 will continue that growth whereby capacity is
2 continued to be limited in terms of an inability to
3 increase shipments of standard pipe.

4 COMMISSIONER ARANOFF: Okay. Well, let me
5 change the topic slightly and ask you about you have
6 told us that Turkish producers export to over 120
7 markets worldwide. How much competition are you
8 seeing from Chinese exports in some of your major
9 export markets?

10 MR. ATABEY: We don't see any competition
11 from China, and as you see also, import figures to
12 Turkey, so the imports are negligible figures, and
13 there is practically no welded pipe coming from China,
14 and even if we talk about Iraq or North Africa or
15 especially the European Union, we don't see any
16 competition, and thanks to the American market also.
17 They're not existing here, so we don't also see
18 competition here in the United States, so we don't
19 have no effect from Chinese production.

20 COMMISSIONER ARANOFF: So are you exporting
21 to countries near China in Asia, Southeast Asia?

22 MR. ATABEY: No, we don't have no shipments
23 to Far East.

24 COMMISSIONER ARANOFF: Okay. Okay.

25 MR. GETLAN: We would note that this morning

1 Petitioners indicated that domestic industry indicated
2 that Turkey or Turkish producers were about to get
3 kicked out of Europe because of the competition with
4 Chinese product, and I don't have a report here, but I
5 understand that there is an order or anti-dumping
6 duties in place on Chinese product in Europe, so
7 that's not going to happen.

8 COMMISSIONER ARANOFF: Okay. Let me turn in
9 my last minute or two to a cumulation question for the
10 lawyers on the panel. One of the arguments you make
11 in your brief is that the Commission should not
12 cumulate under the no discernible adverse impact
13 standard, and I wanted to ask if you've taken a look
14 at the cases in the past where the Commission has made
15 a finding of no discernible adverse impact and whether
16 you can comment on whether the facts in this case are
17 at all similar.

18 If you haven't looked lately, I would tell
19 you that the bar is pretty high in terms of applying
20 that standard to countries that have very small or
21 hardly any industry or industries that have shrunk
22 significantly since the original investigation sort of
23 that wholly-serve the home market, and I'm just not
24 sure that this case fits that mold, but I wanted to
25 give you the opportunity to argue to the contrary.

1 MR. GETLAN: Well, I think we'll put more of
2 that argument in our post hearing and cite to some
3 specific cases. I think we'd note that the Commission
4 has discretion to decumulate. It's pretty consistent
5 in looking at volume of imports and impact in terms of
6 the discernible adverse impact prong, and of course,
7 if there is no discernible impact, the Commission is
8 required not to cumulate, and so looking at those
9 factors, we think the evidence is very strong that
10 there will not be a market increase in imports from
11 Turkey if the orders are revoked.

12 Certainly, just as a general matter, without
13 that significant increase in imports, you're not going
14 to have an impact on the industry, but I think you've
15 seen just in the years past where there have been lots
16 of changes in the environment here in the United
17 States, and Turkish imports have been stable and has
18 not had an impact on the U.S. I just think that the
19 criteria for the discernible adverse impact test are
20 met here. I think the Commission decumulated in hot-
21 rolled from Brazil and Japan and Russia, and I think
22 some of the factors that we've addressed today are
23 similar to the factors that the Commission considered
24 in that case, but we will address that more
25 comprehensively in our post hearing.

1 COMMISSIONER ARANOFF: Okay. Thank you very
2 much. Thank you, Madam Chairman.

3 CHAIRMAN OKUN: Commissioner Pinkert?

4 COMMISSIONER PINKERT: Thank you, Madam
5 Chairman, and I join my colleagues in thanking all of
6 you for testifying today. I want to begin by pointing
7 out that you missed an opportunity in commenting about
8 culture back in 1986. You may recall that Weird Al
9 Yankovic came out with his album Polka Party in 1986,
10 which was not his best work, but by then he had
11 saturated the market with his genius, so in any event
12 moving on to vulnerability analysis, there's no
13 connection there between the cultural and the
14 vulnerability.

15 My vulnerability analysis begins with the
16 condition of the domestic industry at this time, or at
17 least as close to this time as I can get. With that
18 as a starting point, should I find the domestic
19 industry to be vulnerable?

20 MR. GETLAN: I'll make a comment, and then
21 maybe followed by Mr. Nolan. I think it's appropriate
22 to look at the current condition of the U.S. industry
23 in considering the vulnerability. We don't think that
24 the industry is, especially in a decumulated analysis,
25 vulnerable to injury based on imports from Turkey.

1 This is an improved industry, improving industry as
2 Mr. Nolan discussed earlier.

3 We're not here to say that everything is
4 roses with the U.S. industry right now, and they are
5 recovering, but the trends are in the right direction,
6 and given where imports are likely to be, we don't
7 consider the industry vulnerable to Turkish imports.
8 Anything else?

9 MR. DEMIRIOĞLU: I think this vulnerability
10 question is a very interesting one. I would say that
11 you cannot swim if you can't go to the water. If you
12 are always under protection, you will never learn how
13 to compete and have to protect yourself. This is a
14 very, very difficult question to answer. Everything
15 is vulnerable if it doesn't know how to defend
16 himself.

17 MR. NOLAN: I think Mr. Getlan put it quite
18 rightly that we're not submitting that the U.S.
19 industry is as healthy as it could be. Clearly, that
20 wouldn't be also not-on-the-record evidence. You
21 wouldn't be able to make that conclusion, but it is
22 doing better, and you have to ask yourself at some
23 point with these order, they have been trying to get
24 better for 26 years, and I know that is not a
25 statutory test. I'm fully aware of that.

1 Industries should over time recover, and
2 this is an industry of our lady of perpetual recovery.
3 It's a fact of life. Their utilization rates have
4 been low for years, 10, 15, 20 years. I think there's
5 structural about that. It has nothing to do with
6 imports, but that's a different discussion.

7 COMMISSIONER PINKERT: Well, this takes me
8 to a question that the Vice Chairman was exploring
9 having to do with the restraining effects of the
10 orders. You talk about the age of these orders. How
11 can we discern what the restraining effect or effects
12 of the orders might be when the orders are so old and
13 the circumstances that pertain pre-order are so
14 distant in the economic past?

15 MR. GETLAN: Well, Commissioner Pinkert, you
16 can contrast the experience with Turkey with other
17 subject countries, Brazil, for example, where an order
18 was imposed, and they have disappeared. You can also
19 take notice, and hopefully it will weight
20 significantly, the testimony you're hearing from your
21 witnesses today. I mean, they have explained in quite
22 some detail their strategy, which is consistent with
23 the data that are on the record, and that is they are
24 focusing on high profits, and growing standard pipe
25 shipments to the U.S. is not part of their strategy.

1 Frankly, growing standard pipe shipments to
2 other markets is not part of their strategy, and so
3 that's where you can gain trust that the limited
4 volumes and the consistent presence that we're talking
5 about are not the result of the orders. I mean, we've
6 talked about the U.S. industry, they should be
7 required to adapt more quickly than 26 years to
8 competition from imports from Turkey, but I think that
9 the evidence shows, including with the witness
10 testimony, that the orders have not had a restraining
11 effect on Turkish imports.

12 They are supplying long-standing customers
13 who continue to desire their product and to expand
14 that, they're not doing that because of the orders.
15 They're doing it so that they can enhance their
16 profitability with respect to their other product
17 lines, and the evidence bears that out.

18 MR. NOLAN: I might add to that if you look
19 at the historical trend line here, Petitioners this
20 morning actually alluded to it that well, the amount
21 hasn't really increased, but the market shrinks, so
22 their market share has gone up. Okay. Fair
23 statement. That's correct, but that then takes you
24 back to the trend line, which is pretty stable all the
25 way across the timeline. Dumping margins have been

1 reduced. CVD margins have gone to basically zero, but
2 the trend line is still pretty stable, so what's the
3 marginal impact of the orders at that point if they're
4 really not affecting the way the market runs?

5 Again, as Mr. Getlan suggested, in the case
6 of China, they went from 1,000 to zero essentially in
7 a market when the order came down. I mean, that's an
8 exit. That didn't happen with Turkey. They
9 maintained a presence throughout, so is it a deterrent
10 to imports? No. Is it an impediment or a drag on
11 their profitability? To some extent, yes, but is it a
12 deterrent to the market? No.

13 COMMISSIONER PINKERT: Thank you. Now, my
14 next question is really about the Turkish economy and
15 the strength of the economy internally. You talked a
16 little bit about construction spending in the Middle
17 Eastern markets, but I'm specifically talking here
18 about Turkey, and I'm wondering whether the explosive
19 growth that you talked about in your testimony is too
20 dependent upon construction spending to really offer
21 us a window into what might be happening in the next
22 year or two?

23 MR. DEMIRIOĞLU: The expected growth for
24 2012 will be something within four to five percent,
25 and it's not really true to say that it's only based

1 to construction. I would rather say that it's based
2 on the industrial production increases, and the
3 construction industry also will add to it, but it's
4 not only based to construction industry. It's one of
5 the fill-ins but not the only one.

6 MR. NOLAN: This also sort of goes to the
7 nimble producer concept. I always view it as really
8 smart manufacturers are nimble. They build their
9 plants to be able to serve a number of geographic
10 markets. They build it to serve different product
11 lines, and they can shift to go with the wind. Which
12 way is the wind blowing? Is the wind blowing towards
13 the Gulf Cooperation Council. Let's go there. Is the
14 wind blowing to energy products? Let's go there.

15 Let's build in flexibility so that we can
16 move with the markets. That's a smart business plan.
17 Diversification on geography, diversification on
18 product line, the ability to move, this is what Turkey
19 is a master at. Turkish producers are very good at
20 this, and that's one of the reasons why they're so
21 well off from a profitability standpoint because when
22 the energy market picks up, they move there, and
23 that's what's moving right now, and in a few years,
24 we're expecting the big Caspian Sea pipelines to come
25 through. They will move into that business when it

1 comes.

2 They're already building facilities to plan
3 for it now, but their mindset is future-looking,
4 looking for that next opportunity and moving there,
5 not how do we survive, right? How do we get to the
6 next level. It's a different mindset.

7 CHAIRMAN OKUN: Please go ahead and finish
8 responding.

9 MR. DEMIRIOĞLU: And also, we don't have to
10 think that if there is one market lost that we have to
11 attack the second one. We have the tool of cutting
12 capacities. Normally, it's a less expensive way to
13 overcome the crisis rather than dumping the prices and
14 go to the other market is cutting capacities for a
15 couple of months or half year. That's the best way
16 and less expensive way to balance the offer and
17 demand.

18 COMMISSIONER PINKERT: Thank you. Quick
19 comment from Mr. Atabey?

20 MR. ATABEY: Okay. So also I wanted to
21 point out again that our overhead costs in Turkey for
22 Borusan and even more for other producers are very
23 low, and our fixed cost base is very low, so there is
24 no technical reason, no rational reason for dumping,
25 so it's much better to cut the capacity, so to make

1 dumping and to increase in networking capital? Very
2 bad return of the investment capital, so there is no
3 reason for that, and we don't do that.

4 COMMISSIONER PINKERT: Thank you. Thank
5 you, Madam Chairman.

6 CHAIRMAN OKUN: Commissioner Johanson?

7 COMMISSIONER JOHANSON: Thank you, Madam
8 Chairman, and also I would like to thank the witnesses
9 for appearing here today. I've had the opportunity to
10 visit Turkey twice, and I have to say I've really
11 enjoyed it both times. I think Istanbul is perhaps
12 one of the most beautiful and interesting placed I've
13 ever been, so I hope you all have a chance, I knew you
14 flew in for this, but I hope you have a chance to
15 maybe see a little of Washington as well. Anyway,
16 thank you for coming here.

17 I'm going to actually follow up on
18 Commissioner Pinkert's topic of the economy in Turkey.
19 I believe that Mr. Nolan said that if the United
20 States had seven percent growth this year and nine
21 percent growth last year, we'd be very pleased with
22 it. Actually, I'd be a little concerned. I'd be very
23 concerned about that because we've seen that happen in
24 the U.S. before. Maybe not that high, but we're
25 recovering from that right now, from high growth prior

1 to 2008 and then prior, I guess, 2001, and the economy
2 certainly experienced difficulty after that rapid
3 growth.

4 In the Petitioners' prehearing brief, they
5 mentioned, I believe it's like around page 24, that
6 perhaps Turkey should be concerned that its economy
7 could come to a halt as well, and if that were to
8 occur, couldn't we expect increased Turkish production
9 leaving the Turkish market and going to other
10 countries such as the United States. Wouldn't that be
11 conceivable?

12 MR. NOLAN: I think the first answer is
13 obviously we consider the Petitioners' statement at
14 that point speculation. It is true that they are
15 trying to cool down the Turkish economy, and there are
16 articles. In fact, the *Economist* magazine talks about
17 them taking efforts to reduce it, and your point is
18 taken if you get too hot, you get burned, but they
19 have taken some steps to ameliorate it. It is a very
20 fast-growing country.

21 I mean, you've seen it. I am amazed
22 constantly when I go there about how much it changes
23 every time I go back, especially in the last few
24 years. The amount of construction is staggering that
25 goes on over there. In terms of predicting a future,

1 and what happens if the Turkish economy reduces in
2 size? I think they would most likely reduce capacity.
3 I view them as responsible traders.

4 Their pattern here going all the way back,
5 even when they had grave difficulties in 2000, 2001
6 and 2002 when their economy was having difficulty, you
7 didn't see a spike in their exports to the U.S.
8 That's an interesting behavioral reaction. You would
9 have expected them to move merchandise more to the
10 U.S. or other markets where's there's perceived need,
11 and the U.S. is still the biggest economy in the
12 world, and yet they didn't take advantage of it when
13 that was there, so the answer to your question is the
14 evidence on the record doesn't suggest that it's going
15 to happen.

16 COMMISSIONER JOHANSON: Yes, Mr. Demirioğlu?

17 MR. DEMIRIOĞLU: Okay. Just some point to
18 add. There is companies in Turkey which having zero
19 antidumping ratio, but they are not in the United
20 States market because they don't find it's profitable
21 because they have other opportunities, more
22 profitable. They are not in this market, and when
23 there will be an economic recession in Turkey? Your
24 question is possible, but not probable I would say.
25 There will be some increase of costs, but from two to

1 three percent maybe. That's all.

2 COMMISSIONER JOHANSON: All right. Thank
3 you. I guess, I understand that we can't look in a
4 crystal ball and see what's going to happen to the
5 Turkish economy, but we do consistently see a trend of
6 whatever comes up tends to come down at some point,
7 and that's apparently a concern of the Turkish
8 government and other countries that have faced that as
9 well in the past.

10 I would now like to speak on what's
11 happening in Syria. I understand that Syria is a
12 large market for your exports. However, the turmoil
13 there is relatively recent, maybe the past maybe six
14 months or so since the situation has really gotten
15 bad. Has that not impacted your exports to the
16 country? I would think that it would.

17 MR. DEMIRIOĞLU: I don't have the right
18 figures, but as I remember, the export to Syria is
19 around to 20,000 to 30,000 tons. How much? 18,000
20 tons, which is less than one percent of the whole
21 Turkish exports. It doesn't affect too much. You can
22 find it quickly in other markets, or you cut capacity
23 one percent.

24 COMMISSIONER JOHANSON: Are you all still
25 able to function in the market though? I would think

1 with what's going on there right now, I'd be reluctant
2 to send my sales staff.

3 MR. DEMIRIOĞLU: No. There is still boarder
4 trades of course, but not the normal, but there are
5 boarder trades by track. Track or so. That's all,
6 not the normal trades by shipping or so.

7 COMMISSIONER JOHANSON: Okay. And I also
8 have a question about Lebanon, and I don't think it
9 was mentioned in the prehearing briefs. Maybe it's
10 mentioned in staff report. I don't recall, but is
11 that a growing market for you? I know Lebanon is a
12 small country, but it's certainly being rebuilt from
13 what I understand?

14 MR. ATABEY: Lebanon is always a small niche
15 market and stable market for us, so it's quite stable.
16 I don't have the exact figures, but we can provide it.

17 COMMISSIONER JOHANSON: Okay. If you can.
18 It seems to me when you're talking about Syria
19 rebuilding, Lebanon's been in the process of
20 rebuilding for some time. I understand it's a small
21 country, but they've had a lot to rebuild from, from
22 what I understand, unfortunately with the problems in
23 that country over the past 20 plus years I guess it
24 is.

25 Going on to your other export markets, I

1 would assume as well, you all mentioned that EU is a
2 large market for you and I think a fairly stable
3 market for you, but you must be very concerned though.
4 I've been waiting for two or three years for the EU
5 to come back, and it seems like it just gets worse and
6 worse every day. It would seem to me that the U.S.
7 would, even the U.S. is a further market for you to
8 ship to, be perhaps a better market for you.

9 Things here, believe it or not, seem to be a
10 bit better economically than in the EU, and I think
11 looking forward, it appears that way as well. Do you
12 all have any comments on that?

13 MR. ATABEY: Actually, we are lucky because
14 I think the countries in the European Union with the
15 worst condition are Greece, Spain and probably Italy,
16 and our exports to these countries are quite low. Our
17 main market is Germany and U.K. and somehow, the U.K.
18 market for standard pipe is not that bad, and even for
19 hollow sections. I think in the last three years,
20 there's a consecutive increase, but basically, Spain
21 is already a big producer of pipes, and we don't have
22 significant export to Spain and even to Greece.

23 We didn't have any considerable effects, and
24 you can see also from the figures that everybody talks
25 about recession in Europe. Our exports to European

1 Union is increasing as Turkish exports, so we don't
2 have any problem.

3 COMMISSIONER JOHANSON: Is the market in the
4 European Union the same as in the United States where
5 it's primarily for non-residential construction?

6 MR. ATABEY: Yes, actually. Also, in Spain
7 and Italy and France, I think in non-residential
8 construction I think the situation is not that good,
9 but in Germany, I think it's okay, so not problem with
10 the German markets as concern of demand of standard
11 pipes and even for line pipes.

12 COMMISSIONER JOHANSON: All right. Thank
13 you because I just think on European Union, I wouldn't
14 think there would be a great deal of non-residential
15 construction at this time. Maybe I'm wrong. I mean,
16 my pedestrian knowledge of the non-residential
17 construction market there is maybe the Olympics in
18 London, but it wouldn't seem to me that at that point
19 in time there would be a lot of construction there.

20 MR. GETLAN: There is clearly demand based
21 on the export figures over the last three years.

22 COMMISSIONER JOHANSON: Okay.

23 MR. GETLAN: They're not going to turn to
24 the U.S. just because the GDP rate is higher. If
25 there's no demand, they're not going to create demand

1 there, so I think the data do support continued
2 demand. Whether it will continue for a number of
3 years, we don't know, but remember, and we keep coming
4 back to this, these companies, this industry, is not
5 dependent on standard pipe shipments going to these
6 countries or in the U.S. Their profitability and
7 their productivity is driven largely by the non-
8 subject products that they produce and where those
9 markets are hot, and data suggests that will continue.

10 COMMISSIONER JOHANSON: All right. Well,
11 thank you. It's just kind of hard for me to juxtapose
12 your chart from what I read in the *Wall Street Journal*
13 every day, and so that's perhaps part of the problem I
14 have in my mind is trying to correlate the two. Yes,
15 Mr. Nolan?

16 MR. NOLAN: And part of that is we tend to
17 think of European Union as an entity, but the European
18 Union is a lot of different countries, and the fate of
19 Greece is far different than the fate of Germany. I
20 don't know if anybody's read the *Boomerang* book, which
21 is a great book on the way different countries react
22 to the financial crisis in Iceland, in Germany, in
23 Spain, and they're all different, all very different
24 reactions and different situations, so you have to
25 look at each country individually and their position

1 within that.

2 COMMISSIONER JOHANSON: All right. Mr.
3 Atabey, and then I should let another Commissioner
4 speak.

5 MR. ATABEY: Okay. You cannot sit and cry
6 just because in European Union there is a recession.
7 Yes, there was a recession, and also as I pointed out
8 before, there was lack of money availability. The
9 customers were stating to keep stocks, so a good
10 businessman is Turkish exporters. We adapted
11 ourselves, and we decided to keep a consignment stock
12 in Rotterdam with very convenient costs, and we opened
13 up an office, and we started to serve from that place
14 with very short lead times, for example.

15 Now, last year, our sales increased and this
16 year, we expect our sales will be doubled compared to
17 last year, so you should find some ways to get rid of
18 the crisis.

19 COMMISSIONER JOHANSON: All right. Well,
20 thank you for your responses, and my time has
21 concluded.

22 CHAIRMAN OKUN: And thank you again for all
23 your responses so far. Perhaps, Mr. Demirioğlu, or,
24 Mr. Atabey, one of the things that might be helpful,
25 when you're talking about projections for these other

1 markets in looking forward, if there's anything you
2 have from internal documents that you could supply
3 confidentially, it may help us because again, I
4 struggle, too. I see this chart, and I see that you
5 have lots of markets, but I'm wondering what prices
6 you'll be getting in the U.K. U.K. big market.

7 I understand what you're saying about
8 demand. You look at the prices, and the U.S. looks
9 like reasonably attractive on that, so I think it
10 would be helpful if you have anything from your
11 companies' projections for these different markets on
12 both price and volume. It would be helpful to us
13 because our staff report isn't as well developed in
14 that aspect to help us understand the argument you're
15 making.

16 MR. ATABEY: So let's say one of our
17 management tools is to run the company with a strategy
18 plan, so we have five-year strategy plan. I think we
19 can provide a limited version of the strategy plan and
20 keeping confidential.

21 CHAIRMAN OKUN: Right. Yes, be kept
22 confidential, and again, that it focuses on the period
23 going forward, that would be great.

24 MR. ATABEY: We'll provide that.

25 CHAIRMAN OKUN: Thank you very much. We

1 look forward to seeing that. I know Commissioner
2 Aranoff had started asking some questions about
3 cumulation. I'm going to continue down that line, so
4 I'll focus on the lawyers for right now. One thing I
5 wanted to make sure I understood, if the Commission
6 does not exercise its discretion, if we choose not to
7 not cumulate Turkey, if the countries are kept
8 together the way they were in both the original and
9 then of course in the next review, is it your position
10 that the order should be lifted?

11 MR. GETLAN: Yes.

12 CHAIRMAN OKUN: Okay. Because you did not
13 brief that.

14 MR. GETLAN: In short, we think there is
15 sufficient evidence in the staff report that subject
16 imports still play a limited role in the market, and
17 again with the variability not just in the five or six
18 years of this review period, but Mr. Nolan was talking
19 about capacity utilization in the U.S. industry going
20 10 years back or so and even longer, it just shows
21 that the impact is not there from subject imports.

22 We of course are challenged as you are to
23 provide detailed information with respect to imports
24 from the other countries. We think that there's a
25 strong case for cumulation, so we do hope that the

1 Commission considers that information and doesn't
2 cumulate, but if you do not, we think there is support
3 for revoking all of the order.

4 CHAIRMAN OKUN: Okay. Well, if you want to
5 expand on that post hearing because again, I think
6 that the record did not get a lot of information with
7 respect to the other countries, very little. Okay.
8 So then going back to cumulation and whether Turkey
9 should be considered separately, Commissioner Aranoff
10 asked you about the other cases and the low threshold
11 that the Commission has applied, and I guess
12 Commissioner Johanson's new, so I guess he's looking
13 at it anew, but certainly I've looked at a lot of
14 cases.

15 I guess I would just say this one doesn't
16 look like a no discernable adverse impact case to me,
17 so moving on to where I have used the conditions of
18 competition to consider whether a country should be
19 treated separately. I wanted to explore that a little
20 more, and I actually want you to brief that more fully
21 in your post-hearing brief, but let's start on some of
22 those.

23 You got a lot of questions about which
24 markets you would be in if the order were lifted.
25 With respect to the attractiveness of prices, I would

1 be interested in hearing from the industry witnesses
2 of what you look at in terms of prices around the
3 world? You said you can move your product around.
4 What are you looking at strategically?

5 MR. DEMIRIOĞLU: Of course, to be able to
6 make the highest profit possible, we try to adapt
7 ourselves to the market prices of that country. If
8 you're higher of the market places, you're off the
9 business. If you are lower of this market prices, or
10 you disturb the market or you lose profit, and then
11 the best is to adapt yourself or very little, one-
12 percent under the prices, the market conditions. It
13 also depends to the product. This is the general
14 strategy.

15 CHAIRMAN OKUN: It might be a hard question
16 for you to answer, but you're obviously competing in
17 lots of markets around the world. With respect to the
18 other countries that are subject to this
19 investigation, do you see your company as situated
20 differently than subject imports from other subject
21 countries where you might be competing in this case?

22 MR. DEMIRIOĞLU: Yes. I would say yes. We
23 are a bit different than the other contenders because
24 our part of the market is very low. We are more
25 serious traders. We are in this market since 26

1 years. We do our best not to disturb the market. Are
2 we doing always 100 percent? Maybe not, but the aim
3 is to do that. We are very diversified export
4 countries. Very diversified product list from energy
5 to automotive components, standard pipes to line
6 pipes. Then, as Mr. Nolan said, we can shift from one
7 to other, from one market to the other market, to
8 maximize profits and to increase capacity utilization.

9 CHAIRMAN OKUN: Yes, Mr. Atabey?

10 MR. ATABEY: So I say in order to be
11 successful in this market, due to the volatility of
12 steel products, also you should be focusing on making
13 very good forecasting purchasing, so this is what we
14 are trying to do since the global crisis because steel
15 prices are going up and down at least twice a year, so
16 also it's very critical that you make a good sense of
17 the market trend for raw material.

18 You make a good position accordingly, you
19 make in the right time and right quantity and the
20 right price, and then this gives you some competitive
21 advantage, and so as our strategy to maximize the
22 profit, we focus on high-valued products, and we don't
23 take care about the full capacity utilization, so if
24 there is no profit, no need to sell the product. This
25 is our strategy.

1 CHAIRMAN OKUN: Okay. And again, for post
2 hearing, I've heard a couple of references of you
3 saying what you would do. You may not just shift, you
4 may shut down capacity or may not use your capacity.
5 If there's any specific examples that you could
6 provide post hearing to support that?

7 MR. DEMIRIOĞLU: Yes, we are consider.

8 MR. ATABEY: Okay. Just as a very concrete
9 example, we also produce hollow sections, small hollow
10 sections. I'm not talking about heavy structures, but
11 small sizes, and, for instance, this is a very
12 primitive product, and low-margin product, and I think
13 the lowest-commodity product. We have the plants
14 dedicated to do that, and just in the recent board
15 meeting, we decided to exit from this market and close
16 the plant. That's it, and we will execute this
17 decision before the end of this year, and we will not
18 produce any more hollow sections for neither local
19 industry, local market or for exports.

20 This was a certain product in our portfolio.
21 We will not do it. We will just to it in our
22 gambling plant or the big plant just for the dedicated
23 customers, historical customers. This represents just
24 25 percent of our existing production, so when we
25 don't see short-term or long-term benefit, we can

1 easily go out. I think this can be a good example.

2 CHAIRMAN OKUN: Thank you for those
3 responses. Vice Chairman Williamson?

4 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
5 Chairman. Just a couple of short questions that would
6 probably have to be addressed post hearing. You've
7 highlighted the high growth of the Turkish home
8 market, especially construction, and yet if you take a
9 look at Table 4-16, it does not show a growing trend
10 in home market shipments since 2006, so I was
11 wondering post hearing if you could explain what's
12 going on here.

13 MR. GETLAN: We will do that, Commissioner
14 Williamson. I would not that I think part of our
15 explanation will be that it ties to the strategy we've
16 been discussing of maintaining standard pipe
17 shipments, that business. Where you'll see the growth
18 is in their production and shipments and non-subject
19 product, some of which is going in the home market and
20 some is for export markets.

21 When you recognize that their capacity
22 utilization is very high, it's not because they're
23 suddenly generating, and I say capacity utilization
24 for subject standard pipe, it's not because they're
25 increasing their business, their shipments of that

1 product tremendously to the home market or elsewhere.
2 That's a pretty stable business, and their growth is
3 really in the non-subject products again for the
4 Turkish market and the export markets, but we will
5 detail that in the post hearing.

6 VICE CHAIRMAN WILLIAMSON: Okay. That will
7 be helpful because actually if you can give that
8 complete answer and take a look at Table 4-17 and sort
9 of link all that together, it would be helpful.

10 Also, at Table 4-1, again this will probably
11 be post-hearing, you talked about the fact that after
12 the Chinese orders, Turkey really hasn't come in to
13 take advantage of that opportunity. And, yet, I would
14 invite you to take a look at the numbers for 2008 --
15 2007, 2008 and sort of explain is that consistent with
16 the point you're making here. This is on Table 4-1.

17 MR. GETLAN: If you're referencing what
18 appears to be a jump in imports, I believe the year
19 prior was very small, if any. I think it's a
20 combination of factors there that we will discuss in
21 post-hearing, some relating to China disappearing
22 suddenly. Some being possible timing issues in
23 shipments, which happens with these half-year lag
24 times.

25 VICE CHAIRMAN WILLIAMSON: Okay.

1 MR. GETLAN: But, they're --

2 VICE CHAIRMAN WILLIAMSON: That will be
3 helpful, because you have sort of said how consistent
4 and stable everything is.

5 MR. GETLAN: Right. Well, and, also, even
6 with that jump, you do have to keep in mind the -- or
7 we ask you to keep in mind the volumes at issue
8 relative to the consumption, the market as a whole.
9 You did not see a big jump in market share, as a
10 result of that increased volume. Again, we'll address
11 that further.

12 VICE CHAIRMAN WILLIAMSON: Good. Okay,
13 thank you. With that, I have no further questions and
14 will thank the witnesses for their testimony.

15 CHAIRMAN OKUN: Commissioner Pearson?

16 COMMISSIONER PEARSON: Thank you, Madam
17 Chairman. The Chairman a few minutes ago started
18 asking about whether there had been changes in
19 production in Turkey in response to changes in demand
20 and you mentioned a reference of closing one facility
21 completely. But what I'm wondering is, are there
22 examples, either now or for post-hearing, where you
23 could show that at previous times when demand has
24 declined, that there's been a tendency for the Turkish
25 producers of welded pipe to throttle back their

1 production such that inventories would not build? Is
2 there a history of that?

3 MR. ATABEY: No. Actually, I have to point
4 out that we decided to close the plant not because
5 there is no demand. Actually, it's -- hollow section
6 market is a very promising market in Turkey and every
7 year, it's growing. Demand is growing. But, it's
8 just a strategical decision of Borusan Mannesmann
9 because it's a low-end product with very low margin.
10 I'd say the big part of, very big part of the price is
11 just coming from the raw material. And, you know, we
12 can add nothing, so it's very price sensitive. And so
13 as part of our strategy, we decided to close the
14 activity of that specific plant and that plant also
15 specific that even we cannot divert other kind of
16 relative productions. And so, that's the decision.
17 And in Turkey, we don't build from big inventory, if
18 the demand is getting lower, so we are not shifting to
19 anywhere else. So, we just cut the purchasing of the
20 raw material and we just cut the production and that's
21 it. So, we don't develop inventories.

22 And, also, there is not just, okay, the
23 Turkish demand is increasing, now let's move the
24 inventories to the states. That's not possible
25 because all our states, for instance, United States

1 are made-to-order sales, so we don't produce from
2 stock. So, we produce according to the specific
3 customer requirement, just for that customer, that
4 size, that everything. So, it's a tailor-made
5 product. So, we cannot shift from one customer to
6 another market.

7 COMMISSIONER PEARSON: Okay. And then for
8 counsel, do you think -- is that proposition well
9 supported by this record? Did we see that during the
10 period of investigation? Was there a reduction in
11 Turkish production in response to the recession?

12 MR. GETLAN: I don't have the specific
13 production numbers here because it's propriety, I
14 think that table, and we'll address it. But,
15 certainly, we've talked about capacity utilization
16 this afternoon and it's very high right now, but it
17 has not always been the case. And Mr. Atabey
18 explained that when demand is low, they will have
19 lower capacity and they will throttle back production
20 and they're able to do that because of flexibility in
21 cost. They have low fixed cost, flexible labor
22 arrangements, other factors that allow them to do
23 that. So, yes, I think the record does support it and
24 we can provide some additional detail in the post-
25 hearing.

1 COMMISSIONER PEARSON: Okay, because I took
2 note when that was mentioned and so I was then trying
3 to understand how well developed is that idea in the
4 record and can something more be put on the record to
5 help substantiate that.

6 MR. GETLAN: We'll address that further.

7 COMMISSIONER PEARSON: Okay, thank you. At
8 times, companies that are subject to U.S. antidumping
9 duty orders have implemented accounting systems that
10 are designed to try to estimate whether an individual
11 sale to the United States would be at a price above or
12 below the level that our Department of Commerce might
13 determine to have been dumped. Perhaps counsel are
14 familiar with it, okay. Has Borusan implemented such
15 a system to try to tell in advance whether it would be
16 selling at a dumped price in the United States?

17 MR. ATABEY: So, we have a mechanism. We
18 are controlling always our sales.

19 COMMISSIONER PEARSON: Controlling it with
20 the question of the dumping margin?

21 MR. ATABEY: Yes. In mind, yeah, yeah.

22 COMMISSIONER PEARSON: Okay. And --

23 MR. ATABEY: So, we are trying to avoid to
24 create sales that would be subject to dumping. But,
25 then, at the end of the real review, it might be, you

1 know, as Mr. Demirioglu said, there might be some
2 viewpoint differences and this creates the very, also,
3 low dumping margin. And after the new zeroing
4 application, I think we will be de minimis.
5 Petitioner are sure of that.

6 COMMISSIONER PEARSON: Okay. So, it would
7 be correct to understand that Borusan has a very
8 conscious management strategy --

9 MR. ATABEY: Yeah.

10 COMMISSIONER PEARSON: -- to try to minimize
11 or eliminate dumping on sales to the United States.

12 MR. ATABEY: Sure.

13 COMMISSIONER PEARSON: Do the other Turkish
14 --

15 MR. ATABEY: Of course -- so, if the price,
16 the market price is sometimes so good that, you know,
17 you don't need to -- and you have even too much margin
18 that you can cut, but no need to cut because, you
19 know, if the market price is already good, then you
20 take advantage of it, you know.

21 COMMISSIONER PEARSON: Certainly. Do you
22 have knowledge of whether other Turkish producers have
23 similar systems to try to manage the pricing of their
24 sales into the U.S. market?

25 MR. ATABEY: Yes. Theoretically, they try

1 to do it, but their fault mechanism is not so
2 developed than as Borusan is. They are more roughly
3 calculating.

4 COMMISSIONER PEARSON: Okay.

5 MR. ATABEY: Our calculation is more
6 precise. But as I said during my speech, due to the
7 volatility of steel prices, the calculation is always
8 distorted in some sense.

9 COMMISSIONER PEARSON: Believe me, I don't
10 envy anyone the task of trying to predict some months
11 in advance how the Department of Commerce will
12 determine on any individual sale. But, I know that
13 some firms try to do that, which is why I wanted to
14 discuss it with you.

15 I appreciate very much your responses. I
16 believe I have no further questions. But, Mr.
17 Demirioglu, Mr. Atabey, thank you very much for
18 coming. Your presence has been a great help.

19 CHAIRMAN OKUN: Commissioner Aranoff?

20 COMMISSIONER ARANOFF: I don't have any
21 further questions, but I do want to thank you for
22 traveling to be with us today.

23 CHAIRMAN OKUN: Commissioner Pinkert?

24 COMMISSIONER PINKERT: I just have a couple
25 of questions. You heard the conversation this morning

1 about what was happening in the U.S. market in 2007
2 and I believe you heard the explanation about the
3 overhang in the U.S. market. And I was wondering if
4 anybody on this panel could help to explain that. In
5 other words, 2007, it looked like demand was pretty
6 good in the U.S. market and, yet, the performance, the
7 financial performance of the domestic industry was not
8 particularly strong. So, any thoughts about that?

9 MR. NOLAN: We'll address it in the post-
10 hearing brief. It's an anomaly, so --

11 COMMISSIONER PINKERT: Thank you. And then,
12 finally, I, also, asked earlier today about how would
13 we be able to discern the impact of Chinese exports on
14 Turkish exports to third-country markets and I was
15 wondering if anybody on this panel could help us to
16 grapple with that issue.

17 MR. DEMIRIOGLU: As my colleague interpreted
18 before, we haven't found yet their influence in our
19 economic geography yet. Our biggest economic
20 geography is the Mediterranean basin, all the EU, all
21 of Africa, and Middle East. We haven't found yet the
22 influence. They are not yet there. Will they be
23 there? I don't know. But, I have to add that this
24 area is strongly controlled by Turkish manufacturer.
25 It's not easy to come there from China and to compete

1 with Turkish manufacturer. Can they? Maybe. We'll
2 see.

3 MR. NOLAN: A starting point for this
4 obviously is actual experience. The order against
5 China, well, the case started in June of 2007, so you
6 would have seen China exiting and having to put pipe
7 someplace conceivably at that point, but the data
8 doesn't indicate that it impacted the Turkish markets
9 very much. I mean, if you look at the -- we can't get
10 into the proprietary data, but if you look at the
11 dispersion pattern of their products, it doesn't seem
12 like they've been impacted by it and it's been three
13 years. You would have expected to see more of an
14 impact in terms of declining presence in places, but
15 that doesn't seem to be what you see when you look at
16 these figures. They just don't seem to be displacing
17 them and it had been long enough that you would have
18 seen that impact, I think. And I think, Miles, there
19 is an order against China?

20 MR. GETLAN: I believe so.

21 MR. NOLAN: In Europe. We'll have to double
22 check, but we think there is one.

23 MR. GETLAN: We'll follow up on that.

24 COMMISSIONER PINKERT: Mr. Atabey?

25 MR. ATABEY: So, I'd like to mention about

1 the specific characteristics of European Union on
2 Borusan and what is the difference between the United
3 States market. The United States market is a giant
4 market, you know, so when we look at the statistics,
5 we talk about 14 million tons of all kinds of pipes
6 and such. It's a giant market and they are giant
7 buyers, importers that can order in ones and 10,000
8 ton of material, so somebody can ship 10,000 ton of
9 material altogether. But in Europe, you don't see
10 this kind of big customers that can order altogether
11 big tonnages. And especially after the economy
12 crisis, the recent economy crisis in 2008, the lots
13 are even getting smaller and smaller. So, it's nearly
14 impossible to ship something from China. So, you can
15 do it by containers, but it would be very costly and
16 uneconomic. So, I think this is also very critical
17 why China cannot invade so easily our economic zone
18 because the orders are small, small lots.

19 COMMISSIONER PINKERT: Thank you. That's
20 all I have. I appreciate your testimony today. I,
21 too, have been to Turkey back in 2001 and, of course,
22 the economy has been down and up since then. But,
23 it's a fascinating and very interesting, enjoyable
24 experience to go over there. And I appreciate your
25 coming here. So, thank you.

1 CHAIRMAN OKUN: Commissioner Johanson?

2 COMMISSIONER JOHANSON: Thank you, Madam
3 Chairman. Even with the orders in place, there's been
4 significant underselling by Turkish imports. I
5 believe over the past five years, it's been by an
6 average of about 30 percent. Why should we not
7 conclude if the orders were lifted that this will not
8 continue or if underselling will not even become more
9 pronounced?

10 MR. NOLAN: We'll address that in the post-
11 conference brief. Obviously, we talked earlier about
12 the natural cost advantages that exist with the lower
13 hot coiled prices that they pay for the product, the
14 more efficient mill structures they have. You're
15 running at a higher capacity utilization number, which
16 means your overall costs are down. Your labor rates
17 are less. There's a confluence of circumstances that
18 makes them more efficient, which allows them to charge
19 less.

20 But another question I guess we will raise
21 with you but also address in the post-conference
22 brief, if the AUVs are really that far apart, why
23 isn't Turkey a bigger participant in the market?

24 COMMISSIONER JOHANSON: I look forward to
25 reading more on this in the post-hearing brief. And,

1 Madam Chairman, that concludes my questions. And once
2 again, thank you all for appearing here today.

3 CHAIRMAN OKUN: With no other questions from
4 my colleagues, let me turn to staff to see if they
5 have questions for this panel.

6 MR. CORKRAN: Douglas Corkran, Office of
7 Investigations. Thank you, Madam Chairman. Staff has
8 no additional questions.

9 CHAIRMAN OKUN: Do those in support of
10 continuation of the order have questions for this
11 panel?

12 MR. SCHAGRIN: Yes, Chairman Okun. Roger
13 Schagrin on behalf of some of the Petitioners. I just
14 have some short questions. I would also like to thank
15 this panel for coming all the way from Turkey. I,
16 also, believe Istanbul is one of the most beautiful
17 cities in the world. And we welcome to have you here
18 and hope you stay a long time. And besides spending
19 money in Arent Fox, spend a lot of other money, help
20 make up for the trade deficits, since we don't export
21 any pipe to Turkey.

22 So, Mr. Demirioglu, I'm asking you, in your
23 position as the president of the Turkish Pipe
24 Manufacturers Association, as part of the Arent Fox
25 presentation today, page 12, there's a lot of data

1 from 2006 through 2011 for production imports,
2 exports, and consumption. And I just wondered if you
3 have a high degree of confidence in the accuracy of
4 the data in these charts and on the CEBID website,
5 which also has a great deal of data on it. Do you
6 believe that the data on the CEBID website and in the
7 presentation as accurate data to the best of your
8 knowledge?

9 MR. DEMIRIOGLU: I can say that imports and
10 exports figures are taken from the state organization.
11 They are 95, 98 percent accurate. There is sometime
12 custom tariff sliding from one product to the others,
13 but the effect I think is less than five percent. For
14 the production, that is what we are getting from the
15 manufacturers. I think also they are correct with the
16 tolerance of plus minus five percent and the
17 consumption is algebraic addition of those three
18 numbers.

19 MR. SCHAGRIN: Thank you very much. I
20 appreciate your answers and thank you, again, for
21 coming today. Thank you.

22 CHAIRMAN OKUN: Okay, thank you. Well,
23 before we -- yes, Mr. Demirioglu?

24 MR. DEMIRIOGLU: Thank you, Madam Chairman.
25 I just want to draw the attention of the Commission

1 to one point, that this morning two terms have been
2 heavily confused. One is unfair trade, the other is
3 economically priced items. Economically priced items
4 doesn't mean unfair competition. That's just all I
5 want to say.

6 CHAIRMAN OKUN: Thank you. Well, before we
7 turn to closing statements and rebuttal, let me just
8 take this opportunity again to thank you very much,
9 for your appearance here today and for answering the
10 questions. And we will look forward to your post-
11 hearing submissions, as well.

12 And let me review the time remaining and
13 then we will move the panel back. The Petitioners
14 have a total of 22 minutes remaining, 18 minutes -- or
15 17 minutes for direct and five for closing.
16 Respondents have a total of 10 minutes remaining, five
17 for direct and five for closing. If there's no
18 objection, we would combine those times and have you
19 present your closing and rebuttal at the same time.
20 Seeing no objection, we'll do that. So, we'll just
21 take a moment to let this panel return to their seats
22 and turn to the closing and rebuttal.

23 (Pause.)

24 CHAIRMAN OKUN: All right. Mr. Schagrín,
25 you look like you're ready to proceed.

1 MR. SCHAGRIN: Yes, thank you very much,
2 Chairman Okun, members of the Commission. Thank you
3 for an excellent hearing today. I know it's getting
4 to the end of the day and we want to see some
5 daylight, so I'll try to not utilize anywhere near all
6 of my time.

7 Let's start with vulnerability. This
8 industry in any context is not doing very well today.
9 It's not just poor financial results. It's greatly
10 reduced employment. It's a lot of members in the
11 industry losing money and not making money. It's
12 plants being shut down. It's capacity utilization at
13 low rates. And while I'm sorry that Mr. Nolan's 23
14 year old college graduate doesn't have a job, you
15 know, and I'm glad that his firm is doing well, so he
16 can keep supporting that 23 year old, I don't think
17 the answer to our young people graduating college
18 today and getting jobs is for us to keep increasing
19 our trade deficit and producing less in this country.
20 That's not going to help us increase employment.

21 But one thing that did trouble me and, of
22 course, Myles and Matt and the Turkish producers, I
23 thought, did an excellent job today, was the
24 intimation that the domestic industry producing CWP is
25 self injuring itself, it may be redundant, because

1 they have bad management, they have bad mills, they
2 have too much capacity. Well, you know, we talked a
3 little bit about '86. I'm glad they didn't show a
4 picture of me in '86. You know, I did the case. I
5 looked different then, than I do now, and Madonna has
6 aged a whole hell of a lot better than I have.

7 But, you know, because I've been doing this
8 since 1982 with these same clients, one thing I can
9 tell you is that the U.S. industry doesn't perform
10 poorly at times because it has bad management or bad
11 workers and it does somewhat offend me. This industry
12 has changed dramatically over my career. Within your
13 own staff report, it shows that in the 1990s, we had
14 over three million tons of capacity in this industry.
15 This industry reduced over a million tons of
16 capacity. We shut down a lot of mills. Fifteen-
17 hundred employees, half the industry's workforce, has
18 disappeared. What the attorneys from Arent Fox are
19 trying to tell this Commission is, well, what this
20 industry has to do is, they have to further reduce
21 their capacity to make more room for more imports from
22 Turkey, and I don't think that's the case.

23 As to our capacity utilization rate, the
24 claim was made, I don't think they're vulnerable
25 because they're at 50 percent capacity utilization.

1 Those aren't real numbers, you know. Somebody
2 testified that they would run seven days a week, 24
3 hours a day. You know, I don't know if we want
4 Commissioner Johanson to visit that mill in Wheatland.
5 I've been there about 25 times during my life. That
6 mill is supposed to run -- there's 168 hours in a
7 week. That mill is set up to run not 168, but 160
8 hours, 20 turns with one turn every week for
9 maintenance. The same with the Allied mills in
10 Harvey.

11 Now, you get the information in your
12 questionnaire responses and this industry, I think,
13 does a hell of a job in giving you good questionnaire
14 data. Every single U.S. producer is asked what's your
15 capacity based on. Some mills only do put down two
16 shifts, five days a week. That's all they plan on
17 running. Other mills, like Wheatland, like Allied,
18 and Harvey, they plan on running 20 shifts out of 21
19 and they shut down for two weeks, 50 weeks a year,
20 shut down for two weeks. So, I don't think that we
21 need representatives of the Turkish industry to tell
22 us that we need to close more mills in the United
23 States, so that they can either make more money on
24 their sales by not paying dumping duties, or displace,
25 you know, more American mills and American workers.

1 Now, one of the reasons it's clear why the
2 Turks are here is that while they say 60 percent of
3 what they produce is met for the Turkish market, that
4 means 40 percent of what they produce is for export.
5 In my mind and traditionally as this Commission looks
6 at it, industries that export 40 percent of their
7 production are very export-oriented industries. But,
8 they want you to believe, don't worry about our other
9 export markets. You know, the EU has had this problem
10 since the financial problems for several years now and
11 you haven't seen a problem. Well, actually, the EU
12 went into recession when we did in '08 and early '09
13 came out of it. Even though the financial crisis
14 started in Europe, it didn't drive them all in the
15 recession. The recession is two consecutive quarters
16 of negative GDP growth. I'm not an economist. I just
17 play one on television. But, I mean, I know that's
18 the definition of a recession. And so, actually, the
19 United Kingdom just went back -- Turkish largest
20 export, they just back into a recession. It was
21 announced last week. Yes, there's been a financial
22 crisis in Europe but the U.K. had had a number of
23 quarters of positive GDP growth and just had two
24 consecutive quarters of negative growth. That applies
25 to a number of other European countries.

1 You know, we've discussed Syria. We've
2 discussed — Commissioner Aranoff brought up the fact
3 that, you know, if demand is growing in the Gulf,
4 that's great but, we now have cases against producers
5 in Oman and UAE because when demand was growing in the
6 Gulf, everybody decided to put in pipe mills and they
7 put in more pipe capacity than there was demand in the
8 Gulf and started exporting a lot to the United States.
9 And so, that's not speculation.

10 When it comes to the Turkish economy itself,
11 I have two comments to make, and obviously the folks
12 from Turkey are more expert than we would be. But,
13 one comment is, in that very same Economist article,
14 there was a warning that Turkey is really having kind
15 of a major construction bubble, which has been a big
16 part of their GDP growth. And so, as the Economist
17 said, there's serious questions about Turkey's ability
18 to have sustained external finance and capital inflows
19 to finance large ongoing trade deficits, because they
20 have a lot of money flowing into Turkey and sometimes
21 that hot money stops flowing.

22 One thing that's clear and I think it was
23 kind of muddled over by the panel and, you know,
24 lawyers and economists can kind of play some games
25 with the way you present numbers, so after talking

1 about -- everybody agrees, growth and Turkey was nine-
2 and-a-half percent in 2010 and eight-and-a-half
3 percent in 2011 and that's spectacular. The question
4 is going forward. They give you some data from '11 to
5 2017 on annual average GDP growth from an OECD
6 forecast without any data or source on it. We have on
7 page 25 of our pre-hearing brief the IMF's world
8 economic outlook database from last month. It was
9 actually from the month in which we filed our brief.
10 It's got the same data for '10 and '11 that everybody
11 agrees upon, but they're forecasting that GDP growth
12 in Turkey this year will only be about two-and-a-half
13 percent.

14 Do you know what kind of a slowdown it is
15 from eight to two-and-a-half? I'd be here trying to
16 get out of this case if my economy -- economic growth
17 is going to slow to eight, to two-and-a-half. And I
18 did understand the gentleman from Turkey, in spite of
19 the average here, him even admitting that he's
20 projecting that growth, GDP growth in Turkey is going
21 to fall by half. When you get that kind of slowdown
22 in growth, you're going to get displacement and what's
23 going to result from that is they're going to want to
24 ship more product to other places.

25 Now, one of their other charts, which tried

1 to show that they're super efficient and we're a bunch
2 of kind of dingdongs in the United States in the pipe
3 industry, was this chart on page -- well, let's see --
4 it's the difference between the cost of flat rolled in
5 Turkey and the difference between U.S. pipe, et
6 cetera. I think it must be on page 13. So, to me,
7 looking at these, I look at deltas on the difference
8 in steel as being somewhat in the range of \$40 to \$50
9 a ton. It's not a big delta between the blue, the
10 U.S. domestic flat-rolled price and the Turkey export
11 flat price, and I don't know if the Turkey export flat
12 price isn't lower than the Turkey home market price.
13 I think Turkey does maybe dump flat rolled in the
14 countries. But either way, it's not that big a
15 difference. And, yet, you get to the difference
16 between the U.S. unit values and the Turkey export
17 values and you get this huge delta.

18 And I'm telling you, in Turkey, it's not
19 like they wave a wand over the flat rolled and it
20 becomes pipe, so they don't have electricity costs. I
21 don't think of Turkey as a low cost of electricity.
22 They probably have lower labor rates. But, there's
23 not a two- or three-hundred dollar a ton conversion
24 cost. So, how do you get to that big delta on export?
25 And you know what it comes down to. Commissioner

1 Johanson talked about it. They are selling at some of
2 the highest margins of underselling in the U.S. It's
3 right on the tables on 534, Table 5-9. It shows that
4 they undersold over the period of review, 124 out of
5 129 times, and they had the second highest levels of
6 underselling.

7 So what's their answer? Their answer is,
8 well, if we undersell and we're still not here, you
9 know, why don't we -- you know, why wouldn't we be
10 here with a lot of product? And the answer is, they
11 have been, as was pointed out. You know, in '07, they
12 only shipped 3,000 tons of pipe. Then, we had the big
13 drop in imports from China because of the case. They
14 shipped 54,000 tons of pipe, all in a big graph with,
15 you know, the zero here and 100, you know, way up
16 there. Oh, it doesn't look like much of a change.
17 Three thousand to 54,000 tons is a big jump. The
18 market share jump was from .2 to 2.9. We can't afford
19 to give up another 2.7 points of market share right
20 now with this vulnerability. That happened when
21 demand was still good. We can't afford for that to
22 happen now.

23 So, now, we get back to, well, if they are
24 at extremely high utilization rates and they're full
25 and they're making all these other products, they say,

1 it just doesn't matter. You don't have to worry about
2 us. We'll never come to the United States in any
3 significant levels and look what we're doing. So, you
4 see their Chart 12 from the CEBID and it shows
5 production of 3.7 million tons. There's no capacity
6 information. Of course, what does the Commission care
7 most about? What's the excess available capacity.

8 So, you go in this modern era -- we couldn't
9 do this in 1986 at the Commission -- so, you go right
10 here on your own little iPad in the Commission hearing
11 room and you go to the CEBID website, which is
12 wonderful -- I complement them for not taking it down
13 before the hearing. I actually know, you know, Myles
14 and Matt very well. They would never do that, unlike
15 some others in our bar. So what do you see on here?
16 They've got the exact same number they listed. As the
17 president of the Association said, you know, we get
18 accurate data. It's got the same for 2010, 3,436,00
19 metric tons of production and it says, the annual
20 production capacity is six million metric tons. So
21 the difference between production and capacity for
22 welded pipe producers -- I don't think there's any
23 seamless producers in this group -- is about 2.5
24 million metric tons or roughly 40 percent of the six
25 million metric tons.

1 Now, maybe Borusan doesn't have it. I have
2 no reason to doubt any of the things they said today.
3 Maybe, they're not going to increase their volume
4 very much. What about all of the other producers in
5 Turkey? What about all of the other producers that
6 have excess capacity? What about all the other
7 producers that can make CWP and are subject to the all
8 other rate of 25 percent?

9 And they're clearly not going to stop there.
10 They, also, say, right now, Turkey is the sixth
11 largest producer of pipe in the world. They go on to
12 say, Turkey aims to be one of the top three. So, they
13 want to go from six to three. One of the ways to do
14 that is to increase their CWP production and increase
15 their exports to the United States.

16 In the end, this is an extremely vulnerable
17 industry. This is a product that's sold only on
18 price. The Turkish panel posited the question, if
19 price is so important, why aren't we shipping more? I
20 have one accurate answer to that question. It's
21 because of the antidumping duty order. They actually
22 admitted to you that they monitor their exports to
23 make sure they don't dump. That's a good thing. I'm
24 not into raising revenues for the U.S. Government to
25 get dumping orders. We want companies subject to

1 dumping orders to stop dumping. If they want to put
2 programs, in effect, to make sure they're not liable
3 for dumping duties by not dumping, that's a good
4 thing. We don't want companies to dump their products
5 in the U.S. when you all have found they cause injury.

6 So, you really have a balancing act. What
7 Borusan is essentially saying is, yes, but this is
8 costing us -- the dumping duties we do pay is costing
9 us some profit margins. They claim to be an extremely
10 profitable company. On the one hand, you can balance
11 Borusan making an extra three or four percent. Or on
12 the other hand, a lot of imports coming in from
13 Turkey, mostly probably from companies other than
14 Borusan and Americans, some of the half dozen steel
15 workers here today and 1,500 of their colleagues
16 losing their jobs. I ask you, on balance, to come
17 down on making sure we have fair trade in this market
18 at a period of extremely weak consumption that's going
19 to continue with a very vulnerable industry and with
20 all the excess capacity abroad, including massive
21 excess capacity in Turkey. We ask you to cumulate all
22 these countries and to maintain all these orders.
23 Thank you very much.

24 CHAIRMAN OKUN: You may proceed, Mr. Getlan.

25 MR. GETLAN: Thank you. Thank you, again,

1 for the opportunity to present our case today and the
2 rest of the panel appreciates your consideration of
3 the information that they have provided today. We are
4 not telling the U.S. industry what to do. We're not
5 in position to do that. Whether they close plants,
6 open new ones, what we tried to do today was point out
7 the information that's in the record that supports a
8 position of determination that revocation of the
9 orders will not lead to increased shipments from
10 Turkey. We're not telling the U.S. industry what to
11 do. What we are saying is that their performance is
12 not tied to trade flows from Turkey and Turkish
13 subject imports.

14 You just heard our case, so I'm not going to
15 go through the details. We think you have the
16 information you need. But, we do want to highlight a
17 couple of points here and market share really is
18 important. And maybe it wouldn't be as important if
19 we were only looking at the last five years. Maybe if
20 this was a first review. You have 27 years of
21 experience in the market before you. The market share
22 before the orders were in place was about 1.5 percent.
23 Commissioner Pinkert asked about how do we know
24 whether these orders have a restraining affect. When
25 you're or down half a percent here, a percent there,

1 over 27 years, I think you have pretty good evidence
2 that these did not restrain imports. This was their
3 history before. This is their history now. If
4 anything, the testimony today confirms that there will
5 not be an increase in imports from Turkey.

6 I commented that it was remarkable given the
7 doom and gloom that we heard about this morning and
8 continue today, that you have a pipe producer that has
9 achieved record profits in the past year, record
10 profits. How did they do that? It's not by waiting
11 around and hoping that the Commission lifts the order
12 after 27 years, so that they can plunge into the U.S.
13 market with low-priced, unfairly-traded imports.
14 That's not what's happening. This industry is
15 diversified. They have made a smart decision to
16 produce products and focus their attention that
17 generate high profit margins. That is where their
18 attention is. That's where their priorities are. You
19 heard when it's even in a high demand environment,
20 when the margins are low, these companies are prepared
21 to cut capacity, if not close a mill. And you've also
22 heard that in situations where there is lower demand,
23 they're not producing just to try to create demand or
24 find a sale. They have cost structures in place,
25 flexible labor arrangements, other factors that allow

1 them to throttle back production and not dump product
2 in any market, let alone the United States.

3 They do have diversified markets and that is
4 a strength of theirs and that should be emphasized and
5 those markets are in the home market and their
6 regional export markets. Turkey does have a strong
7 economy. We can quibble with projections and growth
8 rates. You know, the OECD projected growth in Turkey
9 for 2011 at less than five percent. It was eight-and-
10 a-half percent. So, you know, we all take those
11 projections with a grain of salt. The fact of the
12 matter is the economy has grown in Turkey, over nine
13 percent in 2010, eight-and-a-half percent in 2011. We
14 know construction activity is strong.

15 You saw the numbers in other export markets,
16 the EU in particular for standard pipe. Steel remains
17 strong. It's not because -- or the companies, the
18 industry did not, as Mr. Atabey said, cry when there
19 is a recession or there's weaker economic performance.
20 No, what did they do? They prioritized customer
21 service. They put in a plan to serve their customers
22 better, so that for what demand there is, they would
23 be able to serve it, and that's what they've done in
24 the EU. That's what they're prepared to do in other
25 markets, not by dumping, but by providing high-quality

1 product with excellent customer service.

2 As I said, the Turkish industry is not
3 waiting for the Commission to revoke the orders. But
4 after 27 years -- or 26 years since the orders were
5 imposed, we do think it's time for the U.S. industry
6 and Turkish imports to compete and we think that would
7 allow them to compete fairly. The orders in place --
8 even just as a matter of principle, when you have
9 fairly-traded imports, they -- the presumption of the
10 WTO is that they're terminated after five years. We'd
11 say after 26 years, it's time.

12 So, with that, again, we appreciate the
13 opportunity to you. We look forward to responding
14 further to your questions, which we appreciate, in our
15 post-hearing submission. And, thank you.

16 CHAIRMAN OKUN: Thank you. Post-hearing
17 briefs, statements responsive to questions, requests
18 of the Commission, and corrections to the transcript
19 must be filed by May 14, 2012. The closing of the
20 record and final release of data to parties is June 5,
21 2012; and final comments are due June 7, 2012.

22 With no other business to come before the
23 Commission, this hearing is adjourned.

24 (Whereupon, at 4:50 p.m., the hearing in the
25 above-entitled matter was concluded.)

CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Circular Welded Pipe & Tube from
Brazil, India, Korea, Mexico, Taiwan,
Thailand & Turkey

INVESTIGATION NO.: 701-TA-253, 731-TA-132, et al.

HEARING DATE: May 3, 2012

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: May 3, 2012

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: Rebecca McCrary
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: David Jones
Signature of Court Reporter