UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation Nos.:
FERROVANADIUM FROM CHINA	)	731-TA-986 and 987 (Review)
AND SOUTH AFRICA	)	

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Tuesday,
October 7, 2008

Room 101
U.S. International
Trade Commission
500 E Street, SW
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 SHARA L. ARANOFF, Chairman, presiding.

APPEARANCES:

On Behalf of the International Trade Commission:

Commissioners:

SHARA L. ARANOFF, CHAIRMAN (presiding)
DANIEL R. PEARSON, VICE CHAIRMAN
DEANNA TANNER OKUN, COMMISSIONER
CHARLOTTE R. LANE, COMMISSIONER
IRVING A. WILLIAMSON, COMMISSIONER
DEAN A. PINKERT, COMMISSIONER

MARILYN R. ABBOTT, SECRETARY TO THE COMMISSION
BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR
SHARON D. BELLAMY, HEARINGS AND MEETINGS ASSISTANT

APPEARANCES: (Contd')

Staff:

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GERALD HOUCK, INTERNATIONAL TRADE ANALYST
AMELIA PREECE, ECONOMIST
JOHN ASCIENZO, ACCOUNTANT/AUDITOR
MARY JANE ALVES, ATTORNEY
GEORGE DEYMAN, SUPERVISORY INVESTIGATOR

In Support of the Continuation of Antidumping Duty Orders:

On behalf of Vanadium Producers and Reclaimers Association ("VPRA"); Gulf Chemical and Metallurgical Corp. ("Gulf"); Bear Metallurgical Company ("Bear"); Metallurg Vanadium Corp. ("METVAN"); and Strategic Minerals Corp. ("Stratcor"):

JANICE PAKOZDI-LUFFY, Secretary, Treasurer and Controller, Bear

R. JAMES CARTER, Director of Sales and Marketing, METVAN

ALLAN ORR, Vice President of Sales and Marketing, Gulf

ROBERT BUNTING, Consultant, Stratcor, Inc.

JOHN W. HILBERT, III, President, VPRA

Of Counsel:

JOHN B. TOTARO, JR., Esquire
JEFFREY S. LEVIN, Esquire
Saul Ewing, LLP
Washington, D.C.

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-986 and 987 (Review) involving Ferrovanadium from China and South Africa.

The purpose of these five-year-review investigations is to determine whether revocation of the antidumping duty orders covering ferrovanadium from China and South Africa would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

Schedules setting forth the presentation of this hearing, notices of investigation, and transcript order forms are available at the public distribution table. All prepared testimony should be given to the secretary. Please do not place testimony directly on the public distribution table.

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

Finally, if you will be submitting documents that contain information you wish classified as Business Confidential, your request should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: The only preliminary matter is to note that all of these witnesses have been sworn.

CHAIRMAN ARANOFF: Thank you. Let's begin with the opening remarks, please.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of orders will be by John B. Totaro, Jr., Saul Ewing.

MR. TOTARO: Good morning, Madam Chairman, Members of the Commission, and Commission staff, my name is John Totaro. I'm with the law firm of Saul Ewing, and I'm pleased to be here today on behalf of the Vanadium Producers and Reclaimers Association, and the VPRA's members: Metallurg Vanadium Corporation, Bear Metallurgical Company, Gulf Chemical and Metallurgical Corporation, and Strategic Minerals Corporation.

As the Commission is aware, the VPRA and its member companies are the only parties to these sunset reviews. The Chinese and South African producers are

not actively contesting this matter.

We submit that the information on the record of this proceeding, including facts regarding the likely volume, price effect, and impact of subject imports on the domestic industry demonstrates that revocation of the antidumping orders on ferrovanadium from China and South Africa would be likely to lead to a continuation or recurrence of material injury within a reasonably foreseeable time.

The Commission found that it was appropriate to conduct full sunset reviews of these orders "in light of information regarding possible changes in the conditions of competition related to developments in the subject countries." However, the record demonstrates that the fundamental conditions of competition are unchanged.

In addition, developments in the South African and Chinese industries either underscore or increase the likelihood that if the orders were revoked, subject imports would return to the U.S. market and again have injurious effects on the U.S. industry.

In the years since the imposition of the orders, the South African producer, Estrada, closed one of its facilities that produced the intermediate

material, vanadium pentoside. Also, the owners of South African producer Highveld just recently completed the sale of its vanadium-producing business unit.

Finally, the South African producers are currently experiencing a marginal reduction in their electricity supply. However, it does not appear that any of these developments has caused a significant change in the South African industry's ability to produce ferrovanadium, and the industry remains highly export oriented.

Moreover, the Chinese ferrovanadium industry has grown substantially in the years since the orders were imposed, both in its production capacity and in its export volumes. While earlier this year, China experienced severe weather and an earthquake, which reportedly affected some transportation routes, available information indicates that none of these events had a significant or lasting negative impact on the operations of the Chinese ferrovanadium producers.

As the Commission is aware from its affirmative material injury determination in the underlying investigation, subject imports increased their volumes very rapidly prior to the orders. This prior behavior is a strong indication of the subject

industry's ability to rapidly shift export volumes to the United States, and current information only confirms this ability.

If subject imports were to return to the U.S. market upon revocation, these imports will again be able to gain market share using below-market pricing. This is because ferrovanadium from all countries, regardless of percentage grade, remains highly substitutable, and price remains the dominant factor in purchasing decisions.

The result would be the lost sales, depressed prices, diminished returns on reduced sales, and unsustainable declines in profitability that the industry suffered in the years prior to the orders.

U.S. producers' financial conditions improved as a direct result of the orders, after unfairly priced subject imports declined. Nevertheless, the U.S. industry remains vulnerable to renewed dumping by subject imports.

While there have been profitable years since the orders were imposed, there are competitive forces, including increased costs and shifts in world prices, that have caused significant fluctuations in profit levels over the last several years.

As a result, if the orders were revoked, the

U.S. industry is susceptible to resumed material injury from the likely substantial increases in dumped subject imports.

I urge you to keep these factors in mind as you hear the domestic industry's testimony today and as you consider the facts before you. Thank you.

I would now like to take a moment to introduce our panel. We've assembled an experienced group of representatives from the VPRA member companies to appear before you today, and I'm sure that you're going to find their comments instructive.

Our industry panel consists of: Janice Pakozdi-Luffy from Bear Metallurgical Company, and she is the secretary, treasure, and controller there; James Carter, who is the director of sales and marketing for vanadium products at Metallurg Vanadium Corporation; and Allan Orr, vice president of sales and marketing for Gulf Chemical and Metallurgical Corporation.

I would also like to introduce Robert Bunting, a consultant with Stratcor, Inc.; John Hilbert, the president of the VPRA; and Jeffrey Levin, my colleague at Saul Ewing.

Mr. Bunting and Mr. Hilbert will not be presenting direct testimony today, but they will be

available to answer questions, and Mr. Levin will be presenting testimony on a legal issue at the conclusion of our industry presentation.

Before I ask our witnesses to begin, I would like to underscore two preliminary points from our prehearing brief.

The first is that it remains appropriate for the Commission to view the domestic like product as consisting of all grades of ferrovanadium. As I mentioned a moment ago, all grades of ferrovanadium share similar physical characteristics and uses, and different grades are substitutable in nearly all applications.

The Commission's observations in the investigation regarding like product remain accurate, and no new information on the record supports a different determination.

Also, consistent with its determination in the investigation, the Commission should exercise its discretion to cumulatively assess the volume and effect of the subject merchandise from China and South Africa.

The facts on the record demonstrate that there would be competition between these imports and domestically produced ferrovanadium, and these facts

to do not support a finding that the subject imports are likely to have no discernable adverse impact on the domestic industry.

The factors that the Commission typically examines, in determining whether a reasonable overlap in competition would occur if the orders are revoked and subject imports returned at significant volumes, continue to support a finding that cumulation is appropriate.

First, ferrovanadium from all countries and of all percentage grades remains interchangeable to the vast majority of purchasers, a conclusion confirmed by the sunset review questionnaire responses.

Second, because the same subject producers continue to produce and export ferrovanadium, if the orders were revoked, it is likely that there, again, would be simultaneous presence of subject imports and domestically produced ferrovanadium in the U.S. market.

Third, nothing on the record indicates any reason why ferrovanadium from all of these sources would not again be sold in the same geographic markets throughout the United States.

Fourth, because ferrovanadium from all

sources continues to be sold primarily to end users in the steel industry, the Commission should again find that common channels of distribution exist for subject imports from China and South Africa and the domestic like product.

In terms of the discernable-impact analysis, with respect to South Africa, the South African producers have unused production capacity that could be exploited to produce additional quantities of ferrovanadium. These volumes could then be directed to the U.S. market if the orders were revoked.

Moreover, the South African ferrovanadium industry is export oriented and could both shift existing exports from other markets to the United States and also export inventoried ferrovanadium to our market if the orders were revoked.

The discernable impact that would result from a revocation of the order on Chinese ferrovanadium is clear as well. U.S. imports from China increased dramatically prior to the order, and the Chinese industry has experienced massive increases in production capacity and export volumes in the years after the orders were put in place.

Moreover, a recent reduction in export duties will only facility increased exports of

ferrovanadium.

These facts are a strong indication that the Chinese industry could quickly resume an injuriously high volume of shipments to the United States.

Based on these considerations, we urge the Commission to exercise is discretion to conduct a cumulative analysis in these sunset reviews. We are not aware of any other factor that would significantly limit competition such that cumulation is not warranted.

With that, I would like to begin our industry presentation.

Our first presenter will be Janice Pakozdi-Luffy from Bear. Ms. Pakozdi-Luffy will describe the product that is the subject of these antidumping duty orders and Bear's production process. She will also discuss some of the conditions of competition that affect the U.S. market for ferrovanadium and the expected effects of revoking the orders on her company's operations. Janice?

MS. PAKOZDI-LUFFY: Good morning. My name is Janice Pakozdi-Luffy. I am the secretary, treasurer, and controller of Bear Metallurgical Company. I've been with Bear for 16 and a half years.

Bear is a toll processor of ferrovanadium

located in Butler, Pennsylvania. On average, during the period covered by these reviews, revenues from ferrovanadium-tolling operations accounted for approximately 60 percent of Bear's total revenues. Bear's other products include ferromolybdenum and calcium aluminate.

Bear produces ferrovanadium by performing toll-processing services for other companies who provide us with an intermediate product, vanadium pentoside, or "V205," which Bear converts into ferrovanadium. Our tolling customers pay Bear a fee for performing the toll conversion.

These tollees retain title to that V205 that Bear processes, and those companies sell the finished product, ferrovanadium. Bear packages and stores the ferrovanadium, and our tollee customers arrange to ship the product from Bear to their respective customers.

Virtually all ferrovanadium is by consumed by the steel industry, where it is used as an alloying agent. When vanadium is added to steel through the addition of small amounts of ferrovanadium, it enhances strength and wear resistance, promotes fine-grain size, and increases ductility.

In addition, vanadium improves the

weldability and heat resistance of steel.

Generally, ferrovanadium accounts for no more than one percent of the total cost of producing steel.

Ferrovanadium of all grades and from all sources, including the United States, China, and South Africa, is interchangeable in most steel-making applications.

U.S. steel-makers have the technical capability to use any grade of ferrovanadium from any of these sources interchangeably.

There are a variety of different ways to produce ferrovanadium, but, generally speaking, ferrovanadium production methods involve the reduction of one or more vanadium-bearing materials using aluminum or silicon as a principal reductant.

Bear toll-converts V205 into ferrovanadium using an aluminothermic process, and this process, as Vice Chairman Pearson and Commissioner Pinkert observed during their site visit a few days ago, a mixture of vanadium pentoside, aluminum, iron scrap, and flux is charged in a melting furnace. A reaction is then initiated, which results in ferrovanadium.

Ferrovanadium produced using these raw materials at Bear typically has a vanadium content of

approximately 80 percent vanadium. However, by adding more iron to the mix, Bear can, and does, adjust the vanadium content down to 42 percent, 55 percent, or any grade within the 42-to-80-percent range.

To the best of our knowledge, the Chinese and South African manufacturers produce ferrovanadium from vanadium oxide using aluminothermic production processes comparable to Bear's. We believe that these manufacturers typically produce V205 internally, or at affiliated companies, using raw materials, such as vanadium-bearing ores or slags, as we understand that producers in South Africa and China can, and do, produce ferrovanadium of various percentage grades.

During the years the Commission examined in the investigation, when low-priced material from China and South Africa accounted for nearly two-thirds of the U.S. imports of ferrovanadium, Bear's production of ferrovanadium declined dramatically. As ferrovanadium prices fell, Bear's tolling customers sought to reduce their costs, including toll-conversion costs. In response, Bear reduced its conversion fees, and our profitability declined as well.

As the Commission is aware, only very small volumes of ferrovanadium from China and South Africa

have been imported into the United States since the orders were imposed. Thus, particularly in the first few years of their operation, the orders provided a much-needed respite for U.S. producers. As Bear's customers, like Gulf and Stratcor strengthened, Bear was able to increase its production volume, and we experienced more positive financial results.

Lately, Bear's ability to earn an adequate return on its tolling operations has been made more difficult by increasing production costs, like the cost of iron and sheet steel, which market pressures prevent us from passing on to our customers as increased tolling charges.

However, as long as competitive forces in the market permit Bear's tolling customers, like Gulf and Stratcor, to earn a reasonable return on their sales of ferrovanadium, these customers will continue to bring V205 to Bear for tolling, and Bear will remain in a healthy condition. This pattern could change dramatically if the orders are revoked.

The antidumping orders were revoked as a result of this sunset review. Bear is confident that producers in China and South Africa would resume exports of ferrovanadium to the United States and, again, use low prices to gain market share from United

States producers.

In addition to losing sales, U.S. prices would be forced down in an attempt to compete. The negative impact on U.S. producers would be magnified if vanadium prices declined as a result of increased world supply.

There are many reasons to believe that such a supply shift is likely, including resumed production in Australia and the massive capacity expansions in China.

Thus, there is a very real danger that U.S. prices for ferrovanadium could fall so low that Bear's tolling customers may not be able to economically justify incurring Bear's toll-conversion fee on top of their own V205 costs. Losing ferrovanadium-conversion revenue in this way would put Bear in an unsustainable position.

Consequently, to avoid these negative effects, Bear and the other VPRA members urge the Commission to vote to maintain the antidumping orders on ferrovanadium imports from China and South Africa. Thank you for your consideration.

MR. TOTARO: Thank you, Janice.

Our second witness is Jim Carter, who will describe Metallurg Vanadium's production process and

the market conditions that have changed since the antidumping orders were put in place and those that have stayed the same.

Mr. Carter will also discuss the program of capital improvements that Metallurg Vanadium has been able to pursue, thanks to the antidumping orders, and the likely impact on this program and Metallurg Vanadium's operations generally of resumed imports of ferrovanadium from China and South Africa. Jim?

MR. CARTER: Thank you. Good morning. My name is Jim Carter. I am the director of sales and marketing for Metallurg Vanadium Corporation.

At the time of the Commission's investigation regarding ferrovanadium from China and South Africa, Metallurg Vanadium operated under the name of Shield Alloy Metallurgical Corporation.

I have been employed by Metallurg Vanadium for over 35 years. My responsibilities in this position are to manage and direct the sale and marketing of alloys and metals, including ferrovanadium. I supervise our sales staff, and I have direct contact with many of our customers.

Metallurg Vanadium has produced ferrovanadium since 1952. Our production facility is located in Cambridge, Ohio.

The ferrovanadium that we typically produce contains approximately 55 percent vanadium by weight. However, we can also produce ferrovanadium containing a significantly higher concentration of vanadium. The percentage of contained vanadium is typically referred to as the "grade" of a ferrovanadium product, but "percentage" is simply a physical description, not a signifier of the quality of the product.

As I explained during the hearing that the Commission held during the investigation, Metallurg Vanadium does not use vanadium pentoside as its principal raw material; rather, we produce ferrovanadium with a state-of-the-art, modified reduction process designed to utilize a broad range of low-cost, vanadium-bearing raw materials. These include certain petroleum residues, fly ash, and spent refinery catalysts.

At one time, Metallurg Vanadium also used iron slag as a production input, but we have not used this input for several years. In fact, we have invested substantial resources to enhance our company's ability to process hazardous inputs, such as spent refinery catalyst, which we obtain primarily from North American sources.

VPRA members Gulf and Stratcor utilize

similar raw material in their production of vanadium pentoside. However, Metallurg's vanadium-production process is technically different. Our two-stage, two-furnace, belting-and-reduction process bypasses the production of V205 to produce ferrovanadium. Metallurg Vanadium is committed to manufacturing ferrovanadium using its environmentally friendly, cycling-based, manufacturing process, but our ability to do so in an economically viable manner is hampered by rising costs of raw materials.

I believe my colleague, Allan Orr, will provide additional information on the rising cost of vanadium-bearing raw materials in his testimony.

However, as discussed in our prehearing brief, Metallurg Vanadium is experiencing cost increases in other areas as well. At the Commission's request, in the post-hearing brief, I can provide additional detail of an essential production input for which our key supplier recently announced a more than 100-percent increase for late 2008 and 2009.

In the years preceding the orders, imports of Chinese and South African ferrovanadium rapidly seized U.S. market share, due largely to their increasing availability and decreasing prices. Our purchasers told us, at that time, that the Chinese and

South African product was substitutable for Metallurg Vanadium's product and that their purchasing decisions were driven by the lower price.

Metallurg Vanadium found itself underbid repeatedly by competitors offering imports from China and South Africa. It lost significant business as a result.

Perhaps even more so today than during the investigation, the Chinese and South African imports included various percentages of ferrovanadium. For the vast majority of U.S. ferrovanadium purchasers, country of origin and grade are irrelevant.

Metallurg Vanadium competes for sales to the same customers against suppliers offering different grades of ferrovanadium. In the vast majority of cases, the customer will make its purchasing decision based on which product is available at the cheapest price, regardless of its grade.

U.S. steel-makers have the technical capability to use any grade of ferrovanadium produced in any country interchangeably. The user must simply know what grade the ferrovanadium is so that production proportions of steel-making ingredients and processes can be adjusted accordingly.

Moreover, as the VPRA established during the

investigation, the published ferrovanadium prices on which Metallurg Vanadium and other firms base their contract sales price formulas represent an amalgamation of data obtained from Metallurg Vanadium and other companies that buy and sell ferrovanadium, regardless of grade or location.

During the period that the Commission examined during the investigation, a huge oversupply of dumped Chinese and South African ferrovanadium had devastating effects on Metallurg Vanadium. Our ferrovanadium production and shipments dropped, and our sales prices fell to historic lows. These effects led to an unsustainable profit level. Negative financial effects caused by these unfairly traded imports also jeopardized Metallurg Vanadium's efforts to recoup and obtain an adequate return on the program of investment we had begun in 1998.

This capital-improvement program was designed to significantly increase our flexibility to produce ferrovanadium using low-cost raw materials, such as hazardous oil-refining wastes, to make our process even more cost effective and allow us to employ the latest emission-control technology.

These capital investments allowed Metallurg Vanadium to meet or exceed strict and highly regulated

environmental standards, making us a dealer in the environmental aspects of our industry.

The aggressive sale of cheaply priced Chinese and South African ferrovanadium forced Metallurg Vanadium to delay implementing some aspects of this program. Fortunately, as the volumes of these imports contracted during the investigation and then nearly ceased altogether after the import orders were imposed, Metallurg Vanadium was able to move forward with this program.

We've discussed several of our current and planned projects in our questionnaire response, and, in our conversations with Mr. Petronzio and Mr. Houck of the Commission's staff, who visited our production facilities in August.

If the Commission were to vote to revoke the antidumping orders, we are confident that significant volumes of low-priced ferrovanadium from both China and South Africa would return to the United States in a very short time and resume the price-driven strategy used prior to the antidumping orders to seize market share from domestic producers.

We expect that the negative effects of such imports would resume as well. For example, in 2001 and 2002, Metallurg Vanadium was required to shut down

its facilities repeatedly and incur further lost revenues to restart production to reduce mounting inventories resulting from lower-than-anticipated sales volume. These conditions would surely recur if significant volumes of imports from China and South Africa were to resume, as we expect they would if the orders were revoked.

Metallurg Vanadium has plans to further expand its ferrovanadium production, efficiency, and capacity. We are making these plans now, assuming that the orders will stay in place. If the orders are revoked, and the negative commercial effects that we experienced during investigation recur, we will not be able to take advantage of the substantial improvements we have made over the past several years, and we'll have to reassess the viability of our future plans.

These events could result in layoffs, which would have a damaging, ripple effect on the rural community in Ohio that depends on our continued operation. Thank you.

MR. TOTARO: Thank you, Jim.

Our third witness is Allan Orr from Gulf. Mr. Orr will describe the role of the recycling technologies employed by Gulf and other VPRA members involved in the production of ferrovanadium in the

United States and the several factors that distinguish these technologies from those employed by the producers in China and South Africa.

He will also discuss how the rising cost of production inputs affects the ability of Gulf and other VPRA members to respond to shifts in ferrovanadium pricing. Allan?

MR. ORR: Thank you, John.

Good morning. My name is Allan Orr. I am the vice president of sales and marketing for Gulf Chemical and Metallurgical Corporation. I've been employed by Gulf for 28 years. I oversee the total production of ferrovanadium on Gulf's behalf. I also oversee Gulf's sales and marketing of ferrovanadium and have direct contact with many of our customers.

Gulf processes listed hazardous, spent catalysts generated from the refining of crude oil to provide the valuable service of destroying the hazardous characteristics of the catalysts and to recover metals, including vanadium, in the form of vanadium pentoside, or V205. The majority of the listed spent catalysts that we process are acquired from U.S. oil refineries, but we also obtain this raw material from other sources, including those processing oil sands in western Canada.

Gulf's recycling process in the production of V205 require a substantial capital investment and a high level of technical expertise. The V205 that Gulf produces is converted to ferrovanadium on our behalf under a toll agreement with Bear Metallurgical Corporation, which is now a wholly owned subsidiary.

Under the terms of that agreement, Gulf retains title to the material throughout the conversion process, and Gulf sells the finished ferrovanadium. Gulf also arranges shipment to the customer and instructs Bear how to package and load the ferrovanadium. In exchange for conversion and related services, Gulf pays Bear a conversion fee.

At the hearing that the Commission conducted in 2002, as a part of the investigation that led to the order now under review, I testified that Gulf was able to obtain listed hazardous spent catalysts from oil refineries at almost no cost to Gulf. To reiterate, at that time, those recyclable raw materials were essentially free. This is no longer the case.

While spent catalyst generators still view recyclists, like Gulf, as an invaluable avenue for disposing of listed hazardous wastes, these generators now expect to receive compensation for the metal

content in their catalysts. This is due to two factors: the nearly tenfold increase in the market value of vanadium in 2008, compared to 2002, and the increased competition from foreign recyclers.

These factors permit the spent catalyst generators to sell this material at higher and higher prices, which further drive up the cost of raw materials to Gulf.

In the past few years, the market has changed so that we now compete to purchase spent catalysts against recyclers based in the United States, as well as representatives of foreign producers.

Oil refining in North America has remained at high levels and has increased in Canada as processing of oil sands has expanded.

Based on these factors and the continued stringent, environmental regulations in the United States, the supply of vanadium-bearing spent catalysts for recycling remains strong. However, the cost to obtain these critical raw materials represents an increasingly large portion of the costs that Gulf incurs to manufacture V205 and, thus, our total cost, including the tolling fees at Bear, to produce ferrovanadium.

Like Gulf, the U.S. ferrovanadium industry, as a whole, has developed around the recycling of otherwise hazardous wastes like spent catalysts. In recent years, VPRA members have invested millions of dollars to modernize their production facilities, with a specific goal of enhancing their capability to recycle these materials and produce ferrovanadium in an efficient and an environmentally sound manner.

While the costs of our raw materials have increased since the time of the investigation, and while processing and even maintaining inventory of these materials require significant capital investments, the U.S. industry's focus on recycling technologies encourages the safe processing of materials that might otherwise end up in hazardous landfills.

The ferrovanadium producers in South Africa and the largest producers in China use a wholly different production method to manufacture ferrovanadium. For example, Estrada mines vanadium-bearing ores in South Africa, which they then use to purchase V205 and the ferrovanadium. The dominant Chinese producers, Pansi Wa and Cheng Di, manufacture V205 and ferrovanadium from a slag byproduct generated from the parent company's production of steel.

At the time of the investigation, when Gulf's raw materials, spent catalysts, were valued at no cost to Gulf, it was our understanding that the South African and Chinese producers' sources of vanadium were more costly.

These days, we believe the situation is reversed. The prices of our raw materials are high and fluctuating due to the shifts in the market price for vanadium and competition amongst the recyclers.

In contrast, the Chinese and South African ferrovanadium producers' raw materials costs are captive as part of their integrated production processes.

As a result, and because these materials are not subject to market price shifts and competition in the same way that our raw materials are, we expect that foreign producers have a greater ability to reduce their price and still earn an adequate margin on the sales of ferrovanadium.

When the U.S. ferrovanadium industry relied on raw materials that were no cost, or nearly so, Gulf and other VPRA members struggled to maintain competitive in the face of massive imports from China and South Africa offered at inventory-clearing prices. Gulf and others lost sales and were forced to reduce

prices in an attempt to maintain remaining sales volumes.

The South African and Chinese imports had these damaging effects because ferrovanadium from all sources is interchangeable, and purchasers will generate towards the lowest-priced product.

Imports of ferrovanadium from China and South Africa drove Gulf's sales price and sales volumes down to levels that made the process of recycling hazardous spent catalysts unprofitable.

These negative effects jeopardized Gulf's investments in its recycling facilities and threatened Gulf's future as a producer of V205 and wholesaler of ferrovanadium, as well as Bear's continued operation as a toll producer.

If the orders are revoked, we expect that the export-oriented industries in China and South Africa will seize the opportunity to resume exporting substantial volumes of ferrovanadium to the United States. Based on their practices prior to the antidumping orders, we expect that Chinese and South African ferrovanadium would again gain market share from Gulf and other domestic parties by selling at aggressively low prices.

Current market conditions, as well as Gulf's

increased raw material costs, make us extremely sensitive to this type of downward pressure on our prices. As a result, I fear that Gulf may be even less able today than we were in the years preceding the antidumping orders to adjust such tactics and remain profitable. Thank you for your attention to this important matter.

MR. TOTARO: Thank you, Allan.

Next, Jeff Levin will discuss the pattern of nonsubject imports in the U.S. market during the period after the orders were imposed and the likely impact of these imports on the effects that we believe are likely to result from revocation.

MR. LEVIN: Thank you, John. Good morning. As recorded in the prehearing staff report, the total volume of nonsubject imports fluctuated during the earlier portion of the period covered by these reviews before settling in the general range of 4.8 million pounds contained vanadium during each of the most recently completed three calendar years, 2005, 2006, and 2007.

Nonsubject imports recorded their lowest volume total during the period of review in 2003, at just under three million pounds contained vanadium, followed the very next year, 2004, by the highest

annual recorded during the period of review, 6.6 million pounds.

As a share of the U.S. market, nonsubject imports hit their lowest point during the period of review in 2003, 25.2 percent, the year these imports recorded their lowest absolute total. The highest share of the U.S. market was recorded the next year, 44.4 percent, when these imports recorded their highest absolute total.

In each of the three most recently completed calendar years, the share of the U.S. market held by nonsubject imports stabilized in the general range of 40 percent, as the absolute total of these nonsubject imports, likewise, stabilized.

Imports from Korea and the Czech Republic account for the vast majority of nonsubject imports during the review period. Together, imports from these two countries constituted approximately 70 percent of nonsubject imports in 2005, approximately 80 percent in 2006, and, again, approximately 70 percent in 2007.

While the Czech Republic was clearly the largest nonsubject import source through most of the period of review, imports from Korea surpassed the Czech Republic total in 2007 by a slight margin and

vastly outpaced the Czech total during the first half of 2008.

Although nonsubject imports constitute a measurable percentage of U.S. apparent domestic consumption, the VPRA and its members respectfully submit that the presence of such imports should not alter a finding by this Commission that revocation of the antidumping duty orders on ferrovanadium from China and South Africa would likely lead to the continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

Of course, the presence of subject imports in the U.S. market invokes consideration of certain parameters precipitated by the decision, in Bratsk Aluminum Smelter v. United States. This Commission has noted its disagreement with the proposition that the Bratsk decision requires any statutory analysis in unfair trade investigations, specifically, the so-called "replacement-benefit test," beyond that which it has long applied.

But this is not an investigation; it is a five-year review, and the Commission has determined that the Bratsk test is not applicable to such proceedings. Indeed, as the Commission found in its

recent five-year review of PET Film Sheet and Strip from India and Taiwan, the Court of International Trade, in a 2007 decision that examined the applicability of the Bratsk test to sunset reviews, notably did not direct the Commission to perform a replacement-benefit analysis on remand.

The Commission did read the court's decision in that 2007 case as directing the Commission to "be mindful of, and consider in its opinion, the role that fairly traded imports has played, and will likely play, in the U.S. market."

Specifically, the Commission should consider why subject imports will have an adverse effect on domestic prices if the antidumping duty orders are revoked when substantial volumes of low-priced, subject imports did not have such an effect during the period of review.

Here, to the extent that there were "substantial volumes" of nonsubject, fairly traded imports in the U.S. market, the evidence of record cannot support that characterization as "low priced." Indeed, the data set forth in the prehearing staff report clearly indicate that the average unit value of nonsubject imports was at or about the average unit value of U.S. shipments by domestic producers during

each year within the period of review, sometimes a bit higher, sometimes a bit lower, sometimes right at the same level.

Whatever the exact comparison marks, the price of nonsubject imports in the U.S. marketplace did not impose the type of pricing pressures evidenced by subject imports during the initial period of investigation.

Moreover, it is important to note that, again, assuming, arguendo, that the volume of nonsubject imports can be termed "substantial," the imports must, for purposes of this proceeding and for purposes of this analysis, be considered fairly traded.

The U.S. market would be struck in a wholly different manner if these fairly traded imports were displaced with, or augmented by, imports that would likely enter the market at substantial dumping margins: 12.97 percent and 66.71 percent for imports from China and 116 percent for imports from South Africa.

Furthermore, as discussed in our prehearing brief, a significant portion of the ferrovanadium produced in Korea and exported to the United States is produced by converting Chinese-origin ferrovanadium

pentoside.

If the orders are revoked, it can be assumed that producers in China would internally convert some, if not all, of the V205 which they have been selling to Korea, and, instead, these producers will export the higher-valued product directly to the U.S.

Ferrovanadium wholly produced in China and exported directly from that country would have a lower cost of manufacture than ferrovanadium processed in Korea from Chinese-sourced V205 due to overall lower production costs in China.

As a result, the export price of ferrovanadium wholly produced in China would likely be significantly below the Korean price, which could well lead to an increased volume in exports than that currently witnessed from Korea, and increased market share, and a more pronounced, injurious impact on U.S. producers.

In addition, industry intelligence indicates that, as of January 1, 2008, the government of China increased its export tax on shipments of V205 while eliminating the export tax on export shipments of ferrovanadium, which may have accounted for the increase in U.S. imports of ferrovanadium from Korea during the first half of 2008.

Therefore, producers in China now have a strong economic incentive to reduce their exports of V205, for example, to Korea for conversion and to convert a greater proportion of this material into higher-valued ferrovanadium for export to the United States.

All of this is not to say that there would be no displacement of nonsubject imports by subject imports if the orders are revoked, but that is not the test to be applied here, and, furthermore, any displacement that might occur does not distract from the fact that nonsubject imports, treated as fairly traded during the period of review, did not have the injurious impact that unfairly traded subject imports did have during the initial period of investigation and would have if these orders are revoked.

MR. TOTARO: Thank you, Jeff. That concludes our direct testimony.

CHAIRMAN ARANOFF: Well, I want to welcome the panel here this morning. We appreciate your taking the time away from your businesses to be here with us, and we look forward to hearing your answers to questions as the morning continues.

I apologize for the noise. Our landlord decided this would be a good time, apparently, to

either blow leaves or mulch right outside these windows. Hopefully, they will make it around the circle and then leave.

By luck of the rotation, I'm going to begin the questioning today myself, and I want to begin by asking, in our original determinations, the Commission defined the domestic industry to include bear and METVAN, but we did not include Stratcor or Gulf since they didn't produce ferrovanadium.

In your brief, you note that the Commission considered the condition of Stratcor and Gulf in its analysis of impact, and you argue that the Commission should do the same here. But in our recent review of ferrovanadium from Russia, in 2006, as far as I can tell, the Commission did not consider any impact on Gulf or Stratcor. Can you explain why the Commission should consider that impact here when it didn't do it in the 2006 review?

MR. TOTARO: Well, for one thing, in that sunset review of the order on Russia, it was an expedited review, and there were no questionnaire responses collected from the parties, and, in that review, only Gulf, METVAN, and Bear participated, not Stratcor, in that particular review.

I think that the reasons why these

producers, these four companies, should be considered in this case are for the same reason that they were considered in the original investigation, that the impact of imports on the companies that produce V205 and have that product converted by Bear, Gulf and Stratcor, specifically, are relevant. They are part of the industry. Their production of V205 is production directed towards the production of ferrovanadium, and, for that reason, I think it's relevant. I'm sorry. Do you have a follow-up?

CHAIRMAN ARANOFF: No, no, no, continue.

MR. TOTARO: That's it. That's all I was going to say.

CHAIRMAN ARANOFF: Okay. I'm still struggling with trying to understand what the Commission did in the original investigation and whether I'm comfortable doing that because, to me, it's one thing to say you need to look at the prices for sales that were made by these companies with the tolled product and a different thing to say you need to look at their financial performance or their employment numbers or other things of that nature.

MR. TOTARO: Well, you know, in one sense, beyond the sales information, the impact on the financial condition of Gulf and Stratcor is important

because their financial condition has a huge impact on the financial condition of Bear. Bear's business model is as a toll converter, and, over the period of this review, as in the original investigation, a huge majority of Bear's business is represented by Gulf and Stratcor.

So, to wholly separate the two, I think, is improper, and I think, for that reason, because the impact of resumed imports from China and South Africa would harm Gulf and Stratcor and Bear, and I think they are so tightly interrelated, it's difficult and improper to separate them.

CHAIRMAN ARANOFF: Okay. Well, I take your point, although if they were doing so poorly that they couldn't afford to pay for tolling services, you would see that in Bear's bottom line, whether or not you added the others into the data set, but let me move on from that and ask a couple of questions about the product.

I took it from the testimony, particularly, Mr. Carter, your testimony, that you don't think that purchasers have any preference between a product that's 40 to 60 percent ferrovanadium and one that's closer to 80 percent. Is that the case?

MR. CARTER: Yes, ma'am, it is.

CHAIRMAN ARANOFF: Wouldn't it be true that the higher-percentage ferrovanadium product would be less expensive to ship relative to the vanadium content, and that doesn't create any preference on the part of purchasers, given how high transportation costs are these days?

MR. CARTER: I think that is a good question, and our product would be a little bit more expensive because there is less V in the material.

My initial response to your question might be these two items.

Firstly, for the majority of purchases, contract purchases, the freight is paid by us -- Bear doesn't worry about it -- and the second is that the freight, with respect to the value of the material, is not a great portion. We're sensitive to any increase in costs, and, certainly, as fuel prices go up, and we get more surcharges from the freight companies because of that, we worry about that. It's a pincher, but it's not a determinant by the purchaser -- let me just repeat -- largely because we do the paying.

CHAIRMAN ARANOFF: Is that the standard practice in the industry? I'll ask the other two gentlemen.

MR. ORR: Yes, it is. Most contracts, as

Jim referred to, are per an FOB-delivered basis. It is part of our consideration that we put forth in our proposal.

Packaging is also another issue. Obviously, you have to have a larger package, potentially, but all of those things are very small in the overall comparison of the price of ferrovanadium today. It is a consideration, but it's not a major one.

CHAIRMAN ARANOFF: When you say "very small," can you give me a kind of range: one percent, five percent?

MR. ORR: Oh, one percent, I would say. Probably, if I were to do the math, we're talking pennies per pound versus dollars per pound in sales.

CHAIRMAN ARANOFF: Okay.

MR. BUNTING: If I could just add, freight costs may be a little higher per pound of vanadium contained for the --

CHAIRMAN ARANOFF: Could you get a little bit closer to your microphone, please?

MR. BUNTING: Sorry. The freight costs might be a little higher for the lower grade per pound of vanadium contained, but there is also a difference in iron being delivered, which is effectively being delivered for free. So this would offset somewhat the

difference in freight costs as well.

CHAIRMAN ARANOFF: Okay. So you're saying that your customers actually put a value on that iron, and they are doing something else with that.

MR. BUNTING: They probably should. I'm not sure whether they actually measure it.

CHAIRMAN ARANOFF: Okay. So they might be, but it's not clear. Okay.

To your knowledge, are the subject imports, or the product which isn't being imported right now but is being produced in China, do they fall in the higher-concentration end of the scale toward 80 percent or the lower end?

MR. CARTER: If I may, in fact, the Chinese material is both. They make a lot of what they call "50-percent ferrovanadium" and 80-percent ferrovanadium. To my knowledge, I believe the South African folks produce primarily 80 percent. I would invite others to augment my remarks.

CHAIRMAN ARANOFF: And you said the Chinese make both. Would you say it's fairly evenly divided, or do they make more --

MR. CARTER: I think I would surmise that, but I have no statistics to substantiate that, frankly.

MR. BUNTING: I can add to that. The Chinese producers produce 50-percent grade and 80-percent grade. The 50-percent grade is almost exclusively what is used within China, and the 80-percent grade -- all of the exports from China are at almost always 80-percent grades, and that's about 50/50, in fact, right now.

CHAIRMAN ARANOFF: Okay. That's helpful.

To your knowledge, are there any antidumping duty or countervailing duty orders currently in place on vanadium pentoside from either China or South Africa?

MR. TOTARO: Not to my knowledge, no.

CHAIRMAN ARANOFF: Okay. Thank you. I'll have to move on with that line of thought in the next round since my light is yellow, and I will turn the questioning over to Vice Chairman Pearson.

VICE CHAIRMAN PEARSON: Thank you, Madam Chairman.

Welcome to all of you. It's particularly nice to see several of you who we met up at Butler, Pennsylvania. If I could explain to my colleagues, this was a very interesting tour because all of us, at various times, have been in industrial facilities of one sort or another that have hot metal in them.

This was different, in that, instead of using a lot of electricity or natural gas to create the heat, they bring in a bunch of cold ingredients, mix them together in a recipe that's even more specific than one would use for a pecan pie, put it in a furnace, figuratively speaking, they light a match to it, and the ingredients then exchange electrons with great enthusiasm, and, in essence, the ferrovanadium bakes itself.

So I've been wondering, is there anything a person could put in a pecan pie that would get that type of a reaction, get it to bake itself? I haven't discovered that yet. Pardon my digression. I actually do have some questions.

Mr. Carter, I've not seen your technology, which, I understand, is different. Maybe someday we'll make it there, but forgive me for --

MR. CARTER: You'll be welcome to see it, at your pleasure.

VICE CHAIRMAN PEARSON: You'll forgive me for remarking on the technology that's used at Bear, which is something I had not seen before.

The demand for ferrovanadium appears to be very closely linked to the production of certain types of high-strength, low-alloy steel. What's the outlook

for the production of high-strength, low-alloy steel in the reasonably foreseeable future?

MR. ORR: I would say it's very positive. The automotive industry, people that are using steel for structural things, would like to have increased strength but less weight. Obviously, all of these are for efficiencies on fuel and things.

So there is a lot of technology and work being done on producing higher- and higher-strength steels that are thinner in gauge, and vanadium, along with other alloying elements, but mostly vanadium, enhance that ability. So it looks positive.

VICE CHAIRMAN PEARSON: Do you see it the same way, Mr. Carter?

MR. CARTER: Yes, thank you.

VICE CHAIRMAN PEARSON: Would it be correct to view vanadium as an ingredient in U.S. steel production that is, over time, accounting for a slightly higher percentage of steel ingredients than was the case in the past? Is the U.S. steel industry shifting, in a progressive manner, toward the production of these higher-strength steels that would require vanadium?

MR. BUNTING: I would say, yes, as the short answer. It's worth noting, though, that the usage per

ton of steel, on average, in the United States is just about the highest in the world. So the U.S. is actually quite advanced in its percentage usage, if you like, of high-strength, low-alloy steels, but it's still growing.

VICE CHAIRMAN PEARSON: So would one anticipate that steel manufacturers in other countries, over time, might, then, begin to use more vanadium as they try to move up the steel ladder, so to speak?

MR. BUNTING: Yes. That is the trend, yes.

VICE CHAIRMAN PEARSON: So we're not in a situation where global demand for vanadium is likely to collapse. The demand base looks fairly firm at the moment.

MR. BUNTING: Well, other than the current economic issues that may change a lot, of course, if that does result in a collapse in demand for automobiles, for example, then there would, obviously, be a short-term, hopefully, reaction to that, in terms of demand, but, beyond that, the answer is yes.

VICE CHAIRMAN PEARSON: You're not saying that it takes money to make steel, are you? Okay. Mr. Orr?

MR. ORR: I was just going to add that

things like oil pipe transmission, the strength of these pipes in these conditions is using vanadium, so there are other applications that certainly would enhance the use of steel, and, as these countries, as you point out, get more sophisticated in their steel processing, vanadium is certainly in their recipe.

VICE CHAIRMAN PEARSON: Good. Ms. Pakozdi-Luffy?

MS. PAKOZDI-LUFFY: If I may add, we're also researching the use of ferrovanadium with the U.S. Defense Department as well for lightweight, mobile equipment, jeeps, whatever have you.

VICE CHAIRMAN PEARSON: Is it an important element in armor?

MS. PAKOZDI-LUFFY: I believe it is for the lightweight steel and noncorrosive.

VICE CHAIRMAN PEARSON: Well, let me switch to the supply side, then.

In the United States, we see production of vanadium as being correlated quite closely with the availability of certain precursor chemicals that are formed either in oil refineries with catalysts or by oil-burning power facilities or perhaps other oil-related processes. Do we see any likely changes in these sources of supply?

MR. ORR: In North America, no. I would say that seems to be -- I'm not aware of any primary vanadium sources, other than as a byproduct of uranium, which we had seen maybe 10 years ago, that was driven by the uranium industry as a byproduct.

The majority of vanadium in North America is from recycling of petroleum-derived vanadium versus South Africa, Russia, and China, where it's a primary element that comes from the mining, either straight or with iron metals.

Gulf's business, specifically, is based upon the processing of spent catalysts which have vanadium content and the Canadian oil, tar sands, oil sands, is certainly a high source of vanadium in the future from petroleum.

VICE CHAIRMAN PEARSON: Mr. Carter?

MR. CARTER: Thank you. I would second Allan's remarks. We also consume a great deal of petroleum-generated spent catalysts, and, of course, the world demand for energy, particularly in the form of petroleum, is driving that. So I believe that that will continue.

VICE CHAIRMAN PEARSON: But my understanding has been that a significant percentage of the vanadium that's recaptured in catalysts from oil refineries is

coming from oil that originated either in Mexico or Venezuela, and, in Mexico, we know that PEMAX has its hands full just finding enough supplies to serve domestic demand. At least, the projections that I've seen would indicate that availability of oil for export from Mexico is on the decline, and, in Venezuela, we know that at least some officials of that government have a strong preference not to sell anything more to the United States than they need to.

Is it possible that we could see shifts in oil that's refined in U.S. refineries such that we have a significant decrease in the availability of vanadium that could be reprocessed?

MR. ORR: The oil that is processed by PEMAX in Mexico and refineries like Salamanca -- Gulf Chemical has processed thousands of tons of that catalyst, even though the oil is refined there. Just this year, we took in, I believe, about 3,000 tons of spent catalyst containing vanadium from PEMAX.

VICE CHAIRMAN PEARSON: Okay. So you're importing the spent catalysts from Mexico and processing it in Freeport, Texas.

MR. ORR: That is correct.

VICE CHAIRMAN PEARSON: Okay.

MR. ORR: That is correct. Venezuela; we

have received some material from Venezuela, though it's been a while. Most of the Venezuelan crude does come through the Gulf Coast through some of the refineries in Louisiana and Texas, and we do get that catalyst that way, but you are correct. It's more difficult to do business in Venezuela now than it has been in the past for Venezuelan-generated catalysts.

I would say that there are only, in North America, Gulf Chemical and Shield Alloy that can process this material. The tar sands will certainly generate a tremendous amount of more vanadium catalyst.

VICE CHAIRMAN PEARSON: Okay. Mr. Carter?

MR. CARTER: If I may, for Metallurg Vanadium, from Mexico, we also source a great deal of our raw material from power plant residues from their boilers and the ashes from their stacks. So that's not petroleum refineries; those are power plants throughout Mexico which are combusting petroleum to generate power, so there is another stream, if you will, as well.

VICE CHAIRMAN PEARSON: Have those been primarily Mexican facilities?

MR. CARTER: That's correct.

VICE CHAIRMAN PEARSON: Is that considered a

residual oil that they are burning, or is it a different grade?

MR. CARTER: I don't know if I know what you mean. It's a power plant -- it's heavy bunker oil.

VICE CHAIRMAN PEARSON: Okay.

MR. CARTER: Vanadium settles to the bottom of the barrel.

VICE CHAIRMAN PEARSON: And is there any vanadium reclaimed from ocean vessels that might be running on a bunker-grade fuel?

MR. CARTER: Not to my knowledge. The clinker or the ash that comes from that, I don't think, is recovered. I'm not aware of any.

VICE CHAIRMAN PEARSON: Well, my light is changing. Thank you very much, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Okun?

COMMISSIONER OKUN: Thank you, Madam Chairman, and I want to join my colleagues in welcoming you here this morning. I appreciate you taking the time to be with us.

I'll tell Vice Chairman Pearson that I'm only interested in recipes when it will self-cook itself; forget having an ingredient that cooks itself. I need the whole thing to do that.

Anyway, at the time we voted on the adequacy

on this case, there were a number of press reports indicating that there were power disruptions in South Africa and a number of things going on in China. I know, in your brief, you have provided additional information on what you believe the current status of South African production, and our staff, I think, have done a good job of pulling together information, some of which is in the confidential report, and I don't need to go into here.

But I had a couple of other questions because, as I started looking at some of the data, I was curious about a couple of things.

In your brief, you had talked about U.S. imports of vanadium pentoside from China and South Africa as an indicator of, again, their interest in the market and that they are still producing, and there were substantial increases, particularly from China, on that.

As I was reading that, I was curious, is that vanadium pentoside processed here into vanadium, and are your companies doing it? What happens to that? Do you know?

MR. TOTARO: Well, it can go to various sources. I think some is converted, but not all, and I think our statistics on vanadium pentoside sort of

go to the point that Jeff Levin had brought up earlier, the likelihood of a product shifting, or the sensitive to shift, from exporting V205 to converting that within the subject countries would really exit if the orders were revoked.

COMMISSIONER OKUN: Right, and I understand it for that point. I guess, as I was reading it, it struck me, is there a demand for vanadium pentoside in the United States that is separate and apart from it's just where they need to go? I see that Mr. Bunting is shaking his head back there, so he can explain.

MR. BUNTING: Yes. Vanadium pentoside is also imported to do other things and produce ferrovanadium. It's also used to manufacture vanadium-aluminum alloy for the titanium alloy industry. That is a separate channel, and it's actually a much higher grade of vanadium pentoside, a higher purity, than would normally be required for ferrovanadium production, and there is a steady flow of that material into this country from South Africa, in fact, and also from China, in fact.

COMMISSIONER OKUN: Okay. So that's for a whole different industry producing.

MR. BUNTING: There are also a lot of chemical applications, too. On a worldwide basis,

these are small compared with steel-making, but, actually, most of these are also centered here in the United States.

COMMISSIONER OKUN: Okay. That's very helpful to understand that better.

The second question -- I don't know if you have any other information -- I know, in discussing what's going on with the export tax in China, the switch from being on the vanadium pentoside, or switching back from one to the other, you had cited intelligence reports, and we are constantly striving to get information about what is going on in China and when. Are there any additional data or sources that you could point us to to try to verify the information that you've presented?

MR. TOTARO: Well, actually, since we put together the brief, I have come across one additional source that I can put in a post-hearing brief that backs up the information that we had heard through our sources, and, in fact, it points out maybe one additional point that I don't think I did make in the brief, was that not only did the recent change in export duties change to impose a duty on the exports of V205 from China, but what had been in place before that was an export rebate on V205 so that it was a

real reversal, from an incentive put in place by the government to this barrier put up, and, at the same time, an elimination of a duty on the export of 80-percent vanadium completely, from -- I think it was 10 percent to zero.

COMMISSIONER OKUN: Okay. I appreciate that, and I'll look forward to seeing the additional information in the post-hearing briefs. That will be very helpful.

And then I know that you have also provided information in your brief about the Australian facility and that it's expected to begin its operations in late 2008. Can you tell me a little bit more about anything you do know about the capacity of that? Am I correct that it was online, at one point, and then it was taken offline, and now it's going to go back online? Is there any other information regarding whether it's at the same capacity?

MR. TOTARO: I think maybe some of our witnesses can provide a little extra detail, but I can clarify one point that I had mentioned in the brief. I think, at one point in the brief, I had referred to the earlier operations of the Windimurra facility in South Africa as being ferrovanadium production.

I think, in its earlier period, it was

producing vanadium pentoside, and so, in that way, getting vanadium into the market and having the effects that I described in the same way, but a difference in the predicted late 2008 and 2009 production is that the facility is now projected to be producing ferrovanadium, not V205, and exporting ferrovanadium into the market.

COMMISSIONER OKUN: Okay. Yes. Mr. Bunting, can you add to that?

MR. BUNTING: Yes. You asked about the capacity of this plant.

COMMISSIONER OKUN: Yes.

MR. BUNTING: When it was running before, in the early years of this decade, it was producing about 16 million pounds of V205. It appears to actually have reached that level at its peak, looking at the exports from Australia.

The stated capacity of the rebuilt facility is about 20 million pounds of V205, and, as John said, they will also include now the extra ability to convert that on site into ferrovanadium as well.

I'm not sure whether it's all of the production of oxide or just a portion of it. That's not clear yet to me.

COMMISSIONER OKUN: Okay. That's helpful.

As part of your testimony in your brief, you had talked about the impact of supply in the world market on prices, and you talked a little bit -- I'm not sure which of the witnesses talked a little bit -- about the benchmarks, and we know that there are pricing data out there by which these benchmarks are set.

Have there been any further, other changes in how prices are set during the period of review? In particular, are contracts still used, and has the nature of the contracts changed or the benchmarks used to set contracts? If anything is confidential, you can put more in the brief.

MR. ORR: I understand. No. Essentially, from when I was here five or six years ago, the contracts were still mostly annual, with steel mills mostly formula pricing, which was the same as before, using some sort of reference price, whether that be Metal Bulletin, Ryan's Notes, the same things we alluded to, the last time we had this hearing. That has not changed much.

COMMISSIONER OKUN: Any additional points on pricing or contracts? Mr. Carter?

MR. CARTER: Nothing really new. I think I would second what Allan said. It's very similar.

COMMISSIONER OKUN: Okay. Just one of the

things I was curious about is you talked about the volatility during the period, both when you had kind of a ramp-up in raw material costs and your ability to pass those on.

Has there been anything added to the contracts to try account for that? In other words, if you're in an annual contract negotiation, how are you handling the volatility that's been in the market?

MR. ORR: There has been nothing added to the contracts. I can say that, essentially, the model is to try to buy your raw materials, or pay for your raw materials, on the same publication as what you sell them on so you don't get cross-ways with differentiations.

That has worked successfully until very recently, when the price of vanadium, obviously, is high and stayed high, and more people have gotten into the industry, and our customers, on the raw materials side, the oil refineries, have gotten sharper and sharper on the values that they expect, but, to mitigate that, we try to use the same publication. That keeps us, at least, on the same footing.

COMMISSIONER OKUN: Okay. Well, I appreciate that. I have some additional pricing questions, but I see my yellow light is coming on, and

I also probably need to ask some questions about how we define the domestic industry. I was here Did you tell original investigation, and I've gone back to read what we did, and I know, with tollees, tollers, it's always be a difficult question. So I have some additional questions on that as well. Thank you.

CHAIRMAN ARANOFF: Commissioner Lane?

COMMISSIONER LANE: Good morning. The domestic industry experienced a great deal of fluctuation in profitability over the period of review, so I have several questions about the component parts of your financials.

First, I would like you to comment on the prices for ferrovanadium from 2002 through 2007. Are those magnitudes of price changes normal for this industry, and are they related to a business cycle for ferrovanadium, and, if so, what is that cycle?

MR. TOTARO: Well, I could start out by making a general comment that maybe our industry witnesses can clarify for their particular companies.

I think, when looking at the pricing and the movement in pricing that you see over the six years or so covered by the reviews, I think, as you've heard, the primary factor driving the wave in prices is the world market for ferrovanadium, for vanadium. If

those world prices change, that has an effect on prices in the United States, on these sellers, just as it does around the world.

So I guess my colleagues here can comment on whether that's a business-cycle effect, but I don't think that it is.

MR. ORR: Let me say that I think that we're discussing vanadium today, but this has happened to all of the metals. We're also involved in molybdenum and nickel and things, and the pricing for all of these metals, over the last five or six years, has gone up tremendously. The driver to that is increased demand.

I would say, yes, it's probably a cycle. I'm not sure when the end comes. We've discussed today how the credit issue may be having an effect upon all of these things, and, obviously, the metals prices have all declined along with the markets.

This certainly has increased over the last five years, and it's basically on world demand and world pricing.

COMMISSIONER LANE: So do you think we are in a business cycle, and, is so, at what point of the business cycle are we in right now?

MR. ORR: Yes. I guess we're in a business

cycle, one that I've never seen in my almost 30 years in this business. Vanadium, historically, has had some pretty sharps rises and falls but nothing to this extent, to this height and this length.

But this has also to do, I think, basically, with the globalization. We discussed the steel growth in China and in other parts of the world, and, as this all grows, the alloying elements are going to grow also. I'm not sure how far along we are in the cycle, though. I don't know that.

COMMISSIONER LANE: Yes, sir. Maybe you should identify yourself for the court reporter.

MR. BUNTING: Yes. Bob Bunting representing Strategic Minerals Corporation. I, personally, think that there are actually two cycles in effect here. We have the cycle that is being driven by this tremendous growth in the developing countries, especially China. I think that is one cycle that we are still on the upswing of, but I think that the other cycle is just the general market economy business cycle, which, at the moment, we are on the downward track on.

So we have some conflicting direction from these two different cycles. That's the way I would view it.

COMMISSIONER LANE: Maybe you, Gentlemen and

Ladies, could take a look at the actual prices because my question was about the fluctuations, and that is what I was concerned about. I think maybe your answer about the business cycle is very relevant because I'm not sure if this is business-proprietary, actual information or not, so it would be good maybe answering it in the post-hearing, would be helpful.

MR. TOTARO: Excuse me, Commissioner Lane, if I could just add one point that we did touch on in the brief a little bit as a factor affecting the prices and affecting the ups and downs of the prices, is the world supply of vanadium.

As there have been changes in the world supply during this period, for example, early in the period, as I mentioned in my opening statement, when Estrada, one of the South African producers, closed one of its plants that produce the intermediate product, V205, that resulted in a temporary decline in the supply of ferrovanadium onto the market and had a price effect as a result.

Similarly, when the vanadium production in Australia ceased in the middle of this period, in 2004, that resulted in a reduction in world supply and had a resulting effect on prices worldwide. Other disruptions, increases and decreases, in supply, I

think, does have a direct impact on prices worldwide.

COMMISSIONER LANE: Okay. I would like for you also to address the cost of goods sold and the changes in the cost of goods sold from 2002 through 2007.

First, could you indicate what the major component parts of cost of goods sold are, as far as raw materials, energy, labor, and other factory costs are, as a percentage of the total cost of goods sold and indicate which of those components are contributing to the changes that we see from 2002 through 2007.

MR. TOTARO: Sure. We would be glad to address that in the post-hearing brief and give you the detail in the proprietary forum.

COMMISSIONER LANE: Okay. Thank you.

To what extent is it likely that if the underlying steel market for ferrovanadium drops, affecting your prices negatively, that you will see decreases in your raw material costs, and does that normally occur in an industry like this?

MR. ORR: Well, in our particular case, as I alluded to, if the price of the publication does down, then, yes, our raw materials price does go down, the way our contracts with the oil companies are.

The producers, globally, that mine the material; it has no impact upon that. Obviously, their costs are determined by their labor and their fuel and their cost of mining. It's a different operation.

But, yes, it is true that if the price of vanadium fell, our raw materials price would go down.

COMMISSIONER LANE: Okay. Now, I would like for you to look at your SG&A costs. Could you explain what factors caused the changes that we see in the average unit cost of SG&A from 2002 to 2006, and then specifically address the change in 2007?

MR. TOTARO: Sure. I am guessing that this is nothing that anyone could really address in the hearing, but we would be glad to address it in the post-hearing brief.

COMMISSIONER LANE: Okay. Thank you.

The staff report also indicates that the domestic industry productivity increased during the beginning of the period of review but declined slightly overall between 2002 and 2007. What factors were responsible for the increase in productivity early in the period and for the decline in productivity later in the period of review?

MR. TOTARO: Again, I think this is

something that we would rather address in the post-hearing brief.

COMMISSIONER LANE: Okay. Thanks.

In the original investigations, Petitioners stated, in their prehearing brief, page 24, that the world market for ferrovanadium is driven by Europe. Is that still true today, and, if so, why is Europe the driver of the world price for ferrovanadium?

MR. TOTARO: I would like to go back to take a look at that statement in the brief. I don't, at the moment, recall the context of that comment. I don't know if any of our witnesses have anything to add to that.

MR. BUNTING: Well, Europe is certainly the biggest single consuming sector, if you like, in the world, but it's not that much greater than North America or now, even China, so I'm not sure I would really characterize it right now as the dominant driving region.

COMMISSIONER LANE: Okay. Thank you. Thank you, Mr. Chairman.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman. I, too, want to welcome our witnesses and express appreciation for their being here today.

On this question of the variability of the price of ferrovanadium, I was just wondering, are the amplifications or changes in price relative to the fact that, on a worldwide basis, there aren't that many producers, say, compared to the number of steel companies and things like that? Is that a factor in the volatility?

MR. BUNTING: I would say yes. I mean, in January of this year, when ESCOM in South Africa made a power adjustment, the vanadium price took a dramatic turn because South Africa is a major producer of vanadium.

COMMISSIONER WILLIAMSON: Okay. So if any one of the relatively few producers, if anything happens, we'll see it much more quickly than we may in prices in general.

MR. BUNTING: Yes.

COMMISSIONER WILLIAMSON: Okay. Thank you. I was wondering about that.

What about, Ms. Pakozdi-Luffy, you mentioned, I guess, maybe one of the new uses for ferrovanadium might be in lightweight military vehicles. Are there other new uses that we might anticipate coming up that's nonproprietary?

MS. PAKOZDI-LUFFY: Off the top of my head,

I cannot say exactly what, but, as technology changes in the industry of structural components, I would say that there would be continuing increases.

COMMISSIONER WILLIAMSON: Okay. Yes?

MR. HILBERT: I would add that the program with the military is not just vehicles. In fact, the primary purpose with the military is in new bridges. They can have a bridge span which is three times longer than the current span with high-strength, low-alloy steels. They have also got blast-resistant possibilities, rebar, long-span structures. There is a host of things beyond vehicles.

I wouldn't characterize any of them as new technologies, other than an expansion of existing properties to utilize vanadium in new ways.

COMMISSIONER WILLIAMSON: Okay. So if we go into a bridge-infrastructure binge in the U.S. --

MR. HILBERT: Absolutely. The military has a new Bailey bridge they are going to use using vanadium steels that, again is a 60-foot span versus the old 20-foot span.

COMMISSIONER WILLIAMSON: Okay. Thank you.

To what extent are prices still high, and what might you say for the future? If they are high, does this industry sort of lag behind maybe the

business cycle?

MR. TOTARO: Would you mind clarifying that? I'm not sure I understand your question.

COMMISSIONER WILLIAMSON: Yesterday, we were talking about demand for steel is beginning to slow down. Prices, I think, may be soft, and I was just wondering, what about the prices for ferrovanadium? Are you seeing them softening fairly quickly, or do you think it might take longer before they do?

MR. BUNTING: I would say that the reason the prices have been particularly strong in the last, let's say, three years or so, the second half of the review period, has been that the consumption of vanadium, worldwide, has been very, very strong, driven, obviously, by very, very strong steel production, but also, as I mentioned earlier, the titanium industry has been extremely active as well during this period.

So, really, what you had is an explosion in consumption that has been chased by production. So you've got a rapid growth in usage and a rapid growth in supply, but it's always been lagging.

The problem will come when this rapid growth in consumption is halted, for some reason or other, recession or some change that creates that, when

you've got this rapid acceleration in production, especially in China, where they have really tripled their production in the last three or four years.

So that is a dangerous situation with regard to the price. If, suddenly, the supply gets above this demand curve, then we know the price will come down.

COMMISSIONER WILLIAMSON: Okay. Thank you.

In December '05, of course, Gulf acquired 100 percent of Bear. Accordingly, should Gulf be included in the domestic industry, beginning as of December 2005, because Tables B-3 and B-4 of the prehearing report presented pricing information as if Gulf were a U.S. producer of ferrovanadium, beginning in January of 2006? Is this appropriate?

MR. TOTARO: Well, as the Commission noted in its sunset review on the order on Russia, in that case, the Commission did not consider Gulf to be a part of the domestic industry. They continued to look at just Metallurg Vanadium and Bear as producers and said that, even though Gulf's percentage ownership of Bear had changed to 100 percent, that the Commission continued to focus on this specific business unit within the larger corporation that produced the end product, ferrovanadium.

As I said earlier, we still consider it very important that the Commission look at the financial condition of Gulf, as well as Stratcor, because of their continued production activities related to ferrovanadium.

So the relationship between Gulf and Bear, as you say, the percentage ownership changed, but the arrangement, as far as the different activities of the two, remains distinct. Gulf is the entity that produces V205, and Gulf arranges for toll production by Bear. That's true now, as it was earlier, before the change in percentage ownership.

COMMISSIONER WILLIAMSON: Mr. Carter, did you want to add something?

MR. CARTER: No. I'm sorry.

COMMISSIONER WILLIAMSON: Okay. Thank you for that.

Did any of you import vanadium dockside from South Africa or China during the period of review? If so, please report the quantities of these imports or purchases in your post-hearing brief.

MR. TOTARO: I don't believe that any of the members did, but we'll address that point in the post-hearing brief.

COMMISSIONER WILLIAMSON: Thank you. You

mentioned the fact that the Chinese, I guess, have lifted the -- imposed the tax on the vanadium pentoside and giving a rebate on the finished product, and I was wondering, do you have any additional information, maybe in post-hearing, about how the Chinese went about making that decision? Did the industry scream?

MR. TOTARO: Well, the little bit of information that I've been able to find, in addition to just sort of intelligence sources from the VPRA members, really confirms the actions, not so much the motivations for those actions, and, to clarify, I think that the change, as I understand it, was for vanadium pentoside. It changed from an export rebate to an export duty, and then, on ferrovanadium, 80 percent, a change from a duty to zero duty, not a rebate, on ferrovanadium. But I'll scan my group to see if anyone else --

MR. BUNTING: Yes. I deal with Chinese materials in a number of different areas, and this move by the Chinese government, at the beginning of the year, to suddenly remove the export tax on exports of 80-percent ferrovanadium and not to do the same thing on 50-percent ferrovanadium was a very, very strange move. It was counter to everything they had

been doing on just about every commodity that they have either been importing or exporting in the last two or three years.

It's very concerning because 80 percent is only produced, really, for export in China, and everything they export, as I said, is 80-percent ferrovanadium. So it very much looks like the Chinese producers of ferrovanadium persuaded the government, for some reason, to remove that tax. As I say, it's very unusual to see that happening in the context of everything else that's been going on there.

I thought it was a mistake when I first saw it, but that was eight months ago, and it's still there, so I don't think it could be.

COMMISSIONER WILLIAMSON: You would have expected that they would have done both, removed the -- lowered the tax on both products.

MR. BUNTING: If they were trying to restrict the export of energy-consuming materials, which is one of the reasons that they have been raising these export taxes, you would have seen this put on the 80-percent ferrovanadium, or, at least, kept on it, not sort of put on earlier and then removed, for some unknown reason.

So it's counter to everything else they seem

to be trying to achieve, and I suspect it's the result of internal political pressure to allow the Chinese producers of ferrovanadium to export ferrovanadium.

In fact, if you actually look at the net exports, the actual exports, of ferrovanadium from China in the first eight months of this year, they are almost triple what they were in the first eight months of last year. So it does appear to have had the effect of, you know, increasing exports, which is what they appear to want to do.

COMMISSIONER WILLIAMSON: Thank you very much. My red light is on. Thank you.

CHAIRMAN ARANOFF: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Madam Chairman. I would like to join my colleagues in welcoming you here today and thanking you for being here.

I want to being with some of these questions about the tightness of supply in the U.S. market. Currently, how tight is the supply of ferrovanadium in the U.S. market, and are any customers being put on allocation or, in any other way, having their access to the ferrovanadium restricted?

MR. CARTER: No customers are being put on allocation, to my knowledge, certainly none of ours.

I think vanadium is fairly much in balance. I don't think that it's in real tight supply.

MR. ORR: I would agree with Jim. No customers of ours are on allocation. We have supplied all of their requests and anticipate continuing to be able to do that.

COMMISSIONER PINKERT: I believe you testified earlier, Mr. Orr, that the pricing was demand driven, and that's one of the reasons why I have these questions about the tightness of supply in the market. So can you perhaps answer more broadly about the tightness of supply in the market? I understand your answer with regard to allocations.

MR. ORR: Yes. I think I can probably approach that in the brief afterwards, but, in general, I would say that your tightness in the U.S. market is probably not different now than it has been for the last year. I don't know of any -- certainly, our production is very similar to what it's been in previous years, so I don't see that, but I'll look into that in more detail.

COMMISSIONER PINKERT: If you could look at that further, that would be very helpful.

Any other reflections on this issue on the panel?

MR. ORR: Just to add one other point that we could address related to that, in the post-hearing brief, is maybe a little more discussion on capacity utilization that might help address that issue, too.

COMMISSIONER PINKERT: Thank you. Now, turning a little bit more to the legal side, for a moment, Mr. Levin, I was interested in your testimony about the Bratsk issues and issues related to Bratsk in some way.

Have the nonsubject imports simply taken the U.S. market share that had previously been held by subject imports prior to the imposition of the duties?

MR. LEVIN: The market, as a whole, has grown. I don't think that it's been an exact displacement. I would be happy to take a look and figure out and explain, in the post-hearing brief, how that occurred between the period of investigation and the period of review.

COMMISSIONER PINKERT: Thank you. That would be very helpful.

Now, specifically, for Bear, I'm interested in understanding what would happen, under your tolling agreement, if either Gulf or Stratcor reduced the amount of material that they were giving you for processing. Would you be able to get raw material

from other sources?

MS. PAKOZDI-LUFFY: Gulf and Stratcor represent the majority of our conversion or toll customers. If we lost their V205, we would make attempts, through some of our other customers; however, I feel that it would be a very drastic decline and would definitely hurt Bear. It would just hurt Bear quite dramatically.

COMMISSIONER PINKERT: I understand what you're saying about whether it would hurt the company, but I'm just wondering whether you have recourse to other suppliers of the raw material, or whether you are limited, in some way, to the two suppliers that I mentioned.

(Pause.)

MS. PAKOZDI-LUFFY: I'll be general with some terms here. The fact that they are a majority customer, we've never had to seek fulfillment of our capacity. However, I will say that this could be -- in a post-hearing brief, I'll describe it more in detail.

COMMISSIONER PINKERT: Thank you. I understand that you can't go into all of the details here, but I just wanted to clarify what my question was on that.

Now, in June 2007, Chinese producers, and I'm going to have a little bit of difficulty pronouncing the names here, Cheng Di and Pansi Wa established a joint venture accounting for 90 percent of the Chinese market and 20 percent of the global market for vanadium. How do you anticipate that this joint venture would affect the U.S. market if the orders were revoked?

MR. TOTARO: Well, I think that this is just one of many developments that will increase the strength of the Chinese industry and increase the likely volume that would be available to export to the United States if the orders were revoked.

I think we've seen, and, as Mr. Bunting has explained in a little bit more detail, the exports of ferrovanadium have been rising very rapidly in the past year, and it may be, in part, due to consolidation like that and due to expansions in production capacity.

One of the other news stories we saw this past year was that Pansi Wa, one of those two producers, added additional production capacity.

It's interesting, in this Commission's staff report, there is a reference to an article from the U.S. Geological Survey about Pansi Wa, referring to

its production capacity in 2004, and I think that the number there was 2,800. I'm not sure I'm getting my -- right, but it was approximately a threefold increase between 2004 and 2008, in this most recent news story, so it's really an exploding industry, and I think that merger you talked about, that consolidation, is just one component of the process.

COMMISSIONER PINKERT: Thank you. Now, for the company witnesses, I'm hoping that I can get you to think to the future for maybe the next 12 to 18 months, in that timeframe, and ask you whether you expect any changes in production processes that might, in some way, impact the supply in the U.S. market of ferrovanadium.

MR. CARTER: I think something that I perceive, with some trepidation, would be the onset of production in Australia by a very large company and how that will impact the movement of ferrovanadium around the world. As you've heard, this will be a substantial producer of new material, so what's going to happen? We can only be concerned.

I would think this market would be the target very much of exactly what we're talking about. If the antidumping duties were revoked, of which we discuss, I think there would be a lot of material

coming into the United States from South Africa and from China, ferrovanadium.

COMMISSIONER PINKERT: Specifically, I'm thinking in terms of technical improvements to production processes. Is there anything, either that you can talk about in public session or that you can supply in the post-hearing, that might help me to understand what is likely to happen with regard to technical improvements in the production processes?

MR. TOTARO: Can I ask a follow-up? Do you mean changes that might occur within the production processes for these companies or internationally?

COMMISSIONER PINKERT: Here or internationally.

MR. TOTARO: Okay. You mean the types of technology processes, machinery, that sort of thing.

COMMISSIONER PINKERT: Correct.

MR. BUNTING: I would just make a very quick comment. Additional supply is likely to come, in a relatively small way, from uranium mining, which has in its ore some vanadium, and that, as uranium demand has increased in the last few years, has stimulated some restarts of uranium mines out in the Colorado-Utah area.

COMMISSIONER PINKERT: Thank you.

MR. ORR: Let me just briefly say that, from Gulf's standpoint, the change would be the fact that we see the oil sands development very clearly in our future. We have invested and built a facility in Fort Saskatchewan, and that will be the biggest change for Gulf Chemical, insofar as vanadium pentoside and ferrovanadium, but it's the same technology we're using right now.

COMMISSIONER PINKERT: Thank you.

MR. CARTER: May I say, for Metallurg Vanadium, we are in the midst of expansion and some new technology in our facility that we expect to be more efficient in the future. Regrettably, I can't be definitive in front of my competitors, but while we intend this, and while we're dedicated to it, it is jeopardized by the specter of what we're talking about here.

COMMISSIONER PINKERT: Thank you, and if you can add any detail in the post-hearing that you're unable to discuss here, I would appreciate it.

MR. CARTER: Thank you.

COMMISSIONER PINKERT: Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Thanks.

In response to one of my colleagues, who was

asking about pricing practices and contracting practices in the industry, and you had indicated that contracts with steel mills are still mostly annual contracts with formula pricing based on various published indices, has it been your experience that the increasing consolidation of the steel industry in the United States has shifted the balance of power at all, in terms of those contract negotiations? That's something we've heard with respect to other suppliers to the steel industry.

MR. CARTER: If I may, my opinion is yes, that we have fewer steel companies, through the consolidation. They do wield more power. Some of them are international companies now, where they used to be primarily U.S. domestic.

In addition, there are much fewer, many fewer, opportunities to sell on what we call a "spot basis," in other words, a single transaction or a very limited-time transaction, and, typically for us, those are more profitable opportunities. We get a better price for those.

But as so many of these companies have been absorbed as part of consolidation, precisely what you describe has happened, and, concomitantly, the opportunities for spot sales have dwindled.

CHAIRMAN ARANOFF: And that's because, as the companies have become larger purchasers, they have just become better at planning for their needs so they don't need to buy outside their contracts, or do the contracts have a fixed price but not a fixed quantity?

MR. CARTER: I think it's my experience that there aren't fixed prices; they are indexed. So they will move with the index.

They aren't usually fixed quantity. They would typically be what are called "requirements contracts," what the various steel mills in these companies will require. So it's a bit of uncertainty for us.

CHAIRMAN ARANOFF: A requirements contract essentially works to your disadvantage --

MR. CARTER: Yes.

CHAIRMAN ARANOFF: -- because they get whatever amount they need, and you don't have the opportunity, then, to sell them extra on the spot market.

MR. CARTER: Precisely.

CHAIRMAN ARANOFF: Okay.

MR. CARTER: That's why we take these things very seriously, and we try to exhort the customers to be as precise as possible in what they need.

CHAIRMAN ARANOFF: Okay. The indices that are used in contracts for pricing; they are using benchmarks U.S. prices or global prices.

MR. CARTER: The index that we use -- I should say the publication that we use publishes both what it calls a "U.S. transaction price" -- I think it's actually a "North American transaction price" -- and it publishes a "European price." It is our practice to incorporate the North American transaction price range.

CHAIRMAN ARANOFF: This is a globally traded commodity with lots of published pricing information. I know you indicated, in your prehearing brief, that the prices in the United States are currently higher than prices in Europe, and I guess my question is, can there ever be, in that kind of a market, sustained price differentials between the U.S. in Europe or, indeed, any two regions of the globe, or is this just a temporary phenomenon, and it could just as well be the other way?

MR. TOTARO: Well, over the past several years covered by these sunset reviews, that's generally been the trend, that the U.S. price has been higher. It's not a fixed range between the two. It has fluctuated and occasionally reversed, but, as a

general statement, that seems to have held true through this period.

CHAIRMAN ARANOFF: Can anybody explain why, because, as I've said, you've got a globally traded commodity, you've got lots of public pricing information? How could you see a sustained price differential?

MR. BUNTING: I think the import duties into the United States tend to create that margin, and I would say the fluctuation of both, for the most part, but, occasionally, below, is around that margin.

CHAIRMAN ARANOFF: Okay. So you think that if it were not for the antidumping duties that were in effect, you wouldn't see a sustained price differential of the kind that you're describing over the last few years.

MR. BUNTING: No. I was talking about the normal import duties on materials, not the antidumping duty.

CHAIRMAN ARANOFF: Not the antidumping duty.

MR. TOTARO: The normal Customs duty.

CHAIRMAN ARANOFF: The normal Customs duty is how much?

MR. TOTARO: 4.2 percent.

CHAIRMAN ARANOFF: And other countries don't

have -- the U.S. duty is higher than other countries' duties.

MR. BUNTING: It's higher than some. I'm not sure I can answer completely for all of the, say, European countries, but I think, in general, it's certainly higher.

CHAIRMAN ARANOFF: Okay. All right. I appreciate that clarification.

In our 2006 review of ferrovanadium from Russia, we found that a Russian producer was exporting vanadium pentoside to the Czech Republic and also to Belgium, where it was being processed into ferrovanadium and sent to the United States.

As far as you know, is that practice continuing, and is that what accounts for the volume of imports from the Czech Republic that we see in the import data?

MR. BUNTING: Yes. Russian oxide is going to the Czech Republic. It's no longer going to Belgium, though. I believe the producer in Belgium closed down some years ago.

CHAIRMAN ARANOFF: Okay. Is it a fair reading of the statements in your brief, at around pages 50 to 52, to say that U.S. producers need to obtain higher prices for their ferrovanadium sales

than other ferrovanadium producers by virtue of differences in the U.S. production process? I know you testified earlier that sort of the cost advantage has shifted.

MR. TOTARO: I think the point we were making there is that the difference in production processes requires the U.S. producers to seek a different production input than producers overseas using different production processes and that the types of raw materials that the U.S. producers are using, the recycling technologies, is subject to different pricing factors than the Chinese and South African producers are subject to, and, as it turns out, as Allan Orr was testifying to, there has been a big change in the pricing for those inputs for the recycling technologies.

CHAIRMAN ARANOFF: I guess I'm trying to understand whether that change in the relative cost of inputs for recycling versus inputs that are coming either out of mining or directly out of related steel mills, whether that has raised the cost -- how much that's raised the cost of producing in the U.S. relative to other places because, of course, the recycled input is not the only cost that goes into your production process.

MR. CARTER: If I may, in my view, the key costs for us are the vanadium-bearing inputs, by a great amount, and our costs have increased with the value of the metals contained in our inputs.

If we contrast that to a miner, for instance, one of the South African folks, they are digging in a mine, taking the stuff out of the ground. Their costs are what they have to pay the individuals and the equipment to bring it out, and that doesn't change with world markets. It just comes out at the same cost there. So theirs hasn't gone up and isn't likely to.

The same with, for instance, steel mills that are generating slag that contains vanadium; they are making the steel. In fact, they are making, as Mr. Bunting said, treble the amount they made a few years ago, so there is much more raw material available to them depending on their procedures at very constant costs or no cost.

CHAIRMAN ARANOFF: Okay. My light is red, so I'll decide if I need to pursue this further.

Vice Chairman Pearson?

VICE CHAIRMAN PEARSON: Thank you, Madam Chairman. Mr. Orr, in addition to vanadium, what other metals or items of value are extracted from the

spent refinery catalysts?

MR. ORR: Refinery spent catalyst contains molybdenum, vanadium, nickel, cobalt. The bulk of it is alumina, but there is not much value in aluminum oxide versus those four metals.

VICE CHAIRMAN PEARSON: Okay, and how much is left over that has to be disposed of some other way? I mean, is there some volume of catalysts --

MR. ORR: Nothing. Zero. Zero.

VICE CHAIRMAN PEARSON: Very efficient.

MR. ORR: The vanadium becomes vanadium pentoxide, goes to Bear Metallurgical basically for steel applications; the molybdenum trioxide is picked out and sent back to the catalyst manufacturers directly; the nickel and the cobalt are not separated but it's sent to major nickel refineries such as Xstrata Nickel and Inco Nickel, which is now Vale, for separation of nickel and cobalt; and the alumina is used as an artificial slag for the steel industry.

VICE CHAIRMAN PEARSON: Okay. How about for the ash that is the residue of oil burning?

MR. CARTER: Similarly, Metallurg Vanadium wins the nickel and molybdenum units, different forms, and then there are United States competitors, but we win that metal back and sell it to the steel industry,

a little different fashion, primarily to the stainless folks. We also generate calcium aluminate-rich slag that is also sold to processors who sell it to the steel industry. So in essence, it's a complete recycling process.

VICE CHAIRMAN PEARSON: Okay, so you don't end up with something that's going into a landfill, then? You --

MR. CARTER: In complete candor, at this juncture, there is a very small amount of baghouse dust from the electric arc furnaces that is landfilled, but in fact, we recycle most of that, and we are nearing technology to bring the small landfilled portion to zero.

VICE CHAIRMAN PEARSON: Okay. Thank you. I am curious about non-subjects, and I know this question has been addressed, but why do they represent such a significant portion of domestic consumption? The public staff report indicates that they account for about 40 percent of U.S. consumption. Mr. Carter?

MR. CARTER: From my experience, my opinion is price. It gets sold cheaper.

VICE CHAIRMAN PEARSON: Mr. Bunting?

MR. BUNTING: Yes, I think it's more or less to do with the amount of vanadium pentoxide that's

manufactured here in the United States. The difference between what is made in the United States as vanadium pentoxide and what is consumed in total has to come from abroad, and it tends to come as ferrovanadium.

VICE CHAIRMAN PEARSON: Fair enough. I understand that logic completely, but then the question is, the capacity utilization for U.S. ferrovanadium producers is not terribly high. It's confidential information, so we won't discuss the figure, but if you were to look at the number, you'd think, there might be an opportunity to utilize some capacity that currently isn't utilized, perhaps importing some other source of vanadium pentoxide and processing it in the United States. Will the economics not support that?

Mr. Carter?

MR. CARTER: I believe you will see certainly Metallurg Vanadium in that direction. That's part of the expansions we are talking about. As the generators of spent catalysts in the tar sand regions of Western Canada produce more catalyst, we shall be receiving that and processing it into ferrovanadium. I think other domestic companies may react similarly.

So we, yes, we will grow, intend to grow, and of course, we have every intent to try to supplant some of these, shall we say non-subject importers.

VICE CHAIRMAN PEARSON: Okay. Are there supplies in the global merchant market of vanadium pentoxide that one could go out and buy if one wanted to, or when vanadium pentoxide is produced, is it pretty much committed to some specific end use, some facility that will convert it into something else?

Mr. Bunting?

MR. BUNTING: No, it's available. There aren't that many options, but certainly, it's possible to go out and buy vanadium pentoxide from other countries.

VICE CHAIRMAN PEARSON: But obviously not so terribly attractive to do it and transport it to either Pennsylvania or Ohio for manufacture into ferrovanadium, but I hear what you are saying, Mr. Carter, and not wanting you to say anything on the record that you shouldn't, but the issue that I have raised seems to be part of your thinking in terms of getting better utilization out of the U.S. facilities by bringing more input into them and then serving a higher percentage of domestic consumption. Is that --

MR. CARTER: Is your proposition one that we

would purchase imported vanadium pentoxide and convert it --

VICE CHAIRMAN PEARSON: Well, just that somehow more vanadium input would be obtained to run the U.S. facilities --

MR. CARTER: Right.

VICE CHAIRMAN PEARSON: -- at a higher level, yes.

MR. CARTER: Okay, as I say, we are in the process of developing that. That's going to happen, but through the same inputs that we currently employ, and specifically, that will be the spent catalyst.

MR. BUNTING: I can't really speak for Metallurg, their process, but historically they have not produced vanadium pentoxide. Therefore, just bringing in vanadium pentoxide to make ferrovanadium might be problematic without a change in the practice, but I can't really -- that's just a suspicion I have.

VICE CHAIRMAN PEARSON: Okay, well, and then this does perhaps get close to sensitive in terms of talking about your own business in front of the competitors, but the general question that I have been curious about is why we see this somewhat lower level of capacity utilization than we might anticipate in a market in which there is this substantial quantity of

imported non-subject ferrovanadium that is serving domestic demand, so I'll trust those of you in the market to sort it all out, but you know, it struck me as a somewhat curious equilibrium that's been established over the past several years. Is that fair?

MR. TOTARO: And we can try to add what we can with company-specific data that would be helpful in the post-hearing brief, to see if we can add any more insight to that.

VICE CHAIRMAN PEARSON: Okay. Well, thank you.

At this point, Madam Chairman, I believe I have no further questions.

CHAIRMAN ARANOFF: Excellent timing.

Commissioner Okun?

COMMISSIONER OKUN: Thank you.

I wanted to go back to just one follow-up with respect to the potential for Chinese exports of ferrovanadium, and I wondered whether, Mr. Totaro, you had any opportunity to look at Chinese exports to the Korean market to see if there has been any change of decreasing exports of the vanadium pentoxide and increasing exports of ferrovanadium to the Korean market or to other markets in light of the changes in

the export tax?

MR. TOTARO: I have to take a look back at the statistics we've compiled. I believe, though, that the exports of V_2O_5 from China to Korea have decreased, but as to where the increased exports of ferrovanadium are directed, I don't have that with me today, but I can address that and show you what we have in the posthearing brief.

COMMISSIONER OKUN: Right. And again, I may not expect them to go to Korea. They may be going somewhere else. I just wondered whether there was any data indicating that the change in the export taxes affected exports generally.

MR. TOTARO: Right, and I think what is at least part of the trend that will appear from those statistics is increased exports of ferrovanadium from China to Europe and these are the exports that we also expect would be directed to the United States if the orders were revoked.

MR. BUNTING: I could just add that there has been a big increase in ferrovanadium exports to Europe and Japan, the normal markets outside the United States. What is surprising me a little bit at the moment is that the flow of vanadium pentoxide to Korea is still quite strong. It has dropped a little

bit but it isn't just like a change of policy by the Chinese. They appear to now exporting both, effectively.

COMMISSIONER OKUN: Okay. That's interesting. Thank you. I appreciate those observations on that. Let's see. I wanted to ask some questions about capacity utilization from the domestic industry. I think we have quite a bit on what you found about the subject industries, and just one question, and you know, we've talked about the market and the demand has been relatively strong, we've talked about what's gone on with prices, and I wondered if, in looking at the capacity utilization numbers, you know, the specifics, obviously, are confidential, but whether the capacity utilization numbers for the domestic industry are lower because of a problem with or a limited availability of inputs or facility or equipment constraints.

MR. ORR: From Gulf's position, yes, there have been constraints. It's the reason we built the facility in Western Canada. The roasting or pre-roasting of catalyst, the inputs for us. We are limited. We are running at full capacity at the plant in Freeport and have initiated this construction project which is now up and running. That was a

limitation for us.

Now, that affects not only vanadium, obviously, but the molybdenum and nickel and all the other components. I mean, a ton of catalyst only contains so much vanadium and not all of it contains vanadium. So we do have some constraints and we are addressing that.

COMMISSIONER OKUN: Okay. That's helpful.

MR. CARTER: May I add that we are reacting similarly, to receive a greater amount of spent catalyst from the Western Canadian tar sands? Last year, we took one furnace offline to increase its through-put, and we will do this with another furnace in the near future. So there is effort in that direction to address precisely the issue you describe.

COMMISSIONER OKUN: Okay, and some of your specifics may have been included in some of the information you've already provided in questionnaires or otherwise, but if there is anything else that you can help staff with in terms of understanding where those capacity utilization numbers are likely to go with the information you've given, I would appreciate seeing that as well. Thank you.

I know that you have responded to a number of my colleagues with respect to which data we should

be looking at with respect to -- depending on how the Commission as a whole comes out on what the domestic industry, who should comprise the domestic industry, if you can just, for purposes of the post-hearing, look at the different data that's been collected, the different charts, and then provide your analysis of alternative views of that data that we should be looking at and whether it should include the financials and other information.

MR. ORR: Sure. We'd be glad to do that.

COMMISSIONER OKUN: Okay, and with that, I don't believe I have any other questions, but I want to thank you all for the information you have provided today.

CHAIRMAN ARANOFF: Commissioner Lane?

COMMISSIONER LANE: I just have one question, and I think it's for Mr. Carter. You were talking about the information you had about U.S. prices and world prices and publications that you had that provided that information. I'm not sure if we have it in the record, but could you provide information on world prices?

MR. TOTARO: Can I ask, I think maybe what you are -- the specific publication you may be referring to is the pricing publication that

ferrovanadium companies use as the basis for their pricing formulas. Is that what you are looking for, that lists both a --

COMMISSIONER LANE: Well, that might have been what he was referring to, and if that's a problem, all I really wanted was information in the record about -- we have in the staff report, it said that the U.S. prices are higher, but I don't know that we have any specific information as to what prices ferrovanadium is selling in other countries, and I would just like it for the record so that we can determine whether or not -- where the relative markets might be if these orders stay on or go off.

MR. TOTARO: Okay. The one piece of information that we have put on the record relative to that is some information on published prices for the United States versus published prices for Europe, but we can confer and see if there is additional pricing information from other sources.

COMMISSIONER LANE: Okay, thank you, and that's all I have, and thank you for coming today.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. Just a few other questions. On page 48 of your prehearing brief, you argue that because of

increased raw material prices, it is more difficult for the domestic industry to maintain profitability. In your post-hearing brief, I was wondering if you could explain this argument in light of the data on domestic profits presented in Table 3-7 of the staff report, particularly regarding the years 2005 and interim period 2008.

MR. TOTARO: Sure, we'd be glad to address that in the brief.

COMMISSIONER WILLIAMSON: Okay. Thank you. There has been some talk about the Windimurra plant in Australia. I was just wondering, is there much demand for ferrovanadium in Australia?

MR. ORR: Not to my knowledge.

MR. CARTER: I agree with Allan. I think that will be virtually completely an export production from that country.

COMMISSIONER WILLIAMSON: Okay, thank you. Mr. Bunting, you are nodding also.

How does the production in China, South Africa and the United States compare in terms of raw materials, production process, end use and tolling arrangements? You may have touched on that, but I --

MR. TOTARO: I am not aware of -- well, maybe I'll take a step back. We have outlined some of

the differences in production processes as far as contrasting the recycling technologies that are used among the U.S. producers and the production based on mining of ore and production based on slag produced during the production of steel that's used in China and South Africa. I think those are the primary differences. Toll production, though, I can't speak to that. I don't know if anyone else has any follow-up on that.

MR. BUNTING: I don't really understand the last part of the question. I mean, in China, for example, I would say probably 80 percent of production is steel slag-generated vanadium pentoxide. Of that, the majority is really converted to ferrovanadium by those producers, Pansi Wa and Cheng Di. But there are independent converters also that buy vanadium pentoxide from those two entities and the smaller ones to convert separately. Does that address your question?

COMMISSIONER WILLIAMSON: So, in other words, are you saying the producers are more integrated, although there is maybe some independent tolling going on in --

MR. BUNTING: I would say they are, well, they are very integrated. I would say probably at

least 60 or 70 percent, something of that order, are integrated with a V_2O_5 producer.

MR. TOTARO: And I think what Mr. Bunting is saying also is that those independent companies, we wouldn't refer to them as tollers because they -- rather, the toll production, for example, that Bear is doing is toll production for the owners of the V_2O_5, those that were converters that Mr. Bunting referred to or independent companies that buy ferrovanadium and convert it for themselves.

COMMISSIONER WILLIAMSON: Thank you, good. What about in the non-subject countries, particularly Czechoslovakia and Korea? I mean, I think we talked about the -- I keep forgetting -- the raw material is coming from Russia, but what about the number of producers in Czechoslovakia and how they operate and the processes that they use? Do you have any information on that?

MR. BUNTING: Well, there is only one producer in Czech Republic and one in Korea to my knowledge, and I think you would perhaps characterize the Czech producer as being a toll converter, because they are now owned by Yevraz, so they are essentially toll converting oxide I think on behalf of the parent. The Koreans I think are not that, though. I think

they are essentially buying oxide and then reselling ferrovanadium.

COMMISSIONER WILLIAMSON: Okay, just one last question. Can you provide more information on the agreement between Highveld and Duferco to sell Vanchem's operation to Duferco, this is in South Africa, and what is the status of that sale?

MR. TOTARO: I can provide the most recent news reports that we have seen, which indicate that the sale has been completed.

COMMISSIONER WILLIAMSON: And Vanchem is still relying on Highveld for raw material?

MR. TOTARO: That is our understanding, and that is what has been announced, that that is still going to remain the supply of input for Vanchem.

COMMISSIONER WILLIAMSON: Okay. Vanchem then would be the only realistic outlet for Highveld's vanadium Canadian slag.

MR. TOTARO: Right, that that arrangement that existed while Vanchem was a part of Highveld will remain now that they are owned by Duferco.

MR. BUNTING: I'm not sure I understood correctly there, but most Highveld slag is actually not going to that facility, only a portion of it. The bigger proportion of Highveld slag is being exported

to Austria where it is converted to ferrovanadium there.

COMMISSIONER WILLIAMSON: Okay. Good. Thank you for that clarification. And with that, I have no further questions and I'll thank the witnesses for their testimony.

CHAIRMAN ARANOFF: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Madam Chairman. I just have a couple of questions. We talked earlier about the volatility of prices and profitability in the industry, and one of the factors that was mentioned was the relatively low number of producers and how that might have an impact on pricing and profitability in the industry. Is there anything else that might be contributing to volatility, not specifically to high prices or low prices but the fluctuation of pricing and profitability?

MR. BUNTING: I would say there has been quite a lot of market speculation. I mean, not just with vanadium, but most of these materials in the last, you know, metal commodities, if you like, over the last three or four years have been on a pretty wild run, and any kind of rumor that hits the market does tend to create volatility, and it applies to molybdenum and tungsten and vanadium and so on, lots

of other metals. So I think it's just that that we are seeing.

MR. CARTER: I would say I concur with Mr. Bunting's remarks. We have seen the value for many metals, to almost most metals, to increase on the back of world expansions, particularly perhaps those in Southeast Asia, China, India. Perhaps vanadium saw an impact from the removal from the market of the Australian production, and the one South African plant that John mentioned and the closure of a plant in Louisiana, which was another secondary processor.

We'll see some of that come back in the much-discussed Australian plant. This Windimurra Vanadium will be its name as it emerges now. So it will be very interesting to see how this renewed production, which will be given to be at a large amount, will impact the market, including pricing.

COMMISSIONER PINKERT: In terms of the impact of speculation in the market, are there any imminent changes to the markets in which the product is traded that might have some impact on the degree of speculation, for example, trading in futures or anything else that might have some impact on the degree of speculation and the volatility?

MR. ORR: I'm not aware of any future

trading or any type of terminal trading on the vanadium market at all whatsoever. I don't believe that's in the future.

MR. BUNTING: There is no such thing as futures trading in vanadium, so no.

COMMISSIONER PINKERT: And you don't anticipate any changes that would possibly enable parties to control for that speculative element that we are talking about?

MR. TOTARO: I am not aware of any, no.

COMMISSIONER PINKERT: Okay, and my last question has to do with that Windimurra plant or facility. I am wondering, do we have an idea of how quickly they would be able to ramp up production in that facility?

MR. BUNTING: Well, they are talking about -- well, they have constantly been delaying what they are talking about, but the current speak basically is that the early part of next year, 2009, they will begin production, I think first quarter, and gradually increase production over the course of maybe the first half of next year. Whether that happens or not remains to be seen.

COMMISSIONER PINKERT: Thank you. I would like to thank the panel again, and I look forward to

the post-hearing.

CHAIRMAN ARANOFF: Let me just continue on with that thought and ask, if the coming on-line of the Australian facility keeps being delayed, can you explain why it keeps being delayed and whether we should still include it as being, you know, out there when we are looking at the reasonably foreseeable future? Is it reasonably foreseeable at this point that it really is going to come on-line next year?

MR. BUNTING: Yes, I think it is. I think they have just been overly optimistic, maybe to get investment support, for example, and a lot of other issues are probably playing against them. I mean, demand for equipment right now, over the last year or so, particularly in mining, which of course they are, has been very, very difficult to get, long lead times and so on.

I suspect that they have run into some of those problems, so it's taking them rather longer than they expected. But I do, I think that based on market intelligence, they are moving ever closer to actually starting, yes.

CHAIRMAN ARANOFF: Okay. If there is anything additional that you can put on the record that would just help us assess how likely it is that

that facility really is going to come on-line next year, I think that would be helpful.

Way back in my first round of questioning, I had been asking about the differences in the two sort of grade ranges for the product, and one of you gentlemen indicated that Chinese purchasers have a strong preference for the 50 percent or something in the lower range, and another of you indicated that U.S. purchasers tend to prefer, or most of what's globally traded is the 80 percent.

Is there any explanation, because you also told us that purchasers in the U.S. don't really care, that steelmakers can adjust their process to use whatever concentration there is. Is that not true for Chinese steelmakers? Is that why they have this strong preference for the lower concentration?

MR. BUNTING: No, it's just habit, I think, honestly. There's no reason why they can't use 80 percent ferrovanadium, and in fact, some do, but it's a very small percentage of the total.

MR. CARTER: I suggest that the Chinese process for the longest time ran well on 50 percent, they made it a standard and went with it. I speculate that as they have wanted to participate more in the world market, they wanted to give the world a choice,

and they have done that. That's, I must confess, speculation, but it seems to be logical for me.

MR. BUNTING: I would just add that the Russian industry uses 50 percent grade also, so it's kind of a Communist thing.

CHAIRMAN ARANOFF: Okay. You laugh, but this actually probably wouldn't be the first case in which we have heard that certain sort of idiosyncratic industrial things are leftovers from a planned economy. Okay. There is one more question I want to ask. I am probably opening a can of worms when I do, but we talked about contracting practices in the industry and that there tend to be these, what we would call short-term contracts with the steel producers.

What is the competition like between those of you who are trying to make those sales? Are you all bidding on the same contracts at the same steel producers every year?

MR. CARTER: Yes, we are.

MR. ORR: Yes, we are.

CHAIRMAN ARANOFF: And how does the bidding process work? Does the steel company put out a request for bids? Do they use internet auctions? How does the process work?

MR. CARTER: They don't use internet auctions. The only one I can recall occurred probably seven years ago. The steel industry does not seem prone to buy its raw materials on online auctions. I think they have concluded that these items are so prone to various specifications and perhaps different plants among their companies have different preferences, so it's not best just to buy cups that look just like this and send it to every plant. People want different things.

So that isn't much activity or virtually none for ferrovanadium. What people do is distribute requests for a quotation to the people from whom they would like to have a proposal. One they have received these from the respondents, then there can be some individual discussion, negotiation, to conclude the agreements that they seek.

CHAIRMAN ARANOFF: Okay. Are there particular purchasers who, you know, tend to have a long-term relationship with a single supplier, or maybe, or do they all source from multiple suppliers, and do they tend to shift from year to year so that one of you might win the contract one year and another the next, or does this concern with the precise chemistry tend to make them reluctant to switch the

players?

MR. ORR: If I can, I would say there is a switching. As we talked about earlier, there has been consolidation in the steel industry. Some of these organizations now have multiple, like 10, 12, 14 different melt shops all across the United States from Seattle to South Carolina. They're not going to put all their eggs in one basket, so we're going to have some proposals for these folks and we'll end up taking three mills or five mills as we negotiate, and that can change from year to year, maybe supplying a particular steel corporation but not the same melt shops year after year. And that is true of large integrated steel mills and the minimill applications.

MR. CARTER: I agree.

CHAIRMAN ARANOFF: Okay. Well, thank you very much. With that, I want to thank the whole panel for answering all our questions this morning.

Vice Chairman Pearson, do you have additional questions?

Commissioner Okun?

COMMISSIONER OKUN: Thank you, Madam Chairman, and I am sorry I forgot at the end of my last round.

Mr. Levin, I did just have a posthearing

question for you. I know in your testimony you discussed your view of how the Commission should view nonsubject imports in the review context in light of the Bratsk decision. I also wanted to invite you to comment on whether you think your view of it is supported or detracted from in light of the Federal Circuit's decision in Mittal Steel on September 18.

MR. LEVIN: Absolutely.

COMMISSIONER OKUN: Okay. Thank you very much.

CHAIRMAN ARANOFF: Are there any further questions from Commissioners?

Do the staff have any questions for this panel?

MR. DEYMAN: I am George Deyman, Office of Investigations. The staff has no questions.

CHAIRMAN ARANOFF: Okay, well, we will rapidly proceed, then, to the closing statement. Whenever you are ready, Mr. Totaro.

MR. TOTARO: Sure, and if you don't mind, I will remain in my seat. Thank you all for your attention today, and for welcoming us here today, and for taking the additional time, Vice Chairman Pearson, Commissioner Pinkert and members of the staff, for taking time to go out to visit production facilities.

We appreciate the attention that you have paid to this review, and we hope that it was helpful in your understanding of the product and process.

When imports from China and South Africa surged in the years leading up to these orders, the subject imports were offered at increasingly low prices in the U.S. market, which allowed them to rapidly seize a major share of the market at the expense of the domestic industry. U.S. producers' production of ferrovanadium fell sharply, as did their shipments, and the value of shipments fell to an even greater extent than quantity.

U.S. producers lost sales to subject imports or were forced to reduce their price to compete with these imports. This led to diminished returns on reduced levels of sales and to unsustainable declines in profitability. As a consequence, the industry had no choice but to implement costly, rolling shutdowns to reduce mounting inventories. The record that the Commission has compiled in these sunset reviews demonstrates that the South African and Chinese producers are positioned to resume substantial imports of ferrovanadium to the United States if the orders were revoked.

The U.S. market would again be an attractive

market for the subject producers, due to market demand from U.S. steelmakers and the availability of higher prices in the U.S. market relative to other export markets. We are confident that resumed imports from South Africa and China will displace U.S.-produced ferrovanadium. This consequence is likely because of the continued importance of price in purchasing decisions for ferrovanadium in the U.S. market, and the substitutability of U.S.-produced and imported ferrovanadium.

Several of the purchasers' and importers' questionnaire responses collected in this proceeding support these projections, namely, that if the orders are revoked, subject imports will increase and will force down prices in the U.S. market. U.S. producers are vulnerable to this type of downward price pressure due to increasing production costs, and they will face an even more difficult cost-price squeeze if additional ferrovanadium volumes from China and Australia enter the world supply and drive down prices globally.

Resumed subject imports will again result in the types of injurious effects on domestic producers' sales, production and profitability that they experienced prior to the orders, and their continued

operations would be placed at risk. To avoid this result, the VPRA and its members, Metallurg Vanadium, Bear, Gulf and Stratcor, urge the Commission to find that revocation of the antidumping duty orders on ferrovanadium from South Africa and China would be likely to lead to the continuance or recurrence of material injury to the U.S. ferrovanadium industry within a reasonably foreseeable time.

On this basis, we urge the Commission to vote to determine that these orders should be maintained. Thank you very much.

CHAIRMAN ARANOFF: Thank you, and thank you again to all of the witnesses for traveling to be with us today. We appreciate all of the time you have spent with us. Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by October 17, 2008. Closing of the record and final release of data to the parties, November 5, 2008, and final comments are due on November 7, 2008. I believe that's all the business that we have before us this morning, and so this hearing is adjourned.

(Whereupon, at 12:09 p.m., the hearing in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Ferrovanadium from China

INVESTIGATION NOs: 731-TA-986 & 731-TA-987 (Review)

HEARING DATE: October 7, 2008

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: October 7, 2008

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